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EXECUTIVE SUMMARY

The Rehabilitation Services Administration (RSA) reviewed the performance of the following programs authorized by the Rehabilitation Act of 1973, as amended (the Act) in the state of Kentucky (KY):

- the vocational rehabilitation (VR) program, established under Title I;
- the supported employment (SE) program, established under Title VI, part B;
- the independent living (IL) program, authorized under Title VII, part B; and
- the independent living services program for older individuals who are blind (OIB), established under Title VII, Chapter 2.

Kentucky Administration of the VR, SE, IL and OIB Programs

In KY, the Office of Vocational Rehabilitation (OVR) is one of two designated state units (DSU) and is responsible for administering the VR, SE, and IL programs. The agency provides services to individuals with all disabilities except those persons who are blind and visually impaired, and is known as a “general agency.” The Office for the Blind (OFB), a separate state agency, is the DSU for persons with visual disabilities. OFB is responsible for administering the VR, SE, IL and OIB programs for individuals who are blind and visually impaired. Both OVR and OFB are located within the KY Education and Workforce Development Cabinet, the designated state agency (DSA).

OVR’s Performance

During the monitoring process, RSA found numerous instances in which OVR had reported inaccurate data to RSA because of issues related to the last conversion of its case management system. Accurate data is critical to an agency’s understanding of its performance and should play an integral part in short-term and long-term decisions regarding all aspects of VR program operations.

In FY 2003, OVR’s employment rate was 0.68. In FY 2007, the rate decreased to 0.66. During the same period, the number of new applicants decreased by 1,108, from 13,902 in FY 2003 to 12,794 in FY 2007. The number of individuals served for this same period increased by 1,945 individuals, from 23,659 to 25,604. The average hourly earnings for individuals who achieved employment increased as well during the same period, from $9.62 to $10.38.

Of those individuals who achieved an employment outcome, the number who achieved a SE outcome decreased by 22, from 410 individuals in FY 2003, to 388 in FY 2007. During this same period, SE average hourly earnings remained relatively stable, with an average of $6.84 in FY 2003 and $6.79 in FY 2007.

The number of individuals served through the Kentucky State IL Program increased from 1,949 in FY 2006, to 2,734 in FY 2007, an increase of 785 individuals.
Strengths and Challenges: RSA identified the following programmatic strengths that contributed to OVR’s performance as well as the challenges OVR faced in its efforts to improve program performance.

Strengths:

- OVR involves both management and program staff in the development of its strategic plan.
- OVR’s new web-based case management system offers real-time reporting functions enabling it to effectively manage case flow through the VR process.
- OVR encourages its VR counselors to assist individuals to achieve employment outcomes with earnings above the level of substantial gainful activity (SGA) through incentive payments to staff paid for with Social Security reimbursements.

Challenges:

From FY 2003 through FY 2007, OVR generated and reported incorrect data of critical importance to the management and evaluation of the VR program. These critical data elements included the date of the individualized plan for employment (IPE) and the date of closure. In all cases, OVR reported the same date for both data elements.

- There are an insufficient number of CRPs to provide VR services, such as occupational and augmentative skills training, particularly in the rural areas of the state.
- Ensuring that all program and administrative costs are distributed according to the benefiting grant.
- Ensuring that third-party cooperative arrangements meet federal requirements.
- Ensuring that costs counting towards satisfying a cost sharing or matching requirement are verifiable from records and meet federal regulations for allowable match.
- Budget planning and tracking of disbursements within the IL program.
- Ensuring that Title 1 funds are only used for VR program purposes to benefit applicants or consumers of services.

OFB’s Performance

During the monitoring process, RSA found numerous instances in which OFB had reported inaccurate data to RSA because of issues related to the last conversion of its case management system. Accurate data is critical to an agency’s understanding of its performance and should play an integral part in short-term and long-term decisions regarding all aspects of VR program operations.

In FY 2003, OFB’s employment rate was 0.79. In FY 2007, the rate increased to .81. During the same period, the number of new applicants decreased by 145, from 742 in FY 2003 to 597 in FY 2007. The number of individuals served also decreased, from 1,287 to 1,247. The average hourly earnings for individuals who achieved employment increased from $10.15 to $10.74.
Of those individuals who achieved an employment outcome, the number who achieved a SE outcome increased, from five in FY 2003, to seven in FY 2007. For the same period, the average hourly earnings for these individuals decreased, from $8.56 to $5.81.

From FY 2003 to FY 2007, the number of individuals served by the Kentucky OIB Program decreased from 895 to 839.

**Strengths and Challenges:** RSA identified the following programmatic strengths that contributed to OFB’s performance as well as the challenges OFB faced in its efforts to improve program performance.

**Strengths:**

- OFB involves both management and program staff in the development of its strategic plan;
- OFB’s new web-based case management system offers real-time reporting functions, enabling it to effectively manage case flow through the VR process; and
- OFB encourages its VR counselors to assist individuals to achieve employment outcomes with earnings above the level of substantial gainful activity (SGA) through incentive payments to staff paid for with Social Security reimbursements.

**Challenges:**

- From FY 2003 through FY 2007, OFB generated and reported incorrect data of critical importance to the management and evaluation of the VR program. These critical data elements included the date of the IPE and the date of closure. In all cases, OFB reported the same date for both data elements.
- There is a lack of CRPs in the state skilled in the provision of services to individuals who are blind and visually impaired.
- The agency experienced a high rate of turnover among the agency’s management personnel over the past ten years.
- Ensuring that all program and administrative costs are distributed according to the benefiting grant.
- Ensure that the agency secure a portion of the funds allotted to the State under VR for Innovation and Expansion activities.
- Expending Federal funds in accordance with regulations.
- Ensuring that costs counting towards satisfying a cost sharing or matching requirement are verifiable from records and meet federal regulations for allowable match.
- Ensuring that Title 1 funds are only used for VR program purposes to benefit applicants or consumers of services.
INTRODUCTION

Section 107 of the Act requires the commissioner of the RSA to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Act to determine whether a state VR agency is complying substantially with the provisions of its State Plan under section 101 of the Act and with the evaluation standards and performance indicators established under section 106. In addition, the commissioner must assess the degree to which VR agencies are complying with the assurances made in the state plan Supplement for Supported Employment under Title VI part B of the Act. Section 12(a)(5) of the Act authorizes the RSA commissioner to monitor programs offered under Title VII of the Act to ensure they are substantially complying with their respective state plan assurances and program requirements.

In order to fulfill its monitoring responsibilities, RSA:

- reviews the state agency’s performance in assisting eligible individuals with disabilities to achieve high-quality employment and independent living outcomes;
- identifies strengths, areas of consistently high performance, areas of improved performance, challenges and areas of performance that need to be improved;
- recommends strategies to improve performance;
- requires corrective actions in response to compliance findings; and
- provides technical assistance (TA) to the state agency in order to improve its performance, meet its goals, and fulfill its state plan assurances.

Scope of the Review

RSA reviewed the performance of the following programs of the Act:

- the VR program, established under Title I;
- the SE program, established under Title VI, part B;
- the IL programs authorized under Title VII, part B; and
- the OIB program, established under Title VII, Chapter 2.

Appreciation

RSA wishes to express appreciation to the representatives of the Education and Workforce Development Cabinet, OVR, OFB, the SRC, the SILC and stakeholders who assisted the RSA monitoring team in its comprehensive review of both OVR and OFB.
CHAPTER 1: RSA’S REVIEW PROCESS

Data Used During the Review

RSA’s data collections are finalized and available at different times throughout the year. RSA’s review of OVR and OFB began in the fall of 2008 and ended in the summer of 2009. When FY 2008 data became available toward the end of the review period, and if these data signaled a significantly different level of performance than the previous five year trend, RSA included the FY 2008 data in the report. Otherwise, this report relies primarily on RSA’s FY 2007 data collections as the most recent source of data about the performance of OVR and OFB.

Review Process Activities

During the review process, the RSA KY state team:

- gathered, shared, and reviewed information regarding each program’s performance;
- identified a wide range of VR and IL stakeholders and invited them to provide input into the review process;
- conducted on-site visits, and held multiple discussions with state agency staff, SRC members, SILC members, and stakeholders;
- provided technical assistance during the review process;
- identified areas of consistently high performance and areas of improved performance;
- identified promising practices;
- identified performance areas for improvement and recommended that OVR and OFB undertake specific actions to improve its performance;
- identified compliance findings and required OVR and OFB to take corrective action;
- determined in collaboration with OVR and OFB whether RSA would provide technical assistance to improve agency performance or correct compliance findings; and
- identified issues for further review.

RSA KY State Team Review Participants

Members of RSA’s KY state team included representatives from each of the five functional units within RSA’s State Monitoring and Program Improvement Division. The RSA review team was comprised of the following individuals: Jeff Clopein, Ed West and Sandy DeRobertis (Vocational Rehabilitation Program Unit); Joe Doney (Technical Assistance Unit); Joan Ward (Data Collection and Analysis Unit); Pamela Hodge (Independent Living Unit); and William Bethel and Jacqueline Stuckey (Fiscal Unit).

Information Gathering

During FY 2009, RSA began its review of OVR and OFB by analyzing information including, but not limited to, RSA’s various data collections, OVR’s and OFB’s VR and IL state plans and OVR’s and OFB’s respective SRC’s Annual Reports. After completing its internal review, the
RSA team carried out the following information gathering activities with both OVR and OFB and their respective stakeholders in order to gain a greater understanding of OVR’s and OFB’s strengths and challenges:

- conducted four teleconferences with OVR’s VR and IL stakeholders;
- conducted four teleconferences with OVR management;
- conducted four teleconferences with OVR IL program staff, SILC members and administrative staff;
- conducted an on-site monitoring visit from March 9, 2009 through March 13, 2009, and met with staff of OVR, the Education and Workforce Development Cabinet, the CAP and PAIR programs, and members of the SILC and SRC;
- conducted four teleconferences with OFB’s VR and IL stakeholders;
- conducted four teleconferences with OFB’s management;
- conducted teleconferences with OFB IL program staff, SILC members, administrative staff and OIB staff; and
- conducted an on-site monitoring visit from March 30, 2009 through April 3, 2009, and met with staff of OFB, the Education and Workforce Development Cabinet, the CAP and PAIR programs, and members of the SRC.
CHAPTER 2: OVR VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

The following table provides data on OVR’s VR and SE programs’ performance in key areas from FY 2003 through FY 2007.

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funds expended on VR and SE</td>
<td>$54,724,885</td>
<td>$56,764,670</td>
<td>$56,954,136</td>
<td>$55,457,673</td>
<td>$58,304,485</td>
</tr>
<tr>
<td>Individuals whose cases were closed with employment outcomes</td>
<td>4,773</td>
<td>4,808</td>
<td>4,995</td>
<td>5,012</td>
<td>5,063</td>
</tr>
<tr>
<td>Individuals whose cases were closed without employment outcomes</td>
<td>2,214</td>
<td>2,045</td>
<td>2,334</td>
<td>2,327</td>
<td>2,519</td>
</tr>
<tr>
<td>Total number of individuals whose cases were closed after receiving services</td>
<td>6,987</td>
<td>6,853</td>
<td>7,329</td>
<td>7,339</td>
<td>7,582</td>
</tr>
<tr>
<td>Employment rate</td>
<td>0.68</td>
<td>0.70</td>
<td>0.68</td>
<td>0.68</td>
<td>0.67</td>
</tr>
<tr>
<td>Individuals whose cases were closed with supported employment outcomes</td>
<td>410</td>
<td>406</td>
<td>397</td>
<td>378</td>
<td>388</td>
</tr>
<tr>
<td>New applicants per million state population</td>
<td>3,374.27</td>
<td>3,430.60</td>
<td>3,288.01</td>
<td>3,121.38</td>
<td>3,017.45</td>
</tr>
<tr>
<td>Average cost per employment outcome</td>
<td>$3,045.97</td>
<td>$3,537.42</td>
<td>$3,394.57</td>
<td>$3,580.67</td>
<td>$3,790.82</td>
</tr>
<tr>
<td>Average cost per unsuccessful employment outcome</td>
<td>$2,003.13</td>
<td>$2,336.79</td>
<td>$1,924.34</td>
<td>$2,396.71</td>
<td>$2,267.89</td>
</tr>
<tr>
<td>Average hourly earnings for competitive employment outcomes</td>
<td>$9.66</td>
<td>$9.82</td>
<td>$10.32</td>
<td>$10.26</td>
<td>$10.39</td>
</tr>
<tr>
<td>Average state hourly earnings</td>
<td>$15.31</td>
<td>$15.72</td>
<td>$16.31</td>
<td>$16.76</td>
<td>$17.38</td>
</tr>
<tr>
<td>Percent average hourly earnings for competitive employment outcomes to state</td>
<td>63.10%</td>
<td>62.47%</td>
<td>63.27%</td>
<td>61.22%</td>
<td>59.78%</td>
</tr>
<tr>
<td>Average hours worked per week for competitive employment outcomes</td>
<td>34.71</td>
<td>34.31</td>
<td>34.5</td>
<td>34.4</td>
<td>33.89</td>
</tr>
<tr>
<td>Percent of transition age served to total served</td>
<td>36.55%</td>
<td>34.61%</td>
<td>33.39%</td>
<td>34.38%</td>
<td>34.20%</td>
</tr>
<tr>
<td>Employment rate for transition population served</td>
<td>0.68</td>
<td>0.70</td>
<td>0.69</td>
<td>0.69</td>
<td>0.66</td>
</tr>
<tr>
<td>Average time between application and closure (in months) for individuals with competitive employment outcomes</td>
<td>29.6</td>
<td>28.5</td>
<td>28.2</td>
<td>28.6</td>
<td>28.9</td>
</tr>
<tr>
<td>Performance on Standard 1</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
</tr>
</tbody>
</table>
VR and SE Service Delivery

OVR is divided into two divisions, The Carl D. Perkins Vocational Training Center and the Division of Program Services. The Division of Program Services has six program service branches, including Rehabilitation Technology, System Management, Supported Employment, Program Planning and Development, Deaf and Hard of Hearing Services, and Field Services. OVR has 14 district offices and 56 field offices. The agency’s headquarters are located in Frankfort.

OVR has established an order of selection (OOS) since 1983 with 15 individuals on a waiting list at the end of FY 2008. According to OVR, counselors have an average caseload size of 276 (in statuses 02-38) and are expected to meet a placement goal between 32 and 37 employment outcomes, depending on the counselor’s level of experience.

OVR currently partners with more than 40 CRPs that provide services to assist individuals to achieve competitive employment outcomes. In addition, the agency contracts with more than 70 CRPs to provide SE services. All CRPs are paid on an outcome basis.

CRPs provide SE services through fee for service contracts. In KY, extended service providers include Mental Health/Mental Retardation Services, the Kentucky Council on Developmental Disabilities, city and county governments, and the United Way. During FY 2007, OVR referred 1,408 consumers to CRPs for services related to competitive employment and 521 (37 percent) of them obtained competitive employment. During that same year, CRPs assisted 388 individuals to achieve SE outcomes, 7.7 percent of all employment outcomes.

OVR operates the Carl D. Perkins Vocational Training Center (CDPVTC), a CARF-accredited rehabilitation center. CDPVTC was established in 1973 as a 180-bed facility with a 24-bed assisted living unit. CDPVTC is located 140 miles east of Frankfort. The goal of CDPVTC is to provide VR services to consumers with complex medical, psychological, substance abuse, developmental, and/or socioeconomic challenges to achieve suitable employment and/or increased independent living through a multidisciplinary evaluation, work adjustment training, vocational education, and medical rehabilitation model.

OVR has had a Supported Self Employment program in place for the past seven years through Project ASSET (Advancing Supported Self Employment Techniques). Project ASSET assists people with the most significant disabilities to own and operate businesses with appropriate supports.

For the past twenty five years, OVR has had an interagency cooperative agreement with 176 Local Education Agencies (LEA), the Kentucky Department of Education, and the Human Development Institute at the University of Kentucky. The Community Based Work Transition Program (CBWTP) is designed to assist eligible transition-age youths to transition from high school to employment. Student employment coordinators funded by the LEA and OVR provide
services to participating transition-age youths during their final two years of school. During this time counselors work with the employment coordinators to ensure that community-based vocational services provided to the student lead to the completion of a vocational evaluation. The evaluation is then used for planning and development of the IPE. Upon development of the IPE, further community-based vocational services are provided to the student in the form of training for the planned vocational goal. The desired outcome for participants in the CBWTP is paid employment in the planned vocational goal prior to exiting school.

**Personnel**

In FY 2007, OVR employed a total of 433 staff in the following categories: administrative (41), counseling (147), support (186) and other (59). OVR employs VR counselors at five different levels as follows:

- VR Specialist I (BA Level)
- VR Specialist II
- VR Counselor (Master level)
- VR Counselor Certified I
- VR Counselor Certified II

In its comprehensive system of personnel development (CSPD), OVR has adopted the national standard of qualification for VR counselors and, as such, requires counselors to have a Master’s of Arts (MA) or a Master’s of Rehabilitation Counseling (MRC) and to be eligible to sit for the national certification in rehabilitation counseling (CRC) exam. New hires are given five years to meet these qualifications, and they are not permitted to advance if the qualifications are not achieved within this timeframe. OVR has experienced difficulty in recruiting VR counselors at its current standard and is considering adopting a state certification or licensure standard in its place.

The University of Kentucky is the only institution in the Commonwealth offering an MRC degree. To attain this degree, counselors are also enrolled in on-line programs offered by Auburn University, Virginia Commonwealth University, the University of Kentucky, and San Diego State University.

In FY 2006, OVR established a leadership-training program called ALEAP Phase I & II. Participants can attain a Certificate in Public Management (CPM) offered through KY state government. ALEAP is an internal program which is unaffiliated with any institution of higher learning.

**Data Management**

In November 2008, OVR implemented a new web-based case management system (CMS). The prior system was ten years old and was both increasingly difficult and costly to maintain because of technological advancements. Rather than purchase an off-the-shelf case management software package, OVR (in conjunction with OFB) took four years to develop its CMS in-house due to budgetary constraints and a desire to have more flexibility in the design and functionality
of the system. OVR conducted a statewide survey and follow-up survey to provide inclusion and elicit desired functions and capabilities for the new system. Teams were developed from across the agency to review the functionality, capabilities, and attributes of the new system. Team members included managers, counselors, assistants, and specific groups, such as IL staff.

