

**FISCAL YEAR 2009  
MONITORING REPORT ON THE  
VOCATIONAL REHABILITATION AND  
INDEPENDENT LIVING PROGRAMS  
IN THE STATE OF  
TEXAS**



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

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## EXECUTIVE SUMMARY

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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 Texas (TX):

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

### Texas Administration of the VR, SE, IL and OIB Programs

The Division for Rehabilitation Services (DRS) is one of two designated state units (DSUs) responsible for administering the VR, SE and IL programs in TX. This state agency provides services to individuals with all disabilities except individuals who are blind.

The Division for Blind Services (DBS) is the other DSU. This separate state agency for the blind provides vocational and other rehabilitation services. It is responsible for administering the VR, SE, and IL programs serving individuals who are blind, as well as the Older Individuals Who Are Blind (OIB) program.

The Department of Assistive and Rehabilitative Services (DARS) is the designated state agency (DSA) for DRS and DBS and all are headquartered on a campus in Austin. DARS is a department of the Texas Health and Human Services Commission (HHSC), a member of the state of TX executive branch.

### DRS Performance

In FY 2003, DRS' employment rate was 53.86 percent. In FY 2007, the rate increased by 2.39 percent to 56.25 percent. For the same period, the number of new applicants decreased by 31,928 from 67,007 in FY 2003 to 35,079 in FY 2007. The number of individuals served decreased as well from 100,067 in FY 2003 to 56,805 in FY 2007, a decrease of 43,262. The average hourly earnings increased from \$9.20 in FY 2003 to \$10.42 in FY 2007, an increase of \$1.21 per hour.

Of those individuals who achieved an employment outcome, the number with a supported employment outcome decreased by 47 from 307 in FY 2003 to 260 in FY 2007. Their average hourly earnings increased by \$0.21 from \$6.91 in FY 2003 to \$7.12 in FY 2007.

The number of individuals that TX' state IL Program served increased from 3,221 in FY 2006 to 3,423 in FY 2007, an increase of 202.

**Strengths and Challenges:** RSA identified the following programmatic strengths that contributed to DRS' high or improved performance as well as the challenges DRS faces in its efforts to improve its performance.

## DRS

### Strengths:

- DRS adopted DARS' E-3 Essentials (excellent service, every customer, every time) customer service strategies to guide the agency's business operations.
- DRS utilizes a variety of communication strategies to connect the central office to field operations.
- DRS' Business Services Unit is effective in assisting offices in establishing relationships with local employers and developing employer recognition and recruitment events.
- DRS outcome-based payment system promotes CRPs providing individualized services to consumers according to need.
- DRS collaborates with DBS on capacity building and leadership development training for all staff.

### Challenges:

- Integrating the "Roadmap" and the DRS annual VR state plan.
- Evaluating and improving the quality of services provided by CRPs.
- Having a sufficient number of CRPs, particularly those that are appropriately staffed with consumer-focused rehabilitation professionals.
- Providing specialty counselors with the training to perform as functional experts.
- Decreasing the percentage of transition-age-youths closed unsuccessfully prior to individual plan for employment (IPE) development.
- More effectively identifying unserved and underserved populations.
- Providing sufficient outreach and services to the Latino community in some parts of the state.
- Controlling the level of expenditures for physical and mental restoration services.
- Collaborating with DBS to effectively serve individuals with multiple disabilities including blindness and visual impairments.
- Monitoring and oversight of centers for independent living (CILs) to ensure proper utilization of program income funds.
- Implementing systemic corrective actions with CRPs and their staff to ensure consistent application of internal controls established through DARS policies and procedures and federal regulations.
- Ensuring the accuracy of federal financial reports.

## DBS Performance

In FY 2003, DBS' employment rate was 73.56 percent. In FY 2007, the rate decreased by 1.35 percent to 72.21 percent. For the same period, the number of new applicants decreased by 825 from 4,046 in FY 2003 to 3,221 in FY 2007. The number of individuals served increased from 6,072 in FY 2003 to 6,403 in FY 2007, an increase of 331. The average hourly earnings increased as well going from \$11.03 in FY 2003 to \$12.06 in FY 2007, an increase of \$1.02 per hour.

Of the individuals who achieved an employment outcome, those in supported employment (SE) increased by 2 from 27 in FY 2003 to 29 in FY 2007. Their average hourly earnings increased by \$3.37 from \$6.05 in FY 2003 to \$9.42 in FY 2007.

The number of individuals that TX' OIB Program served decreased from 2,010 in FY 2006 to 1,688 in FY 2007, a decrease of 322.

**Strengths and Challenges:** RSA identified the following programmatic strengths that contributed to DBS' high or improved performance as well as the challenges DBS faces in its efforts to improve its performance.

## DBS

### Strengths:

- DBS adopted DARS' E-3 Essentials customer service strategies to guide the agency's business operations.
- DBS outcome-based payment system promotes CRPs providing individualized services to consumers according to need.
- DBS collaborates with DRS on capacity building and leadership development training for all staff.
- DBS has the State-funded Blind Children's Vocational Discovery and Development Program (BCVDDP) and strong partnerships with local education agencies resulting in a seamless service delivery system for transition-age-youths in most local school districts.

### Challenges:

- Providing "adjustment to blindness services" to individuals participating in the VR program.
- Evaluating the effectiveness of the Criss Cole Rehabilitation Center (CCRC) program.
- Collaborating with DRS to effectively serve individuals with multiple disabilities including blindness and visual impairments.
- Referring individuals to DRS when those individuals fail to meet DBS' eligibility criteria, but would be eligible for services from DRS.