The system is in the beginning phase of implementation and other modules being planned for future releases to address IL, job placement, CDPVTC, supported employment, the deaf/blind program and rehabilitation technology. Reporting mechanisms provide ticklers and counselors can access their caseload information from any networked computer. Remote access and a case checkout feature will be available in a later release. Counselors can generate authorizations for services from their desktops and have access to a vendor search and information screen. For transition-age youths, information about the student’s school, individual education plan (IEP), and graduation dates can be tracked.

Enhancements planned for future releases of CMS updates, include popup ticklers, expansion of transition data, electronic signature capability and electronic approval of purchases with the exception of fee schedules or van modifications. OVR maintains paper cases for audit purposes and paper documents will be kept indefinitely so that OVR remains compliant with 34 CFR 80.21, 34 CFR 80.22, 34 CFR 361.47, 34 CFR 361.49, and Kentucky Revised Statutes 171.680, and 61.878(1)(6) Personal Information.

Some standardized reports used for planning and policy purposes can be run from the CMS at any time. This is an enhancement over the previous system where these reports were generated only monthly and quarterly. Agency level personnel do not have direct access to real time underlying data contained in the CMS via Crystal Reports or other means and therefore cannot perform any ad hoc querying of this data. Customized/specialized reports are generated using Crystal Reports by the IT Cabinet staff and are usually available to counselors within 24 hours.

The agency has purchased the necessary software licensing to access real time data. The CMS system now has 70 real time reports currently available to OVR/OFB staff with access on demand. The agency is also currently exploring the purchase of InfoAdvantage as another ad hoc reporting option. The agency has conducted training to upgrade and refresh the CMS skills of OVR/OFB staff. Since the initial RSA visit, OVR has released six upgrades to improve the usability of the system and continues to seek ways in which to improve the system.

Accuracy of the data is ensured by built-in edit checks that have been implemented in the new system. These greatly reduce the incidence of data errors. Additionally, case reviews are conducted on a routine basis.
Quality Assurance

The agency’s quality assurance process focuses on a case record review. The review process calls for a full examination of each case. Cases are pulled monthly based on random computer runs and annually revised parameters which are established and predetermined for review. The case review process is a component of the performance appraisal. There is a state mandated evaluation of employees with performance expectations in case documentation. OVR may provide training or impose corrective actions based on individual, office or group performance.

In addition, OVR measures counselor productivity through monthly statistical data. Counselors are rated on successful employment outcomes. Managers are encouraged to adjust performance ratings dependent on caseload type, composition or availability of resources.

Finally, the agency maintains a system to annually collect and analyze data regarding staff needs and personnel development.

Planning

OVR developed its most recent strategic plan in FY 2005, which covers three years of activities. The 2005-2008 Strategic Plan focuses mainly on strategies for maintaining or increasing all aspects of the federal performance standards and indicators. OVR encourages each district to develop planning initiatives to address performance standards and indicators that support state level performance indicator goals.

OVR compiled its most recent comprehensive needs assessment in FY 2008-2009 from surveys of staff, CRPs, the general public, and one-stop managers. The agency reviewed census information and secondary data sources, and solicited public comment through the agency’s website and at public forums.

Areas of Consistently High or Improved VR and/or SE Performance

1. Number of Employment Outcomes

- As indicated by Figure 2.1 below, OVR consistently improved its performance regarding the number of employment outcomes achieved between FY 2003 and FY 2007. While the number of employment outcomes decreased for the same period for all general agencies, OVR’s employment outcomes gradually increased.
Figure 2.1
Number of Employment Outcomes for FY 2003 through FY 2007

2. Employment Rate

- As indicated by Table 2.2 below, OVR achieved a consistently higher employment rate than the national figure for all general agencies between FY 2003 and FY 2007.

3. Percent of employment outcomes with a ratio of hourly earnings at a level to or exceeding indicator 1.5

- As indicated by Table 2.2 below, for all general agencies between FY 2003 and FY 2007, OVR was consistently more than 10 percent above the national percentage regarding employment outcomes with a ratio of hourly earnings at a level to or exceeding indicator 1.5.

Table 2.2
Closure Performance Measures for FY 2003 through FY 2007

<table>
<thead>
<tr>
<th>Closure Performance Measures</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OVR</td>
<td>0.68</td>
<td>0.70</td>
<td>0.68</td>
<td>0.68</td>
<td>0.67</td>
</tr>
<tr>
<td>All General Agencies</td>
<td>0.57</td>
<td>0.52</td>
<td>0.58</td>
<td>0.58</td>
<td>0.59</td>
</tr>
<tr>
<td>Percent employment outcomes with the ratio of hourly earnings at a level to or exceeding indicator 1.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OVR</td>
<td>53.30%</td>
<td>45.70%</td>
<td>51.10%</td>
<td>48.70%</td>
<td>45.40%</td>
</tr>
<tr>
<td>All General Agencies</td>
<td>37.20%</td>
<td>34.90%</td>
<td>34.70%</td>
<td>33.70%</td>
<td>33.90%</td>
</tr>
</tbody>
</table>
4. Percent of individuals closed with a competitive employment outcome with employer provided medical insurance

- As indicated by Table 2.3 below for FY 2003 through FY 2007, OVR performed consistently more than 10 percent above the national rate regarding individuals closed with competitive employment outcomes with employer-provided medical insurance.

<table>
<thead>
<tr>
<th>Competitive employment outcomes with employer-provided medical insurance</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>2,186</td>
<td>2,028</td>
<td>2,127</td>
<td>2,011</td>
<td>2,001</td>
</tr>
<tr>
<td>Percent</td>
<td>47.80%</td>
<td>43.70%</td>
<td>43.60%</td>
<td>41.00%</td>
<td>40.00%</td>
</tr>
<tr>
<td>All General Agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>33,591</td>
<td>30,014</td>
<td>28,694</td>
<td>28,033</td>
<td>28,017</td>
</tr>
<tr>
<td>Percent</td>
<td>30.60%</td>
<td>28.10%</td>
<td>28.40%</td>
<td>27.80%</td>
<td>27.90%</td>
</tr>
</tbody>
</table>

**VR and SE Programs: Technical Assistance Provided to OVR During the Review Process**

RSA provided VR and SE program technical assistance to OVR during the review process regarding:

- the agency’s case management system and providing real time data through the RSA-911;
- the use of RSA’s Management Information System (MIS), including how to locate RSA monitoring tables, standards and indicator data and agency report cards, as well as how to conduct ad hoc queries to compare and contrast the agency’s performance against that of similarly situated agencies;
- financial data collection and reporting;
- the federal requirements for the establishment of third-party cooperative arrangements; and
- the Client Assistance Program’s right to select its representative to the SRC.

**Observations of OVR and Its Stakeholders about the Performance of the VR and SE Programs**

RSA solicited input from OVR and a wide range of its stakeholders about the performance of the VR and SE programs. OVR and its stakeholders shared observations regarding:

- the lack of outcome data or report cards for CRPs;
- the extended length of time experienced by consumers prior to receiving services;
• the lack of job placement data in the previous case management data system;
• the increased costs of services;
• a lack of funding for extended services that impedes the ability of OVR to assist individuals with disabilities to obtain supported employment;
• the lack of prospective employers and accessible transportation to VR offices, sites for the provision of VR services and job locations in rural areas;
• the need for specialized staff training to address a large population of consumers with disabilities who are transient, chemically dependent, or ex-offenders;
• the need for specialized staff training to address a significant increase in the number of individuals served with autism;
• the use of Social Security reimbursements to provide monetary incentive benefits for staff when successful SGA occurs; and
• difficulty maintaining consumer participation levels for school-to-work transition programs resulting from a decreasing number of referrals related to the downsizing of many schools.

RSA discussed the aforementioned stakeholder observations with OVR and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

**Continuing Education Needs of OVR Staff**

RSA solicited input from OVR to identify continuing education needs of its staff in the following areas:
• leadership skills development,
• medical aspects of disability;
• caseload management; and
• quality assurance.

OVR’s stakeholders shared with RSA that there is a need to train agency staff to address a significant increase in the number of individuals served with autism, learning disabilities, and chemical dependencies, as well as ex-offenders and those individuals who are transient or precariously housed.

**VR and SE Performance Observations and RSA Recommendations**

RSA observed the following performance issues and made recommendations to OVR regarding each of them. OVR responded to these recommendations and in those instances when RSA and OVR agreed upon a recommendation, RSA and OVR identified the technical assistance that RSA would provide to OVR to successfully implement these recommendations.

1. **Inaccuracies in data reported on the RSA-911 Case Service Report for FY 2003 through FY 2007**

   **Observation 1:** During the monitoring process, RSA found numerous instances in which OVR had reported inaccurate data to RSA because of issues related to the last conversion of its case
management system. Accurate data is critical to an agency’s understanding of its performance and should play an integral part in short-term and long-term decisions regarding all aspects of VR program operations.

- As part of its monitoring process, RSA’s Data Collection and Analysis Unit prepared several data tables based upon RSA-911 data submitted by OVR. After reviewing the tables, RSA observed that the data were potentially inaccurate because 100 percent of OVR’s cases were closed within three months of the date of the IPE for FY 2003 through FY 2007. Upon sharing this observation with OVR, RSA was advised that the reported IPE data inaccuracies resulted from a database management software change implemented by OVR in FY 2003. OVR subsequently provided revised RSA-911 data containing the social security number (SSN), closure order, IPE day, month and year; along with revised data tables. RSA imported the revised data and revised the same data tables. OVR’s data were inconsistent RSA’s. While on-site, it was determined that OVR’s revised data tables were produced using the extracted data. Because data were extracted at a different time, it was suspected to have caused the differences in the data.
- OVR does not have access to the data contained in its CMS and must obtain extracted data from the DSA. Extracted data is static and sometimes contains errors.
- OVR management indicated that it has taken steps to ensure the access of its staff to accurate and real-time data from the CMS, including the development of Crystal Reports and OVR tables. Agency management stated that the program evaluator should be able to access real time data independently after training. In addition, over 30 real-time reports are now available to nearly all OVR staff on demand through the CMS. OVR stated that the need for extracted data with its inherent risk of errors will diminish as the program evaluator becomes more proficient with Crystal Reports.
- OVR staff conducted training to upgrade the skills of district CMS specialists and key OVR staff in March of this year. Two upgrades of the system were released following the RSA on-site visit and OVR plans to make continuous improvements and to conduct on-going training until the CMS is fully implemented.

Recommendation 1: RSA recommends that OVR:

1.1 obtain access to underlying data in the CMS via Crystal Report licensing or another method;
1.2 provide consistent and ongoing training to all staff on the use of the CMS to ensure greater accuracy in the information contained in the CMS; and
1.3 develop processes to verify the accuracy of the data reported through RSA data collection forms with that contained in the agency’s CMS.

Agency Response: The agency has purchased the necessary software licensing to access real time data. The CMS system now has 70 real time reports currently available to OVR/OFB staff with access on demand. The agency is also currently exploring the purchase of InfoAdvantage as another ad hoc reporting option. The agency has conducted training to upgrade and refresh the CMS skills of OVR/OFB staff. Since the initial RSA visit, OVR has released six upgrades to improve the usability of the system and continues to seek ways in which to improve the system.

The new CMS was designed with additional validation checks as compared to the previous version of CMS. The FY 2008 data was validated in the new system prior to RSA 911
submission and did not have the data error noted in the FY 2003-2007 submissions. OVR will continue to validate and test all data elements for accuracy.

**Technical Assistance:** OVR does not request technical assistance.

2. Caseload Size

**Observation 2:** OVR may be using inaccurate caseload size data to manage the VR program due to the possible inclusion of inactive cases in these figures.

- According to OVR data, the FY 2007 caseload size per counselor varied from 206 to 416, and averaged 276 per counselor.
- During on-site discussions counselors consistently indicated the caseloads were much smaller if only active cases were considered. Some counselors also indicated that they do not take the steps to close inactive cases in order to meet OVR’s high performance productivity goals for counselors based on rehabilitation rates.
- To address this issue, OVR had implemented a year-long amnesty period at the time of the review during which counselors were allowed to close inactive cases without an impact on their performance evaluations.

<table>
<thead>
<tr>
<th>Table 2.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVR’s Average Statewide Caseload for FY 2003 through FY 2007</td>
</tr>
<tr>
<td>OVR’s Average Statewide Caseload</td>
</tr>
<tr>
<td>Caseload</td>
</tr>
</tbody>
</table>

**Recommendation 2:** RSA recommends that OVR:

2.1 continue the amnesty period for a sufficient period of time to ensure that the caseload figures accurately represent active cases; and
2.2 based on new caseload figures resulting from the amnesty period, determine the need to implement strategies to reduce counselor caseloads, such as the redistribution of cases among counselors and the reallocation of counselors among district offices.

**Agency Response:** Amnesty was developed as a procedure to encourage counselors to close individuals not seeking continued VR services prior to, or after IPE development, between October 1, 2008 and September 30, 2009. The counselors will not be penalized on their personnel evaluations for lower numbers on their individual Standards and Indicators related to the rehabilitation rate and the minority closure rate. At the end of August 2009, the agency had closed 7239 cases in status 28 or 30, as compared to 4110 in FY 2008. This is a 43.22% increase due to the amnesty period of 1 year (data retrieved 9/28/09). To encourage and update counselors regarding the amnesty project, OVR has provided monthly statistics outlining the number of status 28 and 30 closures.

A personnel review to include caseload sizes, population by district, and caseload population statistics by district, was conducted in 2008 and will be conducted again in FY 2009. OVR will
secure accurate numbers for average caseload sizes and will develop a plan for changes if needed, by reviewing amnesty data and the personnel review report

**Technical Assistance:** OVR does not request technical assistance.

**3. Order of Selection (OOS)**

**Observation 3:** OVR continues to maintain its OOS with six categories despite the fact that very few individuals have been on the agency’s waiting list since FY 2004.

- Since FY 1983, OVR has implemented an OOS that prioritizes individuals for service delivery in six categories. These categories included:
  - Category 1 - most significant disabilities with functional limitations in four or more major areas;
  - Category 2 - significant disabilities with functional limitations in three major areas;
  - Category 3 - significant disabilities with functional limitations in two major areas;
  - Category 4 - significant disabilities with functional limitations in one major area;
  - Category 5 - non-significant disabilities causing permanent functional limitations; and
  - Category 6 - non-significant disabilities.
- Since FY 1996, categories 1-4 have been open and categories 5-6 have been closed.
- According to data reported to RSA by OVR, 15 individuals from Category 6 were placed on the OOS waiting list from FY 2004 through the close of FY 2008. Three of these individuals were added to the waiting list in FY 2008.
- During on-site discussions, VR counselors indicated that they were not familiar with the six priority categories and others were not aware that individuals were on a waiting list for services.
- During the review, OVR management stated that it was pursuing revisions to agency policies to reduce the number of priority categories from six to five.

**Recommendation 3:** RSA recommends that OVR:

3.1 assess the needs to continue implementation of the OOS;
3.2 consider further reducing the number of priority categories if the agency determines the OOS is still necessary, to enable staff to accurately assign individuals to the categories; and
3.3 provide training to staff on the existing category requirements to ensure that individuals are properly assigned under the current policies and additional training related to any revisions to the category requirements.

**Agency Response:** The agency conducted training to all OVR counselors regarding eligibility and OOS in FY 2007 and provides guidance on OOS in the agency procedure manual. OVR, in accordance with 34 CFR 361.36(c) (1), assesses the need to maintain or change the OOS annually. Assessments during 2009 have resulted in the need to close categories 3 and 4 due to both limited financial and personnel resources effective January 1, 2010. Intensive training will be provided to all staff in November and December to ensure the requirements of each category and proper use of the waiting list for applicants that meet eligibility requirements of a closed
category. Communication of various methods will occur with stakeholders, providers, CRPs, partners, referral sources, and consumers on the change of OOS prior to December 1, 2009.

In addition, OVR through administrative regulations will be changing its OOS criteria resulting in a change from 6 categories to 5 categories as defined below:

Category 1 – most significant disabilities with functional limitations in four or more major areas;
Category 2 – significant disabilities with functional limitations in three major areas;
Category 3 – significant disabilities with functional limitations in two major areas;
Category 4 – significant disabilities with functional limitations in one major area; and
Category 5 – non-significant disabilities

**Technical Assistance:** OVR does not request technical assistance.

4. Supported Employment (SE)

**Observation 4:** From FY 2003 through FY 2007, OVR experienced a gradual decline in the number of individuals who achieved SE outcomes.

- As indicated in Table 2.5 below, in FY 2003, 410 individuals achieved SE outcomes. This figure declined to 388 individuals by FY 2007. In that year, individuals who achieved SE outcomes represented 7.7 percent of all individual who achieved employment outcomes, compared to 11.3 percent for all general agencies.

<table>
<thead>
<tr>
<th>SE Outcomes</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>OVR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>410</td>
<td>406</td>
<td>397</td>
<td>378</td>
<td>388</td>
</tr>
<tr>
<td>Percent</td>
<td>8.6%</td>
<td>8.4%</td>
<td>7.9%</td>
<td>7.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>All General Agencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>9,857</td>
<td>10,161</td>
<td>10,053</td>
<td>10,820</td>
<td>11,570</td>
</tr>
<tr>
<td>Percent</td>
<td>8.7%</td>
<td>9.3%</td>
<td>9.7%</td>
<td>10.5%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>
During on-site discussions, OVR attributed this decline in performance to the decreasing funding for extended services in the state, which has resulted in large waiting lists for these services among the CRPs, and to the lack of CRPs in rural areas.

OVR management indicated that it continues to seek additional positions dedicated to the provision of SE services in rural areas and that the expansion of SE services would be a priority for the use of the agency’s VR stimulus funding.

In addition, for the ten years preceding this review, the agency has employed a benchmark system for SE service provider payments. However, OVR indicated that it does not use the benchmark data obtained under the individual CRP contracts to assess and hold accountable the CRPs for their performance.

Recommendation 4: RSA recommends that OVR:

4.1 develop collaborative relationships with state agencies for individuals with developmental disabilities and mental illness and other organizations involved in the SE program to explore methods to increase the funding available for extended supports;

4.2 increase the accountability of CRPs through the use of data from the benchmark payment system with respect to the services delivered and the number and quality of the SE outcomes achieved, including the types of jobs obtained, wages at placement, hours at placement and job-related benefits at placement; and

4.3 using the benchmark trend data, establish measurable goals and targets to increase the number and quality of SE outcomes, along with strategies to achieve these goals, and include these goals and strategies in the State Plan.

Agency Response: OVR is an active member of the Supported Employment Stakeholders Group, made up of 15-20 agencies and organizations that either deliver or fund supported employment services. This group has made significant progress, especially in the area of making recommendations that would increase the use of the Medicaid Waiver Dollars for funding extended support services. As an example, a recent policy was changed to assure that wages/earnings were correctly figured and allowable disregards included in the formula, so that when individuals on the Waivers go to work, they still can keep the other support services so necessary for inter-dependent living (housing, recreation, respite, therapies, etc).

This group along with KY APSE (Association for Persons in Supported Employment) work collaboratively to develop funding requests for state dollars from the Kentucky General Assembly. These efforts will continue On October 1, a new Commissioner for the Department for Mental Health, Developmental Disabilities and Addiction Services assumed duties in this partner agency. With his arrival in KY, OVR will have even stronger possibilities for collaborating with this agency to develop stronger funding for extended services.

OVR, together with the University of Kentucky Human Development Institute Supported Employment Training project is in the early stages of piloting a data collection instrument which will contain the exact data suggested (types of jobs, wages and earnings and benefits, weekly hours, support services, funding sources for extended services).
Once the data collection instrument is tested and “tweaked,” then reports can be developed. Data can then be analyzed (as described in Recommendation 4.2), so that we can establish measurable goals and targets to increase the number and quality of SE outcomes and include these in the State Plan.

**Technical Assistance:** OVR does not request technical assistance.
RSA reviewed OVR’s fiscal management of the VR, SE, and IL programs. During the review process RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency’s cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices and financial management systems.

**Fiscal Management**

The OVR fiscal management system needs to be strengthened in the areas of contract administration, reporting practices, internal controls, tracking contractor finances, match planning and application, allocation of costs to benefit grants and agreements that generate match. The current fiscal managers are relatively new to their job and are dedicated to making the changes necessary to correct issues identified in this report and properly manage the agency’s finances.

The data in the following table, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year’s SF-269 report. The maintenance of effort (MOE) requirement data is taken from the final SF-269 report of the fiscal year two years prior to the fiscal year to which they are compared. Fiscal data related to administration, total expenditures and administrative cost percentage are taken from the RSA-2.

### Table 3.1
Fiscal Data for OVR for FY 2004 through FY 2008

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>KENTUCKY (G)</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Amount</td>
<td></td>
<td>41,222,634</td>
<td>41,546,115</td>
<td>42,142,960</td>
<td>44,254,159</td>
<td>44,499,061</td>
</tr>
<tr>
<td>Required Match</td>
<td></td>
<td>11,292,149</td>
<td>11,244,374</td>
<td>11,405,909</td>
<td>11,977,301</td>
<td>12,043,577</td>
</tr>
<tr>
<td>Federal Expenditures</td>
<td></td>
<td>41,222,634</td>
<td>41,460,743</td>
<td>42,142,960</td>
<td>44,254,159</td>
<td><strong>39,596,227</strong></td>
</tr>
<tr>
<td>Actual Match</td>
<td></td>
<td>12,330,839</td>
<td>12,483,140</td>
<td>12,336,420</td>
<td>12,696,676</td>
<td>12,351,194</td>
</tr>
<tr>
<td>Over (Under) Match</td>
<td></td>
<td>1,038,690</td>
<td>1,238,766</td>
<td>930,511</td>
<td>719,375</td>
<td>309,961</td>
</tr>
<tr>
<td>Carryover at 9/30 (year one)</td>
<td></td>
<td>6,921,176</td>
<td>6,362,536</td>
<td>7,252,327</td>
<td>8,344,082</td>
<td>7,972,268</td>
</tr>
<tr>
<td>Program Income</td>
<td></td>
<td>1,928,822</td>
<td>1,657,897</td>
<td>1,947,544</td>
<td>2,068,531</td>
<td>2,786,134</td>
</tr>
<tr>
<td>Maintenance of Effort (MOE)</td>
<td></td>
<td>12,180,719</td>
<td>12,407,351</td>
<td>12,330,839</td>
<td>12,483,140</td>
<td>12,336,420</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td></td>
<td>4,910,772</td>
<td>5,458,952</td>
<td>5,675,256</td>
<td>5,191,922</td>
<td>5,507,792</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td></td>
<td>56,764,670</td>
<td>56,954,136</td>
<td>55,457,673</td>
<td>58,304,485</td>
<td>59,300,614</td>
</tr>
<tr>
<td>Percent Admin Costs to Total Expenditures</td>
<td></td>
<td>8.65%</td>
<td>9.58%</td>
<td>10.23%</td>
<td>8.90%</td>
<td>9.29%</td>
</tr>
</tbody>
</table>

*Includes Supported Employment Program Expenditures.

Explanations Applicable to the Fiscal Profile Table

Grant Amount:

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

Match (Non-Federal Expenditures):

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

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

Carryover:

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

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

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state vocational rehabilitation program income include, but are not limited to, payments from the Social Security Administration (SSA) for rehabilitating SSA beneficiaries, payments received from Workers’ Compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated CRP. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year.
regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the SSA for rehabilitating SSA beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed: 1) the total amount (as compared to the total percentage of income earned by all VR agencies and comparable/like VR agencies); 2) sources; and 3) use of generated income.

**Maintenance of Effort (MOE):**

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

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

**Administrative Costs:**

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

**Fiscal Technical Assistance Provided to OVR During the Review Process**

RSA provided VR, SE and IL program technical assistance to OVR during the review process regarding:

- contract administration processes and the identification of areas that need strengthening or revision to ensure proper management of funds, internal controls and appropriate payment points;
- the need to provide checks and balances in the payment process;
- the training of fiscal staff on the completion of fiscal reports, which included providing self instruction modules for training new staff;
- planning for match levels in order to meet required non-federal contributions while guarding against possible MOE penalties;
- the differences between administrative and non-administrative costs centers;
- how to assist IL centers in managing their cash flow without having excessive cash on hand;
• the requirement to charge costs to the benefiting grant, participant activity report development, and how to allocate personnel and non-personnel costs;
• the proper administration and application of certifying staff who work 100 percent of their time on one contract or cost center;
• the requirement for contractor invoicing, contract finance reconciliation, and the tracking of expenditures related to each agreement; and
• the difference between a cooperative agreement (under which expenses are shared) and a third-party cooperative arrangement (under which financial contributions from a public agency may be used to meet non-federal matching requirements).

Observations of OVR about the Fiscal Management Performance of the VR, SE, and IL Programs

RSA solicited input from OVR about the performance of the VR, SE and IL programs. OVR shared observations regarding:

• the need to develop a proper allocation of cost to each grant;
• the need to revise the IL contracting and financial management policies to ensure proper tracking and reconciliation of IL-Part B funds;
• misunderstandings regarding the reporting of administrative costs; and
• the need to strengthen the checks and balances related to processing of CRP payments.

RSA discussed with OVR its observations and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

VR, SE and IL Programs’ Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to OVR about those observations. OVR responded to each of the recommendations and in those instances when RSA and OVR agreed upon a recommendation, RSA and OVR identified the technical assistance that RSA would provide to OVR to successfully implement the recommendation.

1. Contract for Purchased Services

Observation 1: OVR does not use a standardized contract model for the purchase of services.

• OVR’s contract for Title I purchased services is not a complete document. The proposing CRP submits the services it will provide to OVR, in writing, and OVR uses that document as the contract agreement.
• Samples of contracts reviewed by RSA did not detail assurances, payments to be made, payment points, and other requirements that would contribute to proper administration of these agreements.
**Recommendation 1:** RSA recommends that OVR develop standardized contracts to be used for the purchase of VR services from CRPs, which would include all necessary assurances, payments, invoicing requirements, internal monitoring/requirements, and other contract requirements of the State of Kentucky. These contracts would be signed by OVR and the contracting party.

**Agency Response:** The agency’s contract between the CRP and OVR is a complete document. OVR uses an authorization for services process. The agency defines the services required of CRPs, provides the CRP vendor/applicant with the description of the CRP services, the established fee schedule per successful outcome, and the reporting requirements necessary for payment of those services. The counselor will make a referral to the appropriate CRP of the individual’s choice and will produce an authorization for services which outlines the authorized service and the established fee for that particular service when an eligible individual and the counselor agree CRP services would benefit the individual in terms of an employment outcome and decide to include the service on the Individualized Plan for Employment. All CRP services are outcome-based. All aspects of the service must be rendered AND the desired outcome must be achieved before any payment is made. The benefits of performance-based payments are well documented in VR and other professional literature. Rather than paying for a process or the time that an individual is in “training,” the agency is only paying for successful employment outcomes that meet the informed choice of the individual and the definition of employment outcome (34 CFR 361.5(b)(16)). OVR will make changes to the vendor agreements and fee schedule to more specifically define a standard pay-back clause, debarment information, and specific assurances related to accessibility, affirmative action, and communication as outlined in 34 CFR 361.51(b).

**Technical Assistance:** OVR does not request technical assistance.

2. **Report Inaccuracies**

**Observation 2:** OVR inaccurately reported its indirect cost rate from FY 2003 to FY 2007.

- OVR reported an average indirect cost rate (IDCR) of 11 percent. However, the approved IDCR is 7 percent.
- During the review of this issue, RSA found that OVR had incorrectly developed the SF-269 reports, but the agency did not appear to have overpaid the IDCR during the years in question.

**Recommendation 2:** RSA recommends that OVR formally request that the effected reports be opened to enable fiscal staff to make the changes required to reflect the actual IDCR costs, per the annually approved rates.

**Agency Response:** The agency agrees with the above recommendation and has made the changes recommended by RSA.
Technical Assistance: OVR does not request technical assistance.

3. Separation of Duties

Observation 3: OVR does not separate duties to ensure proper handling of the CRP billing.

- The VR counselors approve both the service to be delivered and its payment. Subsequently, financial staff process the payments.
- Financial staff process the CRP payments based only on the approval of the counselor.

Recommendation 3: RSA recommends that OVR develop a system of checks and balances for billing purchased services to ensure that more than one person are involved in ordering services and approving the related expenditures.

Agency Response: OVR meets and exceeds the necessary checks and balances for procurement. Payment is approved first by the authorizing counselor, after which a Central Office staff member trained in the utilization of proper fees, codes, and the procurement and financial policy of the Commonwealth of Kentucky must approve the payment. The authorization is checked electronically through edits in the Case Management System and uploaded into the state accounting system. The request for payment is then reviewed by a second Central Office staff member before being approved electronically for payment. All aspects of the authorization process can be monitored per individual using the system, so division of duties is easily documented. Additionally, payment requests are randomly selected daily for desktop audits by Central Office staff and adherence to proper procurement procedures are part of the monthly case reviews conducted by branch managers.

RSA Response: RSA appreciates the procedures that OVR describes to ensure checks and balances. During its review, RSA did not observe the consistent implementation of these procedures.

Technical Assistance: OVR does not request technical assistance.

VR, SE and IL Programs’ Fiscal Management Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that OVR is required to undertake. OVR must develop a corrective action plan for RSA’s review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plans can be developed within 45 days and RSA is available to provide TA to assist OVR.
1. Periodic Certification

Legal Requirement:

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B):
8.h.3: Where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Finding: OVR is not in compliance with OMB Circular A-87, Attachment B, Section 8.h.3 because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective. To comply, employees or their supervisors are required to certify, at least semi-annually, that the employee worked solely on one grant program, or cost objective, during the period covered by the certification.

Corrective Action 1: OVR must:

1. cease using Title I funds for personnel costs that do not have personnel certifications as required under OMB Circular A-87, Attachment B, 8.h.3;
2. submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, 8.h.3; and
3. develop and submit policies/procedures that ensure, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in OMB Circular A-87, Attachment B, 8.h.3.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: The agency has already initiated steps necessary to be compliant with OMB Circular A-87, Attachment B, 8.h.3 by certifying employee time spent working on one federal grant. This certification will be completed three times per year in coordination with the state performance appraisal schedule.

RSA Response: RSA appreciates the steps that OVR has undertaken to bring itself into compliance with these requirements. OVR should provide a description of the steps that it is taking when it submits its corrective action plan, as required above.

Technical Assistance: OVR does not request technical assistance.
2. Unallowable Expenditures—Non-VR Administrative Costs

Legal Requirement:

Section 100(a)(2) of the Rehabilitation Act and 34 CFR 361.1 of its implementing regulations establish that the purpose of the VR program is to provide services to individuals with disabilities so that they may achieve an employment outcome that is consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 of its implementing regulations require that Title I VR program funds be used solely to cover the costs of providing VR services and administering the VR program.

34 CFR 361.12 states:

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

OMB Circular A-87, Attachment A, in pertinent part, states:

C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

b. Be allocable to Federal awards under the provisions of this Circular.

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B), paragraph 8 (Compensation for personal services), in pertinent part, states:

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

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

Finding: In addition to the VR program, OVR administers several other programs authorized under the Rehabilitation Act -- Independent Living State Services (IL), Migrant and Seasonal Farm workers, and In-Service Training programs. According to interviews with staff during its
on-site monitoring, RSA learned that OVR routinely charges administrative and service costs incurred by these other programs to the Title I VR program, the agency’s largest funding source. Furthermore, RSA’s review of documentation indicated that OVR does not routinely use personnel activity reports for those staff who work on multiple programs, making it more difficult to ascertain how the administrative costs should be allocated among the programs.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be used solely to provide VR services and administer the VR program. The time OVR staff spends working on programs other than VR-related activities does not constitute administrative activities for purposes of the VR program and, as such, these expenditures are not allowable under the VR program (34 CFR 361.5(b)(2)). OVR’s use of VR funds to cover administrative and service costs for these other programs violates its responsibility under 34 CFR 361.12 to properly and efficiently administer the VR program and to ensure accurate financial accountability. In addition, any expenditure of VR program funds must be necessary and reasonable for the proper and efficient administration of the VR program. To the extent OVR has staff that work on multiple programs, OVR needs to maintain personnel activity reports to account for the time staff work on each program (OMB Circular A-87, Attachment B, paragraph 8). OVR has failed to use such reports to ensure that staff time is properly allocated to the VR and other programs. Therefore, OVR’s use of Title I funds to pay administrative and service costs for other Federally-funded programs and its failure to use personnel activity reports violates section 111(a)(1) of the Rehabilitation Act, 34 CFR 361.3, 34 CFR 361.12, and the Federal cost principles contained in OMB Circular A-87.

**Corrective Action 2:** OVR must:

2.1 cease using Title I VR funds to pay for expenditures incurred by OVR for non-VR programs;
2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that future payments for expenditures will comply with section 111(a)(1) of the Rehabilitation Act, 34 CFR 361.3, and the cost principles set forth in OMB Circular A-87. OVR also must assure that it will use personnel activity reports to account for staff time properly when those staff work on multiple programs;
2.3 implement policies and procedures to ensure that staff time will be properly recorded and allocated for each of the appropriate programs; and
2.4 submit a spreadsheet for FYs 2005 through 2009 detailing the amount of VR funds expended for administrative costs incurred by other programs. OVR also should revise SF-269s (for period ending September 30 and subsequent reports) for each of those years showing the proper allocation of administrative costs for the VR program.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

**Agency Response:** The agency is currently developing a cost allocation plan to be implemented for administrative costs that are non-VR related, and training for OVR staff has been scheduled for FY 2009. In this cost allocation plan, OVR will assure that personnel activity reports account for staff time spent on various programs. OVR has reviewed the RSA 107 monitoring reports of
states with similar findings and is concerned that we are required to submit a spreadsheet for FY 2005 through 2009 detailing the amount of VR funds expended for administrative costs incurred by other programs and correcting the SF-269, while other states have not had as extensive requirements.

**RSA Response:** RSA appreciates that OVR has already begun implementing changes necessary to bring itself into compliance with this requirement. OVR should submit an assurance that it has already implemented the changes necessary when it submits its corrective action plan. Given that OVR has not disputed the finding, OVR still must comply with corrective actions 2.2, 2.3, and 2.4 above. RSA will provide whatever technical assistance OVR needs in revising its past SF-269s with regard to allowable administrative costs. RSA has required similar corrective actions from all other agencies with similar findings.

**Technical Assistance:** OVR requests technical assistance in applying administrative costs to the previous five years.

### 3. Non-Allowable Source of Match – Community-Based Work Transition Program (CBWT) Cooperative Arrangements

**Legal Requirement:**

34 CFR 361.28 states:

(a) The designated State unit may enter into a third-party cooperative arrangement for providing or administering [VR] services with another State agency or a local public agency that is furnishing part or all of the non-Federal share, if the designated State unit ensures that--

(1) The services provided by the cooperating agency are not the customary or typical services provided by that agency but are new services that have a VR focus or existing services that have been modified, adapted, expanded, or reconfigured to have a [VR] focus;

(2) The services provided by the cooperating agency are only available to applicants for, or recipients of, services from the designated State unit;

(3) Program expenditures and staff providing services under the cooperative arrangement are under the administrative supervision of the designated State unit; and

(4) All State plan requirements, including a State's order of selection, will apply to all services provided under the cooperative program.

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

**Finding:** OVR has entered into third-party cooperative arrangements with secondary education institutions to provide Community-Based Work Transition (CBWT) program job coaching services to OVR consumers. The staff providing these services are full-time school personnel who perform their regular duties in addition to these CBWT program duties. Some of the staff do not routinely provide counseling or instruction to students with disabilities. For example,
according to supporting documentation for these agreements, at least one of the CBWT staff positions is filled by a school bus driver.

According to the terms of the interagency agreements between OVR and the schools for this CBWT program, the schools forward cash totaling 25 percent of the projected CBWT program costs to OVR to use for satisfying its non-Federal share requirements under the VR program. This transfer occurs when the agreements are implemented. OVR, in turn, pays a set fee for each job coaching activity performed under the agreements. The current fee structure includes a total cost of $2,600 per year per consumer. A consumer who utilizes all aspects of the CBWT program would cost OVR $5,200 over a two-year period. The agreements require each school district to complete a CBWT Budget Worksheet for each Employment Coordinator that will be providing job-coaching services under the agreements that contains:

1. wages for the Employment Coordinator for the time spent providing services under the CBWT agreement;
2. fringe benefits cost for that Employment Coordinator;
3. transportation expenses;
4. student insurance expenses;
5. supplies; and
6. “other” expenses.

OVR treats the total expenses contained in the various Budget Worksheets for each of the Employment Coordinators as the “total actual program costs.” The schools rely on this projected amount for determining the cash it will provide to OVR to use to satisfy its non-Federal share requirements under the VR program. OVR does not reconcile or verify that the figures included on the budget worksheets are accurate or that they represent the costs incurred in serving only OVR consumers.

In order for OVR to use the non-Federal expenditures of another public agency, such as the schools, for purposes of satisfying its own non-Federal share requirements under the VR program, OVR and the school districts must have a valid third-party cooperative arrangement in effect that satisfies the requirements of 34 CFR 361.28. In particular, the cooperating agency (the schools) must provide services pursuant to that arrangement that are: 1) either new and different from its customary services or modified to have a VR focus; 2) provided only to OVR applicants and consumers; and 3) provided on a statewide basis (34 CFR 361.28(a)). In addition, OVR must maintain supervision over the expenditures incurred under the CBWT program and the staff providing those services (Id.). Due to the lack of itemized invoices and supporting documentation for services actually provided, RSA was unable to gather much specific information about the services provided under the CBWT program and the individuals served. However, it was apparent that OVR did not maintain supervision over either the expenditures incurred by the school districts under the CBWT program or the staff providing those services. OVR was unable to verify the actual services provided to specific individuals or the cost of those services to the VR program. Therefore, OVR failed to maintain responsibility for the expenditures incurred and the staff providing the services under the agreements as required by 34 CFR 361.28(a)(3). This failure alone negates the validity of these agreements as serving as
third-party cooperative arrangements for purposes of meeting OVR’s non-Federal share requirements pursuant to 34 CFR 361.28.

**Corrective Action 3:** OVR must:

3.1 cease using third-party cooperative agreements that may be currently in use for meeting the non-Federal share if those agreements do not satisfy the requirements of 34 CFR 361.28;
3.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure all future third-party cooperative arrangements will comply with 34 CFR 361.28;
3.3 modify current third-party cooperative agreements to:
   a) utilize the budget for managing the cost controls of projected services;
   b) include fiscal tracking, record keeping, and reporting of actual expenditures as detailed in the budget worksheet;
   c) incorporate requirements to maintain records that support all expenses, including payroll records and other documentation to ensure that costs reported on invoices are reimbursable costs for the CBWTP and for serving only VR consumers;
   d) incorporate and implement all assurances as stipulated in 34 CFR 361.28 for third-party cooperative arrangements; and,
   e) include an invoicing process whereby the districts submit reimbursement requests for the district’s actual salary, transportation, applicable insurance, supplies and direct costs that support the CBWT program.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

**Agency Response:** The agency is submitting documentation related to the community based work transition program that was not reviewed by RSA, which supports OVR’s contention that the program does meet the requirements of 34 CFR 361.28. The payment system is based on the achievement of outcomes or milestones. All aspects of the service must be rendered AND the desired outcome or milestone must be achieved before any payment is made. Employment specialists submit monthly reports recording the evaluation, advocacy, job preparation, or training provided to the individual student, the milestones achieved, the planned activities for the next month and how they are expected to assist the individual in achieving the employment objective. All required documentation and an invoice must be received prior to payment. An example of this process is presented in OVR Appendix B of its response to the draft monitoring report. Since qualified rehabilitation counselors are uniquely qualified to determine whether or not a service is resulting in advancement toward the goal and is necessary for the successful completion of the IPE as agreed to by the consumer or his/her representative (34 CFR 361.45), OVR requires that the authorizing counselor approve the report as acceptable prior to submittal for payment. Vocational Rehabilitation literature has documented that outcome payments result in more successful outcomes and higher paying jobs with benefits in a more timely fashion than traditional payment methods that reward providers for emphasizing process by paying fees per service. Requiring a return to that type of payment system will significantly decrease the success of VR consumers and will cost more over a period of time than outcome payments.
In regards to administrative supervision of school employees during the time each day they function as employment specialists, OVR meets the requirements of 34 CFR 361.28. OVR provides the job description, sets the minimum requirements for the job, requires and provides mandatory training for all individuals working in that capacity, and sets and monitors annual performance goals.

Finally, the 2005 RSA Monitoring Report (page 23) includes a thorough evaluation of the CBWTP and found it to meet all the requirements of 34 CFR 361.28 including the use of those funds to meet the nonfederal share of the Basic Support Grant. OVR functioned in good faith based on the finding of that report. To retroactively withdraw the approval of match for past FFYs will unduly penalize Kentuckians with disabilities, and at the current average cost to serve, 1333 eligible individuals with disabilities will be put on waiting lists in FFY 2010 and will not be provided services due to the reduction in federal funds for non-match.

**RSA Response:** According to the new information provided in its response, OVR claims it maintains sufficient administrative supervision over both the expenditures made and the CBWT staff providing those services under the CBWTP agreement to comply with the requirement of 34 CFR 361.28(a)(3). In particular, OVR claims it provides the job description, sets the minimum requirements for the job, requires and provides mandatory training for all individuals working in that capacity, and sets and monitors annual performance goals for the services provided under the CBWTP agreement. While on the surface this level of involvement may be sufficient to comply with the requirement of 34 CFR 361.28(a)(3), RSA will need further information in order to understand how OVR carries out each of these responsibilities in order to make a final finding of whether OVR has complied with this requirement. In addition, because OVR has entered into a fixed-price contract for the CBWTP services, OVR is still responsible for being able to track the VR funds spent under the fixed-price agreement in order to ensure that the funds are spent solely for allowable VR expenditures on VR consumers and applicants, as required by 34 CFR 361.12 and 34 CFR 80.20. Finally, in response to OVR’s comment about the FY 2005 monitoring conducted by the RSA Region IV office, we agree that OVR was found to be in compliance with 34 CFR 361.28 at that time. However, we need the additional information we are requesting in order to ensure that this compliance is being maintained since OVR’s supervision of the staff and expenditures was not obvious to us while on-site. In consideration of all the information provided by OVR, we are modifying the corrective action as follows:

**Corrective Action 3:** OVR must:

3.1 cease using third-party cooperative agreements that may be currently in use if those agreements do not satisfy the requirements of 34 CFR 361.28;

3.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that all third-party cooperative arrangements will comply with 34 CFR 361.28. OVR also must assure that it will track expenditures under these agreements to ensure that they are only for the provision of VR services for VR applicants and consumers in accordance with fiscal management standards of 34 CFR 361.12 and 34 CFR 80.20. Finally, OVR must assure that all fixed-price contracts are developed in accordance with State procurement laws governing such contracts, as required by 34 CFR 80.36(a);
3.3 submit information to RSA describing in detail the methods OVR uses to oversee the expenditures made and the staff providing services under the third-party cooperative agreements; and

3.4 submit information to RSA describing in detail how OVR administers the fixed-price contracts for the CBWT services, including how it ensures the expenditures are allowable under the VR program, staff provide allowable VR services, and the information provided under the CBWT agreement is sufficient to determine if performance measures up to the agreement’s requirements.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

RSA will provide technical assistance to enable OVR to bring the CBWTP agreements into compliance with 34 CFR 361.28.

**Technical Assistance:** The agency requests technical assistance for this finding. The monitoring team noted that the CBWT program is successful in assisting eligible students transition from school to work. It is our intention to work closely with RSA to meet the requirements of 34 CFR 361.28 as soon as possible to limit the negative impact on Kentuckians with disabilities wishing to utilize OVR services to reach their career objectives.

### 4. Unallowable Expenditures -- Exceeding CBWT Agreement Amounts

**Legal Requirement:**

34 CFR 361.12 states:

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

34 CFR 80.20(a) states:

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

(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

OMB Circular A-87, Attachment A (2 CFR Part 225, Appendix A), in pertinent part, states:

C.1 To be allowable under Federal awards, costs must meet the following general criteria:
Finding: As set forth in the description of the CBWT program above, the agreements between OVR and the school districts established a maximum fee of $2,600 per consumer per year that OVR would pay the school districts for the services provided. While conducting on-site monitoring, RSA noted on the supporting documentation that OVR paid more than this agreed-upon amount on several occasions.

Federal regulations require OVR to administer the VR program and carry out its functions in an efficient manner to ensure that all program requirements are satisfied and financial accounting under the program is accurate (34 CFR 361.12). OVR must have fiscal controls in place that enable it to trace all funds to ensure they were expended appropriately (34 CFR 80.20(a)). In addition, OVR must ensure that expenditures of VR funds are reasonable and necessary for the administration of the program in order to be allowable costs (OMB Circular A-87, Attachment A, paragraph C.1a). According to the current agreements between OVR and the school districts, there is a maximum fee of $2,600 per consumer per year for the job coaching services provided under the CBWT program. This amount was determined by the parties to be appropriate to cover OVR’s share of the costs of operating the CBWT program. Neither OVR nor CBWT had supporting documentation to justify OVR paying CBWT more than the agreed-upon amount per consumer. Without this justification, OVR’s overpayment is not an allowable expenditure under the VR program. Moreover, the unjustified overpayments violate OVR’s responsibility to administer the program in an efficient manner as required by 34 CFR 361.12 and 34 CFR 80.20(a).

Corrective Action 4: OVR must:

4.1 cease paying more for services than the agreed-upon amount unless there is evidence to support that the increased payment is necessary;
4.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will strengthen internal controls in payment processing and contract management practices to ensure that contract budgets are not exceeded;
4.3 develop and implement internal controls for payment processing, and submit a plan, including timelines, for the development and implementation of these internal controls; and
4.4 develop and implement a process for modifying contract budgets, when necessary, so that the modifications are incorporated into a properly executed contract. OVR also must submit a plan, including timelines, for the implementation of these procedures.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: The RSA statement of a maximum fee of $2600 per year is incorrect, as the fee is $5,200 per two year period. The agreement specifically allows for unexpended evaluation funds to be utilized in the next year for training. As explained and documented in OVR Attachment D of its response to the draft monitoring report, the agreements are to provide
services to students over a period of two school years. Given the nature of outcome/milestone payments, allowable approved payments may fall outside the timelines normally associated with school years and certainly outside the federal fiscal year that was being monitored. The best example of this is the outcome payment for successful employment of the student for 60 days after exiting the school system. Students may not become employed until June or July or may have difficulties on their job that preclude successful completion of the plan. The employment specialists may not be able to bill for the outcome until October which would record the payment to the school in the next school year and the next federal fiscal year. A spreadsheet was provided to the reviewer documenting the service and payment dates and numerous instances when service occurred in one fiscal year but were paid in the following fiscal year were noted.

The documentation reviewed by RSA did show that, on rare occasions, more students than originally planned were served by a program and the outcome or milestone payments were paid. In each case the service was planned and agreed to by the counselor and all the required documentation was obtained prior to payment. It is the assertion of the OVR that the services provided by the employment specialists at each of the school systems are allowable services under the Rehabilitation Act of 1973 as amended. Although most students are funded jointly by VR and the school district, there is no prohibition against purchasing services for additional students should the school system have adequate staff to provide the service. The same fee schedules and outcome/milestones are applied.

OVR asserts:

The services were provided appropriately to each student and payments were made only after receipt of appropriate documentation, the outcome/milestone had been achieved and according to the published fee schedule.

A. In those instances where payments to a school exceeded the amount expected, one of three scenarios is likely:

1. The billing was received at a time that necessitated the payment to be recorded in a subsequent school year even though the service was provided in the school year outlined in the agreement. (examples were provided to the monitor at visit);
2. The school system, counselor and student decided to exercise the option of utilizing part of the evaluation funding for job training as documented in the services authorized on the Authorization for Services;
3. The outcome payment for successful employment outcome/milestone payment was made after the required period which put it outside the school year.

OVR is in the process of writing new agreements with schools that wish to provide CBWT services and is hopeful these issues can be satisfactorily addressed while maintaining an outcome milestone payment.

RSA Response: RSA carefully reviewed the additional documents submitted by OVR. RSA acknowledges that one portion of the agreements indicates that “Each student is allotted a maximum of $5,200 of billable services over a two-year period for the purpose of evaluation and job placement activities.” RSA points out that another section of the agreement identifies a “Maximum Potential Reimbursement” of $2,600. The agreements are unclear and can be read to
require that only $2,600 is to be billed per year. However, in light of the new information provided by OVR, RSA needs further information from OVR and is revising the required corrective actions as follows:

4.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will revise the CBWT agreements to make it clear that the fixed price of $5,200 for VR services per consumer covers a two-year period and does not reflect a $2,600 fee per each of the two years. OVR also must assure that it will not exceed agreed upon costs without first modifying the CBWT agreements to reflect the need for additional costs, such as to reflect additional individuals to be served or additional services to be provided. Finally, OVR must assure that the services provided under the CBWT agreement are allowable VR services provided only to VR consumers and applicants;

4.2 submit the revised CBWT agreement to RSA;

4.3 submit information to RSA that explains any instances where more students than originally planned were served by a program and the outcome or milestone payments were paid, or any other reason why payments to the school exceeded the amount expected; and

4.4 develop and implement a process for modifying contract budgets, when necessary, so that the modifications are incorporated into a properly executed contract in accordance with State procurement requirements. OVR also must submit a plan, including timelines, for the implementation of these procedures.

Technical Assistance: OVR does not request technical assistance.

5. Fiscal Management and Monitoring of Contractors

Legal Requirements:

34 CFR 364.34 requires that:
In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 364.35 requires that:
In addition to complying with applicable EDGAR recordkeeping requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will maintain –
(a) Records that fully disclose and document –
   (1) The amount and disposition by the recipient of that financial assistance;
   (2) The total cost of the project or undertaking in connection with which the financial assistance is given or used;
   (3) The amount of that portion of the cost of the project or undertaking supplied by other sources; and
   (4) Compliance with the requirements of chapter 1 of title VII of the Act and this part; and
(b) Other records that the Secretary determines to be appropriate to facilitate an effective audit.

34 CFR 80.20(a) states:
(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
(1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.40(a) states:
Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program function and activity.

Finding: For at least the last five years, OVR has provided the IL funds it receives under Part B, chapter 1 of title VII of the Rehabilitation Act, to the centers for independent living (CILs) in the State for their general operation. The contracts included a section where activities were broken out with costs that included staffing, supplies, and other costs that applied to a particular activity. Some contracts also included budgets. The association of costs with particular activities failed to add up to the amount of the contract, and some of the activities, such as parties, were unallowable under the OMB Cost Principles in Circular A-122.

Although the nonspecific nature of the contracts and apparent questionable costs are problematic and must be addressed, the key compliance issue is that OVR failed to keep any financial records that would permit the agency to track, account for, and report on funds received and expended under the contracts. The lack of proper internal controls and financial management includes, but is not limited to:

A. All funds were issued quarterly or bi-annually in block payments without any basis for distribution except the percentage of the budget paid out equaled the contract period covered. There was no consistent policy or procedure governing the distribution of funds to the contractors.
B. Although the contracts required that contractors were to provide expenditure reports to the agency, during the on-site visit by RSA, the KY-G Fiscal Officer confirmed that no invoices or any other expenditure reports were ever submitted by any of the CILs, although OVR kept distributing funds to the centers.
C. Expenditures were not tracked, monitored, or reviewed at any level.
D. No monthly or annual reconciliations occurred to ensure funds were spent appropriately on the activities listed in the contracts.
E. The agency did not require a contractor to reconcile its expenditures to the contract’s budget, and OVR did not monitor expenditures to ensure accountability.
F. Contract language accepted by OVR referred to planned expenditures that are not allowable under the IL Part B grant (e.g., parties).
G. Neither source documents nor any other verification was required to demonstrate that expenses were allowable, reasonable or allocable.
H. Contractors did not keep separate accounting of expenditures by fund source.
I. In two of the contracts, the contractors volunteered to provide match, which was made a requirement of the contract. However, OVR could provide no supporting documentation that match was ever provided, as agreed to by the contractors.

Federal regulations require OVR adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for Part B funds (34 CFR 364.34). In particular, OVR must have fiscal controls in place that enable it to expend and account for the IL funds to such a degree that it can trace the funds for each activity to ensure that the funds were expended in accordance with Federal requirements (34 CFR 80.20(a)). In addition, OVR is required to monitor and manage the day-to-day operations of all grant-supported activities (34 CFR 80.40(a)). The IL services provided by the CILs with Part B funds, under contracts with OVR, constitute grant-supported activities and must be monitored by OVR to ensure compliance with all Federal requirements.

As a result of the financial deficiencies outlined above, OVR cannot trace the funds provided to the CILs under these contracts to a level of expenditures adequate to establish that such funds were used for allowable costs, and have not been used in a way that violates Federal requirements, as required by 34 CFR 80.20. For all of these reasons, OVR has failed to administer the program in accordance with the requirements of 34 CFR 364.34 and 364.35, and 34 CFR 80.20 and 80.40.

Corrective Action 5: OVR must:

5.1 revise the existing contracts with the CILs, as well as any other similar contract, to include guidance on allowable costs, invoicing and expenditure reporting requirements, and separation of grant expenditures in order to properly allocate costs to existing grants and ensure compliance with the requirements of 34 CFR 364.34 and 364.35, and 34 CFR 80.20 and 80.40;
5.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that future contracts with the CILs, and other entities, will comply with 34 CFR 364.34 and 364.35, and 34 CFR 80.20 and 80.40;
5.3 require regular and detailed billing or invoicing that reflects the costs identified in the revised agreements;
5.4 develop an invoicing system whereby the contractors submit reimbursement requests that support the costs of services provided to IL consumers;
5.5 require contractors to maintain records that support all expenses, including payroll records, to ensure that costs reported on invoices are allowable, allocable, and reimbursable costs under the IL program;
5.6 develop and implement a protocol for monitoring contractors; and,
5.7 develop spreadsheets that account for all expenditures, by line item, charged to the IL grant by contractors through invoices and other requests for reimbursement or payment for services through the IL Part B contracts, for FYs 2005 through 2009.

RSA reserves the right to pursue enforcement action, including the recovery of Title VII Part B IL funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

**Agency Response:** The agency has reviewed the findings and while there are valid points, there are several areas that are incorrect. In terms of the expenditures of CILs, the Part B expenditures and total expenditures were often reported together. This may lead the reviewer to incorrectly believe that certain expenditures were paid for with Part B funds. The agency will segregate Part B expenditures and performance reports to better clarify CIL activities funded through other funding sources. The RSA 107 report also indicated the agency did not track expenditures at any level, however the agency did receive quarterly expenditure reports and annual monitoring visits were made to each Center (Attachment 2). During these annual monitoring visits source documents were reviewed.

The report also uses contractor (H & I) in the plural sense, when in fact there was only one Center with the issue identified in the report. The plurality of the term over exaggerates the actual occurrence of the issue noted in the report.

In terms of the issue related to the CIL agreeing to provide match, the IL provider was trying to demonstrate that it participates financially through other resources than the Part B funds. It appears that in this instance, the CIL director used the wrong terminology in its report because she misunderstood the definition of the term. OVR can provide RSA with documentation that the match for both years in question was met 100% with state funds and that no match from the Centers was utilized to meet the nonfederal share for any of the five years reviewed (Appendix E).

OVR has reviewed current policy and will be revising all CIL contracts to ensure compliance with 34 CFR 364.34 and 364.35, and 34 CFR 80.20 and 80.40. The agency now requires regular and detailed invoices to reflect the identified agreements and created an invoice system where CILs submit reimbursement requests based on the costs of services or Center operational costs. The agency is currently revising its monitoring protocol and training is scheduled for late October for OVR financial/contract staff. The agency is also developing spreadsheets accounting for all expenditures charged to the IL grant by the CILs.

**RSA Response:** RSA appreciates the steps that OVR has undertaken to make changes in the manner it which the agency contracts with its CILs to bring itself into compliance with these requirements. However, while the additional information submitted by OVR in its response to the draft report may reflect that it conducted minimal monitoring of the CILs and that only one CIL, rather than two, had the issues identified in H and I of the Finding above, it does not include information that changes or modifies any of the findings, or eliminates the need for any of the corrective actions. OVR must carry out all of the corrective actions associated with this finding, and should provide a description of the steps that it is taking when it submits its corrective action plan, as required above.
Technical Assistance: OVR requests technical assistance in resolving this finding.

Additional Documentation Required

In order to determine the manner in which the state, agency and program are charging indirect costs, RSA is requesting a detailed list of indirect costs (certified or directly paid from the grant) charged to OVR under the various indirect categories. This includes any costs paid under a cost allocation plan or indirect cost rate.

The information and related data listed above must be submitted to RSA within the 30 day review period of this draft report.

VR, SE and IL Fiscal Issues for Further Review

RSA plans on conducting further review of the following VR, SE and IL fiscal issues:
- Personal service contracts;
- Morehead State contracts for staff with Perkins Center; and
- SILC expenditure monitoring of the DSU.
CHAPTER 4: OFB VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

The following table provides data on the performance of OFB’s VR and SE programs in key areas from FY 2003 through FY 2007.

Table 4.1
Program Highlights for OFB’s VR and SE Programs for FY 2003 through FY 2007

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total funds expended on VR and SE</td>
<td>$9,715,294</td>
<td>$9,577,369</td>
<td>$8,969,122</td>
<td>$9,270,555</td>
<td>$10,322,721</td>
</tr>
<tr>
<td>Individuals whose cases were closed with employment outcomes</td>
<td>355</td>
<td>412</td>
<td>416</td>
<td>425</td>
<td>377</td>
</tr>
<tr>
<td>Individuals whose cases were closed without employment outcomes</td>
<td>94</td>
<td>83</td>
<td>105</td>
<td>72</td>
<td>88</td>
</tr>
<tr>
<td>Total number of individuals whose cases were closed after receiving services</td>
<td>449</td>
<td>495</td>
<td>521</td>
<td>497</td>
<td>465</td>
</tr>
<tr>
<td>Employment rate</td>
<td>0.79</td>
<td>0.83</td>
<td>0.8</td>
<td>0.86</td>
<td>0.81</td>
</tr>
<tr>
<td>Individuals whose cases were closed with supported employment outcomes</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>New applicants per million state population</td>
<td>180.1</td>
<td>175.42</td>
<td>164.27</td>
<td>147.51</td>
<td>140.8</td>
</tr>
<tr>
<td>Average cost per employment outcome</td>
<td>$4,173.56</td>
<td>$5,142.61</td>
<td>$5,486.18</td>
<td>$5,275.13</td>
<td>$5,575.19</td>
</tr>
<tr>
<td>Average cost per unsuccessful employment outcome</td>
<td>$5,469.48</td>
<td>$4,225.42</td>
<td>$4,454.34</td>
<td>$4,285.00</td>
<td>$4,889.75</td>
</tr>
<tr>
<td>Average hourly earnings for competitive employment outcomes</td>
<td>$10.41</td>
<td>$10.45</td>
<td>$10.43</td>
<td>$10.95</td>
<td>$11.25</td>
</tr>
<tr>
<td>Average state hourly earnings</td>
<td>$15.31</td>
<td>$15.72</td>
<td>$16.31</td>
<td>$16.76</td>
<td>$17.38</td>
</tr>
<tr>
<td>Percent average hourly earnings for competitive employment outcomes to state average hourly earnings</td>
<td>67.99%</td>
<td>66.48%</td>
<td>63.95%</td>
<td>65.33%</td>
<td>64.73%</td>
</tr>
<tr>
<td>Average hours worked per week for competitive employment outcomes</td>
<td>34.07</td>
<td>34.36</td>
<td>33.7</td>
<td>34.76</td>
<td>34.28</td>
</tr>
<tr>
<td>Percent of transition age served to total served</td>
<td>14.70%</td>
<td>13.13%</td>
<td>12.67%</td>
<td>14.69%</td>
<td>15.48%</td>
</tr>
<tr>
<td>Employment rate for transition population served</td>
<td>0.59</td>
<td>0.62</td>
<td>0.76</td>
<td>0.85</td>
<td>0.67</td>
</tr>
<tr>
<td>Average time between application and closure (in months) for individuals with competitive employment outcomes</td>
<td>22.9</td>
<td>19.3</td>
<td>21.8</td>
<td>22.1</td>
<td>23</td>
</tr>
<tr>
<td>Performance on Standard 1</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
</tr>
<tr>
<td>Performance on Standard 2</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
<td>MET</td>
</tr>
</tbody>
</table>
VR and SE Service Delivery

OFB is divided into three service divisions: Consumer Services/Field Services Division, Business Enterprise Division (BEP), and the Charles W. McDowell Rehabilitation Center (MAC). OFB operates 2 regions with 10 field offices (includes the MAC) and 1 Central Office totaling 11 offices. The agency’s headquarters are located in Frankfort.

OFB has established an OOS since January 1, 1995. At the time of the review, OFB was serving categories one and two with categories three and four closed. There have been no individuals on the waiting list since FY 2000.

According to OFB, counselors have an average caseload size of 97 and are expected to meet a placement goal of 21 outcomes, depending on the level of experience. For new hires the level of experience is taken into consideration in calculating caseload and placement goals.

OFB currently partners with more than 40 CRPs that provide services to assist individuals to achieve competitive employment outcomes. In addition, the agency contracts with more than 70 CRPs to provide SE services. All CRPs are paid based on outcomes. OFB reports that only 19 of the CRPs (27 percent) who work with OVR are appropriately staffed and equipped to work with individuals with visual disabilities. The agency’s use of CRPs for the provision of VR and SE services is limited to serve the visual impairment population which requires a smaller ratio of staff to consumers to work with the visually impaired population.

CRPs provide SE services through fee for service contracts. In KY, extended services are provided by Mental Health/Mental Retardation Services, the Kentucky Council on Developmental Disabilities, city and county governments, the United Way, and other resources such as natural supports. During FY 2007, OFB referred 8 consumers to CRPs for services related to 7 SE outcomes, 1.9 percent of all employment outcomes (377 total employment outcomes).

OFB formed regionalized teams in order to provide categorized services to individuals statewide. This is the result of consumer input regarding the need for services to occur in their communities in a timely manner. The consumer driven design for regional teams allows individuals residing in all areas of the state (inclusive of the rural areas) to receive services to meet their individual needs. The team is structured based on the services needed and identified in the IPE. The teams may include the following: 1) VR Counselor, 2) IL Counselor, 3) Assistive Technology (AT) Specialist, 4) Orientation and Mobility (O&M) Instructor, and 5) Bioptic Driving Instructor.

The MAC is an option for individuals needing comprehensive services in a residential setting. However, some individuals do not want to leave their homes and communities and travel to Louisville to attend services at the MAC. They have the option to remain in their own communities and receive the same level of services through the structure of the regional teams and this allows for individuals to make an informed choice regarding where their services are delivered. Qualified staff with expertise in their specialty area travel throughout the state.
providing the needed services to the individual in order for them to achieve their vocational and independent living goals.

OFB provides a majority of its services through its in-house programs, including those provided by the MAC. The MAC has served an average of 180 consumers each year from FY 2003-FY 2007.

MAC has been serving individuals who are blind and visually impaired since November of 1994. The center, which is not CARF accredited, offers individualized training in state-of-the-art speech and Braille communication devices and computer technology, daily IL skills, and O&M. To assist individuals in their pursuit of employment, the MAC provides a “Success Building” class, adult basic education, AT, personal healthcare management, financial and home management, vocational assessments, career exploration, and job search assistance. The Louisville Regional Counseling and Independent Living Services are also housed in this facility.

**Personnel**

At the time of the review, OFB had 86 employees: 18 VR counselors, 1 Deaf Blind Coordinator, 26 support staff, 28 other staff, and 13 administrative staff. OFB employs VR counselors at five different levels as follows:

- VR Specialist I (BA Level)
- VR Specialist II
- VR Counselor I (MA level)
- Certified VR Counselor II
- Certified VR Counselor III

In its CSPD, OFB has adopted the national standard of qualification for VR counselors and requires its VR counselors to hold a Master’s of Arts in Rehabilitation Counseling (MRC) and to be eligible to sit for the certification in rehabilitation counseling (CRC) exam. New hires are given five years to meet these qualifications and are frozen in their upward mobility if the qualifications are not achieved within this timeframe. OFB has experienced difficulty in recruiting VR counselors at its current standard and is considering adopting a state certification or licensure standard in its place.

The University of Kentucky is the only institution in the Commonwealth providing an MRC degree. To attain this degree, from the university counselors receive either classroom or internet-based instruction.

Of the 18 VR Counselors on staff, 77 percent have a master’s degree and 61 percent meet the agency’s CSPD standard. Three counselors are working toward obtaining a MRC from the University of Kentucky; one employee is in the on-campus program while the other two employees are enrolled through the internet-based instruction program.

At the time of the review, the number of FTE positions was capped at 105. The agency has not experienced high rates of turnover in its field offices. However, this has been an issue in the
central office, where 50 percent of the central office staff has left OFB employment in recent years without notable succession planning.

The MAC employs 26 individuals:
- one manager;
- five administrative and operations staff which includes the front receptionist, janitorial, other support staff;
- three consumer services (one staff vacancy) that include residential, scheduling, and recreational staff; and
- 17 vocational preparation unit (three staff vacancies) which includes the instructors, AT staff, O&M staff, and a nurse.

**Data Management**

In November 2008, OFB implemented a new web-based CMS. The prior system was ten years old and was both increasingly difficult and costly to maintain because of technological advancements. Rather than purchase an off-the-shelf case management software package, OFB in conjunction with OVR took four years to develop its CMS in house due to budgetary constraints and a desire to have more flexibility in the design and functionality of the system. OFB conducted a statewide survey and follow-up survey to provide inclusion and elicit desired functions and capabilities for the new system. Teams were developed from across the agency to review the functionality, capabilities and attributes of the new system. Team members included managers, counselors, assistants and specific groups, such as independent living staff.

Although OVR and OFB use the same CMS, the system was developed to accommodate the differences in the way OFB implements its OOS and IPEs. Additionally, OFB has already implemented a module to handle the IL and OIB programs with customized report requirements.

New modules can be added as needed. While the system is in the beginning phase of implementation, other modules that are already scheduled for future release include those related to SSA reimbursement and the SE, deaf/blind, and Helen Keller programs. Reporting mechanisms provide ticklers and counselors can access their caseload from any networked computer. Remote access and a case checkout features will be available in later releases. Counselors can generate purchase orders from their desktops and have access to vendor search and information screens.

Some standardized reports used for planning and policy purposes that can be run from the CMS at any time. This is an enhancement over the previous system where these reports were generated only monthly and quarterly. Agency level personnel do not have direct access to the real time underlying data contained in the CMS via Crystal Reports or other means and therefore cannot perform any ad hoc querying of this data. Customized/specialized reports are generated using Crystal Reports by the IT Cabinet staff and are usually available to counselors within 24 hours.
Quality Assurance (QA)

OFB’s senior management team is responsible for the agency’s QA activities. OFB’s QA activities focus on a case record review. In addition, OFB uses a comprehensive customer satisfaction survey. OFB does not use its QA process to assess vendors of services, staff performance, consumer input/customer satisfaction, or operational efficiency.

Planning

OFB developed its most recent strategic plan in FY 2008, which covers three years of activities. The 2008-2011 Strategic Plan focuses mainly on strategies for improving staff capacity in leadership areas and increasing partnerships and working collaborations. The SRC and CAP were involved in the development of the strategic plan. This plan includes the concepts of the agency’s state plan and the CSNA conducted in FY 2006.

Areas of Consistently High or Improved VR and/or SE Performance

1. Employment Rate

- As indicated by Table 4.2, between FY 2003 and FY 2007, OFB’s overall employment rate was consistently higher than the employment rate for all agencies that serve individuals who are blind and visually impaired. Additionally, although OFB serves a higher percentage of individuals with earnings at application than all agencies that serve the blind and visually impaired (see Table 4.3), the agency’s employment rate for individuals who had no earnings at application has been at least 10 percent higher than the employment rate for all agencies that serve the blind and visually impaired beginning in 2004.

<table>
<thead>
<tr>
<th>Employment Rate</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFB - overall</td>
<td>0.79</td>
<td>0.83</td>
<td>0.80</td>
<td>0.86</td>
<td>0.81</td>
</tr>
<tr>
<td>OFB - individuals with earnings at application</td>
<td>0.90</td>
<td>0.92</td>
<td>0.93</td>
<td>0.96</td>
<td>0.89</td>
</tr>
<tr>
<td>OFB - individuals without earnings at application</td>
<td>0.68</td>
<td>0.70</td>
<td>0.66</td>
<td>0.73</td>
<td>0.72</td>
</tr>
<tr>
<td>All agencies who serve the blind and visually impaired - overall</td>
<td>0.71</td>
<td>0.71</td>
<td>0.69</td>
<td>0.70</td>
<td>0.71</td>
</tr>
<tr>
<td>All agencies who serve the blind and visually impaired - individuals with earnings at application</td>
<td>0.86</td>
<td>0.88</td>
<td>0.88</td>
<td>0.88</td>
<td>0.89</td>
</tr>
<tr>
<td>All agencies who serve the blind and visually impaired - individuals without earnings at application</td>
<td>0.63</td>
<td>0.60</td>
<td>0.56</td>
<td>0.58</td>
<td>0.60</td>
</tr>
</tbody>
</table>
Table 4.3

<table>
<thead>
<tr>
<th>Agency</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFB</td>
<td>51.00%</td>
<td>60.20%</td>
<td>51.06%</td>
<td>55.53%</td>
<td>50.97%</td>
</tr>
<tr>
<td>All agencies that serve the blind and visually impaired</td>
<td>33.07%</td>
<td>38.22%</td>
<td>40.73%</td>
<td>39.83%</td>
<td>38.73%</td>
</tr>
</tbody>
</table>

2. Number of Competitive Employment Outcomes at 35 or more hours per week

- As indicated by Table 4.4 below, between FY 2003 and FY 2007, OFB’s percentage of individuals whose cases were closed during the year with a competitive employment outcome and working 35 or more hours per week is consistently higher than the percentage for all agencies that serve the blind and visually impaired.

Table 4.4

<table>
<thead>
<tr>
<th>Closed with competitive employment outcomes at 35 or more hours per week</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>OFB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>171</td>
<td>226</td>
<td>221</td>
<td>254</td>
<td>202</td>
</tr>
<tr>
<td>Percent</td>
<td>62.4%</td>
<td>64.2%</td>
<td>62.8%</td>
<td>68.6%</td>
<td>66.4%</td>
</tr>
<tr>
<td>All agencies who serve the blind and visually impaired</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>3,048</td>
<td>2,970</td>
<td>3,065</td>
<td>3,133</td>
<td>3,164</td>
</tr>
<tr>
<td>Percent</td>
<td>57.1%</td>
<td>55.5%</td>
<td>56.4%</td>
<td>56.2%</td>
<td>55.5%</td>
</tr>
</tbody>
</table>

Promising VR and SE Practices Identified by OFB and Stakeholders During the Review Process

RSA’s review process solicited input from OFB and stakeholders about promising practices. The following promising practices were identified:

1. Bi-optic Program

OFB’s Certified Drivers’ Bi-optic Driving Program began in 2001 in partnership with the Office of Employment and Training (OET) which provides Kentuckians with low vision the opportunity to obtain a motor vehicle license. This innovative program seeks to enhance the independence of low vision Kentuckians by removing transportation barriers through the use of a bi-optic device.

The following results have been achieved through the end of the 2008 State fiscal year:

- 126 individuals, or 38 percent of the 329 individuals referred since 2001, have received a Bi-Optic license;
• 119, or 94.5 percent of the 126 licensed drivers, are currently employed;
• 85, or 26 percent of the 329 individuals referred, are in training or on a waiting list for
  the program; and
• 118, or 36 percent of the 329 individuals referred, were closed due to not able to obtain a
  license for a variety of reasons.

VR and SE Programs Technical Assistance Provided to OFB During the Review Process

RSA provided VR and SE program technical assistance to OFB during the review process
regarding:

• the provision of real-time data through OFB’s case management system;
• the collection and reporting of financial data;
• the federal requirements for third-party cooperative arrangements;
• the mandatory participation of the CAP on the SRC; and
• the requirement for exceptions to the agency’s fee schedule.

Observations of OFB and Its Stakeholders about the Performance of the VR and SE Programs

RSA solicited input from OFB and a wide range of its stakeholders about the performance of the
VR and SE programs. OFB and its stakeholders shared the following observations:

• The downturn in the economy and rising unemployment has made it more difficult
  recently for individuals with disabilities to compete in the current labor market, resulting
  in fewer successful employment outcomes.
• There is a lack of SE programs through CRPs with qualified staff that have the expertise
  to serve individuals who are blind and visually impaired, along with a lack of long-term
  funding to support SE needs.
• The agency has experienced difficulties in meeting the needs associated with serving
  minorities, including non-English speaking persons.
• The lack of a fully-operational data collection system has made it very difficult to collect
  required data and to manage certain aspects of workflow.
• OFB is active in community events and interagency efforts with other state and
  community based organizations.
• OFB has developed partnerships with the workforce investment system, co-locating staff
  in some one-stop centers.
• OFB serves as the lead agency for the statewide AT Act program and focuses on the need
  for accessible assistive technology among individuals who are blind and visually
  impaired and deaf–blind.

RSA discussed the observations of its stakeholders with OFB and addressed as many of them as
possible either directly or by consolidating them into a broader issue area.
Continuing Education Needs of OFB Staff

RSA solicited input from OFB to identify the following continuing education needs of its staff:

- leadership skills development;
- medical aspects of disability;
- QA and program evaluation;
- caseload management; and
- O&M skills.

RSA solicited input from OFB’s stakeholders to identify the following continuing education needs of OFB staff:

- data collection and reporting; and
- monitoring of CRP performance and other QA methods.

VR and SE Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to OFB about those observations. OFB responded to each of the recommendations and in those instances when RSA and OFB agreed upon a recommendation, RSA and OFB identified the technical assistance that RSA would provide to OFB to successfully implement the recommendation.

1. Inaccuracies in data reported on the RSA-911 Case Service Report for FY 2003 through FY 2007

Observation 1: During the monitoring process, RSA found numerous instances in which OFB had reported inaccurate data to RSA because of issues related to the last conversion of its case management system. Accurate data is critical to an agency’s understanding of its performance and should play an integral part in short-term and long-term decisions regarding all aspects of VR program operations.

- As part of its monitoring process, RSA’s Data Collection and Analysis Unit prepared several data tables based upon RSA-911 data submitted by OFB. After reviewing the tables, RSA observed that the data were potentially inaccurate because 100 percent of OFB’s cases were closed within three months of the date of the IPE for FY 2003 through FY 2007. Upon sharing this observation with OFB, RSA was advised that the reported IPE data inaccuracies resulted from a database management software change implemented by OFB in FY 2003. OFB subsequently provided revised RSA-911 data containing the social security number (SSN), closure order, IPE day, month and year; along with revised data tables. RSA imported the revised data and revised the same data tables. OFB’s data were inconsistent RSA’s. While on-site, it was determined that OFB’s revised data tables were produced using the extracted data. Because data were extracted at a different time, it was suspected to have caused the differences in the data.
• OFB does not have access to the data contained in the CMS and must obtain extracted data from the DSA. Extracted data is static and sometimes contains errors.

**Recommendation 1:** RSA recommends that OFB:

1.1 obtain access to underlying data in the CMS via Crystal Report licensing or another method;
1.2 provide consistent and ongoing training to all staff on the use of the CMS to ensure greater accuracy in the information contained in the CMS; and
1.3 develop processes to verify the accuracy of the data reported through RSA data collection forms with that contained in the agency’s CMS.

**Agency Response:** The necessary software licensing was purchased in order for the OFB/OVR to access real time data. Crystal Reports are now available to all field staff as a tool to use to access real time data directly. The CMS system has nearly 70 real time reports currently available to OVR/OFB staff with access on demand and agency staff are using these reports. OFB will continue to work with OVR and Cabinet staff to improve the usability of the system and to seek ways in which to improve the system.

All OFB field staff and key Central Office staff received CMS training in September of 2009. The agency has a training plan in place for additional training. All new staff are trained individually by the designated CMS staff person and additional training for existing staff will be given based on the individual skill levels of staff. Six upgrades of the system have been released since the RSA visit and continuous improvements and on-going training will continue through all phases.

The new CMS was designed with additional validation checks. The FY 2008 data was validated in the new system prior to RSA-11 submission and did not have the data error noted in collection in the FY 2003-2007 submissions. The agency will develop a process to verify the accuracy of the data. Over the past year, the agency lost two staff in key positions responsible for the oversight and training for the new CMS system. As a result, the progress of the implementation of the system and the training of staff were affected. A person will be hired solely for CMS by April 2010. This individual will be responsible for verifying the accuracy of the data reported through RSA data collection in correlation to data in CMS.

**Technical Assistance:** OFB does not request technical assistance.

2. **Order of Selection (OOS)**

**Observation 2:** OFB does not effectively implement its OOS waiting list. OFB has not had any individuals on the OOS waiting list since FY 2000.

• At the time of the review, OFB was implementing an OOS that prioritized individuals for service delivery in four categories. These categories included:
  Category 1 - most significant disabilities with functional limitations in three or more major areas;
  Category 2 - significant disabilities with functional limitations in two major areas;
Category 3 - significant disabilities with functional limitations in one major area; and
Category 4 - non-significant disabilities.

- At the time of the review, categories 1 and 2 were open and categories 3 and 4 were closed.
- According to data reported to RSA by OFB, no individuals from Category 3 or 4 were on an OOS waiting list at the close of FY 2008.
- During on-site discussions, many VR counselors indicated that they were not aware that individuals were not on a waiting list for services.

**Recommendation 2:** RSA recommends that OFB:

2.1 assess the need to continue the implementation of the OOS; and
2.2 if the agency determines the OOS is still necessary, provide training to staff that will enable them to accurately assign individuals to the four priority categories.

**Agency Response:** The Kentucky OFB, in accordance with 34 CFR 361.36(c)(1), assesses the need to maintain or change the OOS annually. OFB is monitoring services and expenditures on an on-going basis to determine the need to open or close categories. The following list includes factors that are considered in making the determination for changes to or the continuation of OOS:

1. Availability of state general funds to match available federal VR funds;
2. Annual imposed state fiscal budget cuts;
3. Staff capacity in relation to the set personnel cap (105);
4. Application, referral and caseload trends;
5. Costs associated with the purchase of services; and
6. Estimated costs of services identified in the IPEs.

Data will be reviewed quarterly by the Executive Director, Director of Consumer Services, Fiscal Staff and Regional Managers. Fiscal analysis data will be presented to the SRC annually at the May quarterly meeting for review of the need to open or close categories prior to the submission of the State Plan in July.

In 2009 the agency discovered that individuals were not properly coded for the waiting list and for information and referral. The agency has established a process for proper identification and coding for these areas and staff has received the necessary training. A worksheet was developed to determine eligibility and assignment of priority categories. This eligibility process was implemented October of 2009. In addition, the agency identified the number of individuals that were improperly coded for FFY 2009 that should have been placed on a waiting list. The OFB has corrected this error for FFY 2009.

A comprehensive training for all field staff regarding the OOS was conducted in October of 2009. Staff will continue to be trained on the Federal Regulation 34 CFR §361.36, ability to serve all eligible individuals; OOS for services; and 34 CFR §361.37, Information and referral programs. In addition, staff will continue to be trained how to properly code categories in CMS
for OOS, eligibility determination, the agency process for maintaining a waiting list, and the process for information and referral in keeping with the federal regulations.

Technical Assistance: OFB does not request technical assistance.

3. CMS is not fully implemented

Observation 3: OFB has yet to incorporate needed modules into the CMS. This limits the ability of the agency to access data required for effective case and program management.

Individual program managers have developed their own MS Access databases and/or MS Excel spreadsheets to manage their programs, but there is no mechanism within the CMS or other means to share this information across the agency:

- the MAC maintains its own demographic information, the bi-optic driving instructors maintain data pertinent to their program, and the AT trainer maintains a database of every employer that she has contacted;
- the AT trainer has not been given access to the CMS in order to be able to determine which consumers are job ready and can be matched with jobs in the community.

OFB attributed its inability to complete the implementation of the CMS to the agency’s loss of expertise through staff retirements and turnover. Also, the agency does not employ dedicated staff to oversee the CMS. This responsibility has been assigned to a VR counselor.

Recommendation 3: RSA recommends that OFB:

3.1 complete the implementation of the CMS so that it can effectively and efficiently manage the VR program;
3.2 dedicate a staff person with data background to oversee the CMS; and
3.3 incorporate and integrate its data system with all of OFB’s programs into its data systems (e.g. the AT, Bioptic Driving, and MAC).

Agency Response: The agency will work with OVR and Cabinet technical staff on the effective and complete implementation of CMS in order to have access to real time transparent data inclusive of additional modules by December of 2010. The AT trainer currently has access to information in CMS in order to determine which consumers are ready to be placed in jobs.

The agency will advertise and fill a position for a CMS Program Coordinator by April of 2010.

CMS IL modules are in place to extract data for the IL and OIB programs. ARRA monies are set aside for the completion of modules for the MAC programs, SSA reimbursement, and other components (employer database). The Bioptic Driving Module component is under review for content and feasibility of operation.
Technical Assistance: OFB does not request technical assistance.

4. Referrals to the VR Program

Observation 4: In FY 2007, compared to all blind agencies, a very large percentage of the individuals referred to the OFB VR program did not meet the agency’s eligibility criteria.

- In FY 2007, OFB determined that 45.6 percent of the individuals whose cases were closed from applicant status did not have an impediment to employment. This rate is four times that of all blind agencies of 11.4 percent.

Recommendation 4: RSA recommends that OFB review its public information materials to ensure that eligibility criteria are clearly stated and develop other means of communicating the purpose of the program to enable individuals to determine whether they meet eligibility requirements for services prior to referral.

Agency Response: The agency will revise and update all marketing materials to ensure the eligibility criteria are clear to referral sources by February of 2010. The agency identified that this is more of an internal issue than an outside marketing issue and is working to resolve this through training of VR field staff. The agency identified a trend where counseling staff have been incorrectly coding applicants. This inaccuracy has resulted in the appearance of a large percentage of referrals that are not meeting eligibility criteria. As of October of 2009, staff have been trained regarding the proper coding of individuals.

Technical Assistance: OFB does not request technical assistance.

5. Succession Planning

Observation 5: The agency does not have a succession plan in place to retain institutional knowledge or a leadership training program to prepare field staff for promotional opportunities in management:

- OFB has experienced 50 percent turnover in its central office personnel within the past 3 years, particularly in the areas of data and fiscal management.
- This loss of knowledgeable management has affected the ability of the agency to analyze and report programmatic and fiscal data.

Recommendation 5: RSA recommends that OFB:

5.1 implement a succession plan and leadership training program to expand staff expertise and encourage promotional opportunities; and
5.2 review staffing patterns and determine central office staffing levels required to perform the agency’s administrative functions.

Agency Response: The agency will develop a succession plan utilizing technical assistance through TACE and the Cabinet training staff by July of 2010. The plan will specifically address...
the critical issue of loss to the workforce due to staff retirements and other identified areas of focus. Based upon the succession plan that will be developed, the agency will implement a leadership training program by December of 2010.

OFB management will conduct a review of agency resources, staffing patterns and work flow in Central Office and determine needed positions, work assignments, and program needs in assuring administrative functions are carried out efficiently in the operation of all programs by July of 2010.

**Technical Assistance:** OFB requests technical assistance through TACE.
RSA reviewed OFB’s fiscal management of the VR, SE, IL, and OIB programs. During the review process RSA provided technical assistance to the state agency to improve its fiscal management and identified areas for improvement. RSA reviewed the general effectiveness of the agency’s cost and financial controls, internal processes for the expenditure of funds, use of appropriate accounting practices, continual increase of carryover of unobligated federal funds, and financial management systems.

Fiscal Management

The OFB fiscal management system needs to be strengthened in the areas of contract administration, fiscal reporting practices, internal controls, tracking contractor finances, match planning and applications, allocation of costs to benefit grants, and certified state expenditures used to meet match requirements.

The data in the following table, taken from fiscal reports submitted by the state agencies, speak to the overall fiscal performance of the agency. The data related to matching requirements are taken from the fourth quarter of the respective fiscal year’s SF-269 report. The MOE requirement data is taken from the final SF-269 report of the fiscal year two years prior to the fiscal year to which they are compared. Fiscal data related to administration, total expenditures, and administrative cost percentage is taken from the RSA-2.

### Table 5.1
Fiscal Data for OFB for FY 2004 through FY 2008

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant Amount</td>
<td>7,129,266</td>
<td>6,741,932</td>
<td>6,860,482</td>
<td>7,122,770</td>
<td>7,244,033</td>
</tr>
<tr>
<td>Required Match</td>
<td>1,929,522</td>
<td>1,824,691</td>
<td>1,856,776</td>
<td>1,927,764</td>
<td>1,960,583</td>
</tr>
<tr>
<td>Federal Expenditures</td>
<td>7,129,266</td>
<td>6,741,932</td>
<td>6,860,482</td>
<td>7,122,770</td>
<td>5,545,091</td>
</tr>
<tr>
<td>Actual Match</td>
<td>1,716,561</td>
<td>1,939,651</td>
<td>1,852,543</td>
<td>1,842,988</td>
<td>1,962,933</td>
</tr>
<tr>
<td>Over (Under) Match</td>
<td>(212,961)</td>
<td>114,960</td>
<td>(4,233)</td>
<td>(84,776)</td>
<td>2,350</td>
</tr>
<tr>
<td>Carryover at 9/30 (year one)</td>
<td>962,222</td>
<td>1,239,778</td>
<td>1,331,647</td>
<td>1,474,815</td>
<td>1,698,942</td>
</tr>
<tr>
<td>Program Income</td>
<td>347,269</td>
<td>739,487</td>
<td>1,172,506</td>
<td>752,777</td>
<td>967,926</td>
</tr>
<tr>
<td>Maintenance of Effort (MOE)</td>
<td>1,842,985</td>
<td>1,825,123</td>
<td>1,716,561</td>
<td>1,939,651</td>
<td>1,852,543</td>
</tr>
<tr>
<td>Administrative Costs</td>
<td>1,356,223</td>
<td>1,241,883</td>
<td>1,312,719</td>
<td>1,675,969</td>
<td>2,116,271</td>
</tr>
<tr>
<td>*Total Expenditures</td>
<td>9,577,369</td>
<td>8,969,122</td>
<td>9,270,555</td>
<td>10,322,721</td>
<td>10,634,245</td>
</tr>
<tr>
<td>Percent Admin Costs to Total Expenditures</td>
<td>14.16%</td>
<td>13.85%</td>
<td>14.16%</td>
<td>16.24%</td>
<td>19.90%</td>
</tr>
</tbody>
</table>

*Includes Supported Employment Program Expenditures.

Explanations Applicable to the Fiscal Profile Table

Grant Amount:

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

Match (Non-Federal Expenditures):

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

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

Carryover:

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

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

Program Income:

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the SSA for rehabilitating SSA beneficiaries, payments received from workers’ compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a state-operated CRP. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees
may also transfer program income received from the SSA for rehabilitating SSA beneficiaries to other formula programs funded under the Act to expand services under these programs.

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

**Maintenance of Effort (MOE):**

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

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

**Administrative Costs:**

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

**Fiscal Technical Assistance Provided to OFB During the Review Process**

RSA provided VR, SE, IL, and OIB program technical assistance to OFB during the review process regarding:

- contract administration and the identification of areas that need strengthening or revision to ensure proper management of funds, internal controls, and appropriate payment points;
- the establishment of checks and balances in the agency’s payment process;
- the training of fiscal staff on the completion of fiscal reports, which included providing instructional modules for the training of new staff;
- planning for match levels in order to meet required non-federal contributions, while guarding against possible MOE penalties;
- the differences between administrative and non-administrative costs centers;
- the requirement for charging costs to the benefiting grant, participant activity report development and how to allocate the agency’s personnel and non-personnel costs;
- the proper administration and application of certifying staff who work on one contract or cost center 100 percent of their time;
the need to plan agency resources and cash management to avoid the increasing levels of unobligated federal funds over the last five years;
the need to have consistent application of costs between federal agencies in regard to how facility expenditures are determined;
the proper use of certified expenditures for meeting the non-federal contribution; and
the requirement for contractor invoicing, contract finance reconciliation, and tracking the expenditures of each agreement.

Observations of OFB about the Fiscal Management Performance of the VR, SE, IL, and OIB Programs

RSA solicited input from OFB about the performance of the VR, SE, IL, and OIB programs. The OFB shared the following observations:

- a process is needed to ensure the proper allocation of costs to each grant;
- the agency needs to better understand how to plan for and use match; and
- the checks and balances on CRP payment processing needs strengthening.

RSA discussed the observations with OFB and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

VR, SE, IL, and OIB Programs’ Fiscal Management Performance Observations and RSA Recommendations

RSA identified the following fiscal performance observations and made recommendations to OFB about those observations. OFB responded to each of the recommendations and in those instances when RSA and OFB agreed upon a recommendation, RSA and OFB identified the technical assistance that RSA would provide to OFB to successfully implement the recommendation.

1. Carryover Balances

Observation 1: Over the past five years, OFB has continued to increase the level of carryover of unobligated federal funds, when compared to the agency’s total grant. A review of the level of carryover of unobligated federal funds showed an increase from 13 percent of the total grant funds in FY 2003, which was consistent with the national average, to a carryover level of 23 percent for FY 2008.

Recommendation 1: RSA recommends that OFB review its expenditure trends for prior years to determine the reason for the increasing carryover of unobligated funds.

Agency Response: OFB has reviewed expenditure patterns over the last five years and found that a couple of factors caused the increase in carryover balance. One of these is an unanticipated rise in program income, particularly SSA reimbursements. Looking at Table 5.1
on p. 57, program income more than doubled from $347,269 in 2004 to $739,487 in 2005 and more than tripled from 2004 to $1,172,506 in 2006. A second factor affecting carryover funds management during this time was a 100 percent turnover of central office staff and 200 percent turnover in fiscal staff, including a reduction from 4 to 2 in the fiscal operations. This has affected the continuity and institutional knowledge of managing the fiscal resources efficiently and the ability to receive program income as well.

Although there was a marked increase in carryover during this time, General Fund reductions over the last couple of years have reduced the ability to match federal funds. Recent projections based on 2 percent expenditure increases show that the carryover balance will be depleted in FFY 2012.

**Technical Assistance:** OFB does not request technical assistance.

### 2. Late SF-269 Reports

**Observation 2:** In the last three fiscal years 2005, 2006 and 2007, the agency has not submitted a final SF-269 report. These reports were due 90 days after the end of the grant period.

**Recommendation 2:** RSA recommends that OFB complete the required final SF-269 reports for the last three years and develop procedures to ensure that all future reports are submitted on a timely basis.

**Agency Response:** According to RSA Financial Management staff the FY 2005 SF-269 has been finalized in MIS as of December of 2006. In the past SF-269 reports for FY 2006 and FY 2007 were submitted and “final” in the federal MIS system in accordance with RSA guidelines.

In January of 2009, RSA requested a technical correction be made to the 2006 report that was submitted and “final” in December of 2007. OFB has worked with RSA on several occasions to complete this correction. In October of 2009, OFB received final guidance from RSA Financial Management regarding this issue.

In October of 2009, OFB received guidance for the technical correction to the 2007 SF-269. This will be corrected and final in December of 2009.

By April of 2010 OFB will develop procedures to ensure all reports are submitted on a timely basis. An additional fiscal staff person will be added by April of 2010 to assist with all fiscal operations of the agency assuring that reports are submitted on a timely basis.

The 2008 SF-269s will be completed and final by the due date December 31, 2009.

**RSA Response:** RSA appreciates the work OFB has done to produce Final SF-269 reports as we had requested. We agree with OFB that Final SF-269s for FYs 2005 and 2007 have been submitted, and no further action is needed by OFB with regard to those reports. However, our records indicate that OFB still has not submitted a Final SF-269 for FY 2006. The most recent SF-269 we have for FY 2006 still shows an undisbursed program income amount of $42,580. Please advise RSA if this a Final SF-269 for OFB and, if not, please make the necessary corrections and submit a Final SF-269 for FY 2006. OFB is correct that a Final SF-269 for FY
2008 was due on December 31, 2009; however, we still have not received that report. The most recent SF-269 for FY 2008 shows an undisbursed program income amount of $961,322. Again, OFB needs to submit a Final SF-269 for FY 2008 that reflects any adjustments regarding program income. Please note that undisbursed program income would have to be returned to RSA.

**Technical Assistance:** OFB requests verification of past due SF-269 reports.

### 3. Separation of Duties

**Observation 3:** OFB does not separate the duties for obligating, and approving service delivery expenditures in order to ensure proper handling of billings to CRPs.

- Financial staff process the payments for the CRP based on the approval of the counselor; and
- The counselor selects the service to be delivered and approves the payment for that service, which is then processed by financial staff.

**Recommendation 3:** RSA recommends that OFB develop a system of checks and balances for the process of billing purchased services to ensure that more than one person is involved in ordering services and approving expenditures for those services.

**Agency Response:** OFB is developing a process for approval of expenditures for services to assure that more than one OFB staff person is involved in ordering and approving expenditures. The process for approval will be implemented by March of 2010.

**Technical Assistance:** OFB does not request technical assistance.

### 4. The Monitoring of Match and MOE Requirements

**Observation 4:** OFB has experienced challenges related to planning for match and MOE.

- In FYs 2003, 2004, and 2007, OFB did not meet the MOE requirement;
- However, because the MOE requirement is determined by combining the General and Blind agencies, no penalty has been imposed to date. During FYs 2003, 2004, and 2005, the combination of the two agencies’ MOE levels met the regulatory requirement. This is allowable, but it may place OFB at risk if OVR cannot make up a possible future MOE shortfall.

**Recommendation 4:** RSA recommends that OFB independently plan match and MOE requirements during the program planning process and not request any reallocation funds the agency cannot successfully match.

**Agency Response:** OFB is committed to independently plan match and MOE from the OVR agency to assure that the agency can match any reallocation funds they request. General Fund
reductions have made it difficult to meet the requirements of the regular grant awards; therefore, there have been no requests for reallocation in recent years.

**Technical Assistance:** OFB does not request technical assistance at this time.

**5. Reporting of VR Program Income and OIB Non-Federal Match**

**Observation 5:** OFB reported VR program income in FYs 2006 and 2007 during the 2nd year of the grant. Program income must be reported during the fiscal year in which it is received. Additionally, OFB reported match for the OIB program after 09/30 (4th quarter) of the year of allocation. OFB exceeds their required OIB match each year by 09/30 (4th quarter); however, OIB match must be reported by 09/30 (4th quarter) of the year in which the federal funds, being matched, were allocated.

**Recommendation 5:** RSA recommends that OFB begin reporting: 1) program income in the year in which it is received; and 2) all OIB applicable match in the year in which the funds are appropriated.

**Agency Response:** Since 2007, OFB has reported program income during the first fiscal year in which it was received. In January of 2009, an error was discovered on the 2006 final SF-269, which incorrectly reported unspent program income. Because of this error, the “Total income realized…” was inadvertently increased. OFB began working with RSA in January of 2009 to correct this and has complied as directed.

During the report of the 2007, 5th quarter SF-269, it was discovered that an amount of $3,078 in program income was received during the 4th quarter of this grant and was not reported. The correct amount was reported on the subsequent reports.

OFB did exceed its match for OIB in prior years. This has since been corrected by meeting required match.

**Technical Assistance:** OFB does not request technical assistance.

**VR, SE, IL, and OIB Programs’ Fiscal Management Compliance Findings and Corrective Actions**

RSA identified the following compliance findings and corrective actions that OFB is required to undertake. OFB must develop a corrective action plan for RSA’s review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plans can be developed within 45 days and RSA is available to provide TA to assist OFB.
1. Periodic Certification

Legal Requirement:

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B):

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

Finding: OFB is not in compliance with OMB Circular A-87, Attachment B, Section 8.h.3 because the agency has not conducted periodic certifications for employees working solely on one federal grant program or cost objective. To comply, employees or their supervisors are required to certify, at least semi-annually, that the employee worked solely on one grant program, or cost objective, during the period covered by the certification.

Corrective Action 1: OFB must:

1. cease using Title I funds for personnel costs that do not have personnel certifications as required under OMB Circular A-87, Attachment B, 8.h.3;
2. submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, 8.h.3; and,
3. develop and submit policies/procedures that ensure, at a minimum, semi-annual certifications are completed for all employees working solely on one federal grant program, or cost objective, to comply with the requirement in OMB Circular A-87, Attachment B, 8.h.3.

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: The agency has initiated steps necessary to be compliant with OMB Circular A-87. Certifications have been completed for employees working 100 percent on one federal grant program. Certifications will be completed three times a year (January, April and August). The agency will submit a written assurance to RSA that policies and procedures have been written and implemented in order for OFB to be in compliance.

RSA Response: RSA is pleased that OFB has begun implementing procedures to ensure compliance with this requirement. OFB should include information regarding the steps it has undertaken when it submits the required corrective action plan for corrective actions 1.2 and 1.3.

Technical Assistance: OFB does not request technical assistance at this time.
2. Assigning Personnel Costs

**Legal Requirements:** OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B):

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

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

**Finding:** OFB is not in compliance with OMB Circular A-87, Section 8.h.4 and 8.h.5 because personnel costs are charged only to the VR program and are not distributed across other programs. OFB has responsibility for VR, IL, and other grant programs. Although funding for the VR Program represents the greatest share of the agency’s funding, OFB’s continuing practice of assigning personnel costs to the VR program because of limited funding in other programs is not in accordance with cost principles outlined in OMB Circular A-87.

**Corrective Action 2:** OFB must:

2.1 cease using Title I funds for personnel costs that do not have supporting documentation as required under OMB Circular A-87, Attachment B, 8.h.4 and 8.h.5;

2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, 8.h.4 and 8.h.5; and

2.3 submit a plan, including timeline, describing the corrective actions that will be taken to ensure:

   a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and,

   b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by OFB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

**Agency Response:** OFB is currently developing a cost allocation plan to implement personnel allocation for those individuals working on multiple grant programs and to ensure administrative and service costs are correctly applied to each grant. The agency will submit the cost allocation plan and a written assurance to RSA assuring that it will comply with OMB Circular A-87, Attachment B, 8.h. 4 and 8.h.5.
RSA Response: RSA appreciates that OFB has begun implementing procedures to ensure compliance. OFB should provide the requisite information about these cost allocation procedures, as well as an assurance that these procedures have been implemented, when it submits the required corrective action plan for corrective actions 2.2 and 2.3 above. RSA will assist OFB as necessary to ensure compliance is obtained.

Technical Assistance: OFB requests assistance from RSA to assure compliance with this corrective action.

3. Assigning Non-Personnel Costs

Legal Requirements:

OMB Circular A-87, Attachment B (2 CFR Part 225, Appendix B), Section C – Basic Guidelines:

3. Allocable costs.
   a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.
   c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.

Finding: OFB is not in compliance with OMB Circular A-87, Section C, 3.a. and 3.c. because the agency has not allocated its non-personnel costs according to the benefiting grant. OFB has the responsibility for VR, IL, and other grant programs. Although the funding for the VR program represents the greatest share of the agency’s funding, OFB’s continuing practice of assigning non-personnel costs to the VR program because of limited funding in other programs is not in accordance with cost principles outlined in OMB Circular A-87.

Corrective Action 3: OFB must:

3.1 cease using Title I funds for non-personnel costs that do not have supporting documentation as required under OMB Circular A-87, Attachment B, Section C, 3.a. and 3.c.;
3.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with OMB Circular A-87, Attachment B, Section C, 3.a. and 3.c.; and
3.3 submit a plan, including timeline, describing the corrective actions that will be taken to ensure personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by OFB (excluding the SE program under Title VI-B, which can legally be charged to the VR program).

RSA reserves the right to pursue enforcement action, including recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.
Agency Response: OFB will not use Title I funds for non-personnel costs that do not have supporting documentation. The agency will submit a written assurance to RSA that it will comply with OMB Circular A-87. The Cabinet, along with this office is currently working with the Finance and Administration Cabinet staff to develop guidelines and procedures for allocating non-personnel costs to the benefiting grant. OFB will ensure that personnel and administrative costs are allocated equitably, either directly or indirectly to each program administered by OFB.

RSA Response: RSA appreciates that OFB has begun implementing procedures to ensure compliance. OFB should submit to RSA the guidelines that it is developing, along with the Finance and Administration Cabinet staff, as well as an assurance that these procedures will continue to be implemented. OFB needs to comply with corrective actions 3.2 and 3.3 above. RSA will assist OFB as necessary to ensure compliance is obtained.

Technical Assistance: OFB requests technical assistance from RSA regarding this corrective action.

4. Unallowable VR Expenditures -- Operating A Wholesale Store

Legal Requirement:

Section 100(a)(2) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), and 34 CFR 361.1 of its implementing regulations establish that the purpose of the VR program is to provide services to individuals with disabilities so that they may achieve an employment outcome that is consistent with their strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 of its implementing regulations require that Title I Vocational Rehabilitation (VR) program funds be used solely to cover the costs of providing VR services and administrative costs under the State plan.

34 CFR 361.12 states:

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

34 CFR 80.20(a) states:

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

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

OMB A-87, Attachment A (2 CFR Part 225, Appendix A), section C, in pertinent part, states:
1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
   a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
   b. Be allocable to Federal awards under the provisions of this Circular.
   c. Be authorized or not prohibited under State or local laws or regulations.
   d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
   e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
   f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
   g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
   h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
   i. Be the net of all applicable credits.
   j. Be adequately documented.

Finding: Since 1994, OFB has operated See World, a store which purchases vision aids and devices wholesale and then sells these goods to the general public for a 15 percent markup in cost. VR counselors also purchase necessary aides and devices, pursuant to Individualized Plans for Employment (IPEs), through the store for their VR consumers. OFB operates See World solely with Title I VR funds. During its on-site monitoring, RSA reviewed the VR expenditures incurred for See World’s operations and noted the following:

1. See World operates under OFB’s Federal Tax ID number, but is not part of OFB’s financial or accounting system;
2. During one particular month in FY 2008, See World had a loss of more than $80,000;
3. Title I VR funds are used to pay all See World expenses, including staff salaries, fringe benefits, utilities, supplies, website, etc.; and
4. See World does not have policies or procedures for tracking, recording or controlling revenue and expenses for purposes of the VR program. Instead, See World uses a commercially-available financial software to “track” funds. There has never been an audit or fiscal review of See World.

Section 111(a)(1) of the Rehabilitation Act and 34 CFR 361.3 require that VR funds be used solely for providing VR services and administrative costs under the State plan. While section
103(a) of the Rehabilitation Act and 34 CFR 361.48 authorize OFB to provide vision aids and devices for its consumers pursuant to an IPE, there is no authority in the Rehabilitation Act for OFB to provide these goods to the general public under the VR program. Moreover, administrative costs associated with See World are not reasonable and necessary for the administration of the VR program and, thus, do not constitute allowable administrative costs under the State plan. Given that expenditures incurred by OFB in operating See World are neither costs to provide VR services nor administrative costs under the VR State plan, income generated by See World does not constitute program income to OFB’s VR program pursuant to 34 CFR 361.63(a). Even if it were program income, OFB could not use the non-Federal funds to satisfy its match requirement under the VR program pursuant to 34 CFR 361.63(c)(4).

Furthermore, OFB must have procedures in place that enable it to administer the program properly and efficiently (34 CFR 361.12). These procedures also must enable OFB to track all expenditures to ensure that they are allowable under the VR program and consistent with Federal cost principles (34 CFR 80.20(a) and 80.22, and OMB Circular A-87).

Corrective Action 4: OFB must:

4.1 cease using Title I VR funds to operate See World;
4.2 submit a written assurance to RSA within ten days of receipt of the final monitoring report that it will expend VR funds only for allowable VR purposes, as required by section 111(a)(1) of the Rehabilitation Act, 34 CFR 361.3, 361.12, 34 CFR 80.20(a), 80.22, and the cost principles in OMB Circular A-87; and
4.3 submit a full accounting of all income and expenses related to See World, including central office staff salaries/fringe, website operations, equipment purchases, shipping costs, and all related store costs for the last five years. This accounting must distinguish between expenses incurred for VR program purposes and those incurred for non-VR program purposes.

RSA reserves the right to pursue enforcement action as it deems appropriate, including the recovery of Title I VR funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR.

Agency Response: See World is part of the OFB financial accounting system because all purchases requested for direct VR services are recorded in the CMS program and the state financial accounting system. All purchases that were made directly by the general public were deposited and recorded in the state financial system; therefore, all sales to the public made by See World were spent on VR services (See OFB’s Attachment D See World Expenses 2005 – 2009 to the draft monitoring report). No funds from sales made at See World were used for federal match.

During the 2009 monitoring RSA was provided incomplete financial information regarding the sales from See World. See World has never incurred a financial loss in a month since its existence. OFB Attachment D is provided to meet the requirements of Correction 7.3.

Based on the recent monitoring report OFB is in the process of developing policies and procedures for tracking, recording, or controlling revenue and expenses for See World.
World was closed to the public on April 6, 2009. Currently, OFB is exploring avenues for reopening See World to the public and ensuring that See World is operated within the parameters of the federal VR guidelines.

OFB notes that the 2004 Monitoring Report failed to note any problems with the operation of See World. Since that 2004 Report failed to mention See World, OFB has relied in good faith on that report in continuing its operation of See World for the past five years.

**RSA Response:** RSA appreciates the efforts that OFB is taking with regard to developing policies and procedures for tracking expenditures and revenues related to See World. RSA is available to assist in that process as needed. OFB has provided new information that clarifies that See World’s expenditures and revenues are already incorporated into the agency’s financial accounting system. OFB also stated that all of See World’s profits benefit the VR program. While we appreciate OFB’s efforts to use these funds to support the VR program, RSA believes that OFB is still unclear as to the fundamental concern we raised in our finding. During RSA’s monitoring of the agency, RSA found that OFB used Title I VR funds to operate See World despite the fact that See World does not constitute a VR service, pursuant to 34 CFR 361.48 or 34 CFR 361.49, or an administrative cost for the VR program, as defined by 34 CFR 361.5(b)(2). For an expenditure to be allowable under the VR program, it must cover the costs of providing VR services or administering the program (34 CFR 361.3). Therefore, use of VR funds to operate See World is not allowable under the VR program. Since OFB did not provide new information to dispute the use of VR funds to operate See World, the finding stands and OFB must comply with the required corrective actions above.

**Technical Assistance:** OFB does not request technical assistance at this time; however, once policies and procedures are established, we request RSA review for guidance.

**Additional Documentation Required**

In order to determine the manner in which the state, agency and program are charging indirect costs, RSA is requesting a detailed list of indirect costs (certified or directly paid from the grant) charged to OFB under the various indirect categories. This includes any costs paid under a cost allocation plan or indirect cost rate.

The information and related data listed above must be submitted to RSA within the 30 day review period of this report.

**VR, SE, IL, and OIB Fiscal Issues for Further Review**

RSA plans on conducting further review of the following VR, SE, IL, and OIB fiscal issues:

- Monitoring of SILC expenditures by the DSU.
- Whether depreciation and interest costs from state revenue bonds can be charged as facility costs
- Whether depreciation and interest costs from state revenue bonds are allowable to be used to meet the requirements of the non-federal share.
CHAPTER 6: INDEPENDENT LIVING PROGRAM

The following table provides data on OVR’s IL program performance in key areas from FY 2006 through FY 2007.

Table 6.1
IL Program Highlights for FY 2006 through FY 2007

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VII, chapter 1, part B funds</td>
<td>310,192</td>
<td>350,192</td>
</tr>
<tr>
<td>Total resources (including part B funds)</td>
<td>1,517,010</td>
<td>1,383,668</td>
</tr>
<tr>
<td>Total served</td>
<td>1,949</td>
<td>2,734</td>
</tr>
<tr>
<td>Total consumer service records closed</td>
<td>170</td>
<td>383</td>
</tr>
<tr>
<td>Cases closed, completed all goals</td>
<td>126</td>
<td>200</td>
</tr>
<tr>
<td>Total goals set</td>
<td>2,238</td>
<td>1,512</td>
</tr>
<tr>
<td>Total goals met</td>
<td>1,310</td>
<td>1,267</td>
</tr>
<tr>
<td>Total individuals accessing previously unavailable transportation, health care, and assistive technology</td>
<td>760</td>
<td>1,272</td>
</tr>
<tr>
<td>Total FTEs</td>
<td>83</td>
<td>51</td>
</tr>
<tr>
<td>Total FTEs with disabilities</td>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

IL Program Administration and Service Delivery

OVR has the primary fiduciary responsibility for and is the recipient of Part B funds that total $309,508. OVR provides the majority of Part B resources ($271,000) to the CILs via contracts to support general operations. OFB receives Part B funds ($38,508) through a contract with OVR to provide IL services to individuals who are visually impaired or blind. OVR employs a program manager and a part-time assistant for direct oversight of the contracts.

There are a total of five CILs in KY. Three centers receive Part B funds only and include: Best Center for Independent Living, Inc. ($120,000), Disabilities Coalition of Northern Kentucky ($45,000) and Independence Place ($49,172). Pathfinders CIL receive Part B funds in the amount of $56,828 as well as Part C funds. The Center for Accessible Living receives only Part C funds.

The KY SILC is not established as an entity within any State agency, including the DSUs and is independent of the DSUs and all other State agencies. The KY SILC was created by Executive Order of the Governor and affirmed by the 1994 General Assembly. It is attached to OVR for fiscal purposes only. The KY SILC operates as a separate entity.
Personnel

OVR employs an independent living manager and a part-time assistant to oversee administration of the IL Program and assist with SILC administration. Fiscal staff is responsible for processing invoices and payments.

The KY SILC does not employ any staff.

Data Management

OVR compiled and submitted the most recent RSA-704 Part I report. Each Part B entity collects its own data. RSA-704 data and narrative summaries are submitted quarterly to the DSU’s IL manager for reporting purposes.

Quality Assurance

The OVR IL manager and part-time assistant organize and coordinate review of the Part B entities on an annual basis. Two members from the SILC’s Contract Compliance Committee participate in the reviews by conducting interviews with the staff and board of directors. Other activities include review of policies and procedures, review of fiscal management and a consumer service record review.

Planning

KY’s SPIL serves as the IL primary planning vehicle.

IL Program Technical Assistance Provided to OVR During the Review Process

RSA provided IL program technical assistance to OVR during the review process regarding:

- SILC duties, roles and responsibilities;
- DSU contract administration with Part B entities; and
- fiscal training for Part B staff.

Observations of OVR and Its Stakeholders about the Performance of the IL Program

RSA solicited input from OVR and a wide range of its stakeholders about the performance of the IL program. The OVR and its stakeholders shared observations regarding:

- the lack of consumer involvement in the SPIL development process;
- the lack of involvement from other disability organizations in the SPIL development process; and
- the need for additional funding for services.
RSA discussed the observations of its stakeholders with OVR and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

**IL Program Performance Observations and RSA Recommendations**

RSA identified the following performance observation and made recommendations to OVR about the observation. OVR responded to each of the recommendations and in those instances when RSA and OVR agreed upon a recommendation, RSA and OVR identified the technical assistance that RSA would provide to OVR to successfully implement the recommendation.

1. **SPIL development**

**Observation 1:** Discussions with SILC members revealed that consumers and disability organizations are not involved in the development of the SPIL.

**Recommendation 1:** RSA recommends that OVR and the SILC develop strategies to involve consumers and various disability organizations in the process of SPIL development. The DSU and SILC may consider contacting DSUs and SILCs across the country to evaluate other SPIL development processes.

**Agency Response:** The agency conducts five to six public hearings presently. During the next plan development period, details about the SPIL will be provided on the agency website. The website will also include a ready and accessible method for providing input on-line. A wider distribution to disability organizations will be sought, including distribution to the Developmental Disabilities Planning Council, the Department for Aging and Independent Living, the Kentucky Disabilities Coalition, and other appropriate state agencies and organizations. After the SILC approves a draft of the SPIL, the draft will be made available to the public on the agency website and will be distributed via regular mail and e-mail. An additional public hearing will be conducted at a Center or accessible location.

**Technical Assistance:** OVR has already requested and received technical assistance from RSA.

**IL Program Compliance Findings and Corrective Actions**

RSA identified the following compliance findings and corrective actions that OVR is required to undertake. OVR must develop a corrective action plan for RSA’s review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance findings have been resolved. RSA anticipates that the corrective action plan can be developed within 45 days and RSA is available to provide TA to assist OVR.
1. SILC duties, roles and responsibilities

Legal Requirement: Section 705 (c)(2) of the Act, states that the SILC will monitor, review, and evaluate the implementation of the State plan.

Finding: The KY SILC is conducting activities beyond its required duties as set forth in Section 705 (c)(2). Interviews with SILC members and DSU staff revealed that the KY SILC has established a Contract Compliance Committee which includes SILC members. The primary purpose of this committee is to participate in the monitoring and evaluation of Part B CILs. SILC members report that required duties of the SILC, such as reviewing, monitoring, and evaluating SPIL goal progress are not being completed. The KY SILC is not in compliance with Section 705 (c)(2) of the Act, because it monitors the CILs and approves and disapproves contracts, payments and invoices.

Corrective Action 1: The SILC must:

1.1 take the necessary steps to ensure that it will monitor, review and evaluate the implementation of the SPIL as required in Section 705 (c(2)); and
1.2 cease all activities related to the monitoring of the CILs and the approval and disapproval of contracts, payments and invoices.

Recommendation 1: RSA recommends that the DSU’s and the SILC:

1.1 re-evaluate and implement the purpose of the KY SILC; and
1.2 work with ILRU, RSA’s independent living technical assistance provider, to access training on SILC duties, roles and responsibilities.

Agency Response: OVR has already assisted the SILC in redefining their role as the monitoring, reviewing, and evaluation body of the SPIL and the Contract Compliance Committee has been discontinued and the SILC is currently revamping its entire committee structure. The SILC will no longer have a role in the approval or disapproval of contracts, payments, and invoices. The SILC and staff are participating in the APRIL-ILRU Peer Mentoring Program. A mentor suggested by RSA visited in July and provided training on SILC duties, roles and responsibilities. The mentor report was submitted on September 30 and the DSU and SILC will conduct further activities based on that report, including obtaining further consultation related to the training of SILC members on their duties, roles and responsibilities and on strategic planning for the SILC.

RSA Response: RSA appreciates that OVR has already begun implementing changes necessary to bring itself into compliance with this requirement. OVR should submit an assurance that it has already implemented the changes necessary when it submits its corrective action plan. Given that OVR has not disputed the finding, OVR still must comply with corrective actions 1.1 above and provide a description of the specific steps that it is taking when it submits its corrective action plan, as required above.
Technical Assistance: OVR does not request technical assistance.

2. SILC Appointments

Legal Requirements: Section 705(a) of the Act. To be eligible to receive financial assistance under this chapter, each State shall establish a Statewide Independent Living Council (referred to in this section as the "Council"). The Council shall not be established as an entity within a State agency.

Section 705(b)(6)(A)(B). Each member of the Council shall serve for a term of 3 years, except that (i) a member appointed to fill a vacancy occurring prior to the expiration of the term for which a predecessor was appointed, shall be appointed for the remainder of such term; and (ii) the terms of service of the members initially appointed shall be (as specified by the appointing authority described in paragraph (1) for such fewer number of years as will provide for the expiration of terms on a staggered basis. No member of the Council may serve more than two consecutive full terms.

Finding: Based on a review of the current KY SILC roster and conversations with SILC members, RSA finds that SILC members’ terms have expired and new appointments have not been made. The SILC is not in compliance with section 705(a) of the Act because at present it does not have a legally constituted SILC meeting the composition, qualification and terms of appointment requirements outlined in section 705(b) of the Act.

Corrective Action 2: The KY SILC must take the necessary steps to ensure that the Governor appoints a full slate of SILC members who meet the composition, qualification and terms of appointment requirements in section 705(b)(1)-(7) of the Act.

Recommendation 2: RSA recommends that the DSU’s and the SILC:

2.1 maintain a current SILC Board roster from the Governor’s office to evaluate the number of vacancies and expired terms;
2.2 develop and implement effective strategies for recruitment to the SILC Board;
2.3 maintain the number of applications waiting appointment to the SILC and determine how to move the applications forward; and
2.4 work with ILRU, RSA’s independent living technical assistance provider, to access training on SILC duties, roles and responsibilities.

Agency Response: The Executive Director and SILC staff liaison met with the Governor’s Office in April to establish a roster and develop a plan for filling SILC vacancies, with three individuals appointed on 9/25/09. OVR has been working closely with the Nomination Committee and Governor’s Office to move applications forward to maintain a roster of individuals awaiting appointment to the SILC. Three more nominations to the Governor’s Office are currently pending and should be appointed prior to the end of the 2009 calendar year.
**RSA Response:** RSA appreciates the steps that OVR has undertaken to bring itself into compliance with these requirements. OVR should provide a description of the steps that it is taking when it submits its corrective action plan, as required above.

**Technical Assistance:** The agency does not request technical assistance.
CHAPTER 7: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

The following table provides data on OFB’s OIB program performance in key areas from FY 2006 through FY 2007.

Table 7.1
OIB Program Highlights for FY 2006 Through FY 2007

<table>
<thead>
<tr>
<th>Program Highlights</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title VII, chapter 2 expenditures</td>
<td>382,597</td>
<td>425,952</td>
</tr>
<tr>
<td>Total expenditures (including chapter 2)</td>
<td>473,075</td>
<td>575,252</td>
</tr>
<tr>
<td>Total served older individuals who are blind</td>
<td>895</td>
<td>839</td>
</tr>
<tr>
<td>Total FTEs</td>
<td>9.71</td>
<td>8.87</td>
</tr>
<tr>
<td>Total FTEs with disabilities</td>
<td>3.71</td>
<td>3.20</td>
</tr>
</tbody>
</table>

OIB Program Administration and Service Delivery

The KY OFB provides independent living services to older blind consumers through Chapter 2 funds ($435,278). The OFB receives Part B funds ($38,508) through a contract with OVR to provide IL services to individuals who are visually impaired or blind.

The IL and OIB programs are managed by the OFB and administered by a program manager. The OFB provides regular program monitoring to insure continued compliance and fulfillment of SPIL goals and objectives. The IL program manager is available to the IL counselors and Centers for Independent Living to discuss service delivery, questions, concerns, and to work in collaboration on consumer driven projects. Referrals are contacted in a timely manner using timelines that have been established by the OFB. These timelines apply to referrals from the centers as well as other sources.

Personnel

Administration: 1.17 FTEs
Direct Service: 6.63 FTEs
Total: 7.80 FTEs

OFB counselors provide both IL and OIB services to consumers.

Data Management

Counselors enter data into the database used by the OFB. Case management is completed through the OFB system.
Quality Assurance

Consumer satisfaction is obtained through telephone surveys. The surveys are conducted after cases are closed. Results of the surveys indicate that consumers are pleased with the services they received and the return rate is acceptable at 80 percent.

The IL Program Manager is responsible for conducting case reviews. Case reviews are utilized to evaluate job performance and caseload size.

Planning

The OIB Program uses the SPIL as its primary planning vehicle. The IL program manager monitors the progress on its goals and objectives.

OIB Program Technical Assistance Provided to OFB During the Review Process

RSA provided OIB program technical assistance to OFB during the review process regarding:

- differences between IL funds and OIB funds;
- lack of OIB policies and procedures; and
- SILC roles and responsibilities and SPIL development.

Observations of OFB and Its Stakeholders about the Performance of the OIB Program

RSA solicited input from OFB and a wide range of its stakeholders about the performance of the IL and OIB Programs. The OFB and its stakeholders shared the following observations regarding:

- the need for additional funds to support and increase services;
- the lack of services and transportation in rural areas; and
- the need for additional staff to provide OIB services.

RSA discussed the observations of its stakeholders with OFB and addressed as many of them as possible either directly or by consolidating them into a broader issue area.

OIB Program Performance Observations and RSA Recommendations

RSA identified the following performance observations and made recommendations to OFB about those observations. OFB responded to each of the recommendations and in those instances when RSA and OFB agreed upon a recommendation, RSA and OFB identified the technical assistance that RSA would provide to OFB to successfully implement the recommendation.
1. Evaluation Tools

Observation 1: OFB reported that they do not have a tool to evaluate IL services for 704 reporting purposes. IL and OIB services are provided concurrently. OFB states that the RSA-7OB report can be used as a tool to determine the effectiveness of OIB services, but not IL services.

Recommendation 1: RSA recommends that OFB develop and implement tools and strategies to determine the effectiveness of IL services.

Agency Response: The agency understands the importance of accurately reporting data on the 704 and measuring the effectiveness of IL Services. Services are staff provided and OFB does not contract out services.

1. The IL CMS module is being revised so that IL data will be extracted and separated from OIB data with a target date of December of 2009. Services are being listed according to the 704 to ensure accuracy of data.

2. OFB will continue to monitor consumer satisfaction through a survey of a minimum of 10% of closed cases. The current tool will be revised by December of 2009 to better reflect outcome measures.

3. Ongoing training will be provided to IL staff regarding specifics of the IL program and the use of such tools as the Individualized Plan of Services. (Since the onsite review, staff trainings have been conducted in April, August and October of 2009. During each training directives were given for collecting and reporting data and for determining the outcome of services).

4. Training to new staff will include specific information regarding IL and the issues discussed here.

Technical Assistance: OFB does not request technical assistance.

2. OIB policies and procedures

Observation 2: OFB does not have policies and procedures for the OIB Program.

Recommendation 2: RSA recommends that OFB develop and implement policies and procedures for the OIB program.

Agency Response: The agency recognizes the need to clarify the OIB operational policies and procedures.

1. Since the onsite review, the process of developing an OIB manual separate from the IL program has begun with a target date of completion for December of 2009. This manual details the operating policies and procedures for OIB.
2. Documents associated with the IL and OIB programs are under revision. Changes have been made that clearly denote each program and will be completed by November of 2009.

3. Trainings were held in April, August and October of 2009 to ensure that staff is aware that the OIB program is separate from the IL program.

4. All new staff trainings will include information regarding specific OIB policies and procedures.

**Technical Assistance:** OFB does not request technical assistance
APPENDIX: DATA TABLES

VR and SE Program Highlights

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

• Average hours worked per week for competitive employment outcomes - Average hours worked in a week at closure (record position 167-168) for individuals where weekly earnings at closure (record position 163-166) > 0 and where the type of closure (record position 198) = 3 and competitive employment (record position 162) = 1

• Percent of transition age served to total served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 divided by all individuals of any age whose type of closure (record position 198) is 3 or 4

• Employment rate for transition population served – Total number of individuals whose age at application is 14-24 and whose type of closure (record position 198) = 3 divided by the number of individuals whose age at application is 14-24 and whose type of closure (record position 198) is 3 or 4 multiplied, the result of which is multiplied by 100

• Average time between application and closure (in months) for individuals with competitive employment outcomes - Average of individuals date of closure (record position 201-208) minus date of application (record position 15-22) in months where type of closure (record position 198) = 3 and competitive employment (record position 162) = 1

• Standard 1 – To achieve successful performance on Evaluation Standard 1 the DSU must meet or exceed the performance levels established for four of the six performance indicators in the evaluation standard, including meeting or exceeding the performance levels for two of the three primary indicators (Performance Indicators 1.3, 1.4, and 1.5).

• Standard 2 – To achieve successful performance on Evaluation Standard 2, the DSU must meet or exceed the performance level established for Performance Indicator 2.1 (.80) or if a DSU's performance does not meet or exceed the performance level required for Performance Indicator 2.1, or if fewer than 100 individuals from a minority population have exited the VR program during the reporting period, the DSU must describe the policies it has adopted or will adopt and the steps it has taken or will take to ensure that individuals with disabilities from minority backgrounds have equal access to VR services.

II. Program Highlights (From RSA 704 report)

• Title VII, Chapter 1, Part B Funds – Subpart I, Administrative Data, Section A, Item 1(A)

• Total Resources (including Part B funds) – Subpart I, Administrative Data, Section A, Item 4

• Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)
• Total Consumer Service Records Closed - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(6)
• Cases Closed - Completed All Goals - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section B(4)
• Total Goals Set - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
• Total Goals Met - Subpart III, Section B, Item 1, sum of (A) + (B) + (C) + (D) + (E) + (F) + (G) + (H) + (I) + (J) + (K) + (L)
• Total individuals accessing previously unavailable transportation, health care, and assistive technology - Subpart III, Section B, Item 2, sum of (A) + (B) + (C)
• Total FTEs - Subpart I, Section F, sum of Item 2 for the column
• Total FTEs with Disabilities - Subpart I, Section F, sum of Item 2 for the column

ILOB Program Highlights (From RSA 7-OB Form)

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