- Having clearly defined processes for the referral, assessment and the determination of eligibility of transition-age-youths.
- Ensuring the accuracy of federal financial reports.
- Implementing systemic corrective actions with CRPs and their staff to ensure consistent application of internal controls established through DARS policies, procedures and federal regulations.
- Placing stronger controls on contractual agreements to provide measurable outcomes and related fiscal controls.
- Ensuring that costs counting towards satisfying a cost sharing or matching requirement are verifiable from records and meet federal regulations for allowable match.

## INTRODUCTION

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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 and programs offered under Title VII of the Act 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 DARS, DRS, DBS, the SRC, the Statewide Independent Living Council (SILC), and the stakeholders who assisted the RSA monitoring team in the review of DRS and DBS.

## CHAPTER 1: RSA'S REVIEW PROCESS

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### Data Used During the Review

RSA's data collections are finalized and available at different times throughout the year. RSA's review of DRS and DBS 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 DRS' and DBS' performance.

### Review Process Activities

During the review process, the RSA TX 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 an on-site visit, 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 DRS and DBS undertake specific actions to improve its performance;
- identified compliance findings and required DRS and DBS to take corrective action;
- in collaboration with DRS and DBS determined whether RSA would provide technical assistance to improve its performance or correct compliance findings; and
- identified issues for further review.

### RSA TX State Team Review Participants

Members of RSA's TX state team included representatives from each of RSA's State Monitoring and Program Improvement's (SMPID's) five functional units. The RSA review team was made up of the following individuals: Edward West (State Liaison/VR Unit); Joseph Doney (TA Unit); Jeffrey Clopein (VR Unit); Sandy DeRobertis (VR Unit); Pamela Hodge (IL Unit); Carol Dobak (VR Unit); Joan Ward (Data Collection and Analysis Unit); William Bethel (Fiscal Unit); Jacqueline Stuckey (Fiscal Unit); Mary Williams (SMPID); and David Esquith (SMPID).

### DRS Information Gathering

During FY 2009, RSA began its review of DRS by analyzing information including, but not limited to, RSA's various data collections, DRS' VR and IL state plans, and DRS' SRC's Annual Report. After completing its internal review, the RSA team carried out the following



information gathering activities with DRS and stakeholders in order to gain a greater understanding of DRS' strengths and challenges:

- conducted five teleconferences with the DRS management beginning in December 2008;
- conducted four teleconferences with DRS IL program staff, SILC members and administrative staff;
- conducted preliminary on-site monitoring visits from 9/13/2008 through 9/25/2008 and met with executive staff of DRS, DARS, SRC, and Client Assistance Program (CAP); and
- conducted on-site monitoring visits from 5/03/2009 through 5/22/2009 and met with staff of DRS, DARS, SRC, and CAP.

## **DBS Information Gathering**

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

- conducted five teleconferences with the DBS management beginning in December 2008;
- conducted four teleconferences with DBS program staff, SILC members and administrative staff, and OIB staff;
- conducted preliminary on-site monitoring visits from 9/13/2008 through 9/25/2008 and met with executive staff of DBS, DARS, SRC, and CAP; and
- conducted on-site monitoring visits from 5/03/2009 through 5/22/2009 and met with staff of DBS, DARS, SRC, and CAP.

## CHAPTER 2: DRS VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

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

**Table 2.1**  
**DRS Program Highlights for VR and SE Programs for FY 2003 through FY 2007**

<b>Program Highlights</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total funds expended on VR and SE	\$191,697,738	\$182,721,916	\$196,827,695	\$214,301,574	\$211,958,977
Individuals whose cases were closed with employment outcomes	20,552	18,965	13,791	12,540	11,024
Individuals whose cases were closed without employment outcomes	17,604	33,529	10,633	9,555	8,573
Total number of individuals whose cases were closed after receiving services	38,156	52,494	24,424	22,095	19,597
Employment rate	53.86%	36.13%	56.46%	56.75%	56.25%
Individuals whose cases were closed with supported employment outcomes	307	329	311	270	260
New applicants per million state population	3,029.25	2,184.62	1,598.51	1,858.53	1,467.74
Average cost per employment outcome	\$3,102.90	\$3,249.09	\$4,002.63	\$4,875.07	\$5,473.00
Average cost per unsuccessful employment outcome	\$1,786.16	\$1,854.02	\$2,277.48	\$2,731.51	\$3,233.55
Average hourly earnings for competitive employment outcomes	\$9.22	\$9.51	\$9.57	\$10.08	\$10.45
Average state hourly earnings	\$17.77	\$18.23	\$19.14	\$20.09	\$21.22
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	51.89%	52.17%	50.00%	50.17%	49.25%
Average hours worked per week for competitive employment outcomes	35.58	35.42	34.77	34.47	34.18
Percent of transition age served to total served	22.70%	24.99%	25.37%	25.48%	26.60%
Employment rate for transition population served	45.04%	27.07%	47.49%	49.27%	48.87%
Average time between application and closure (in months) for individuals with competitive employment outcomes	17.3	18.5	20.5	21.8	21.9
Performance on Standard 1	MET	MET	MET	MET	MET
Performance on Standard 2	MET	MET	MET	MET	MET

## VR and SE Service Delivery

Division of Rehabilitation Services (DRS) is the designated state unit under Department of Assistive and Rehabilitative Services (DARS) that is responsible for the provision of VR and SE services. In 2004, the former Texas Rehabilitation Commission was reorganized as DRS under DARS along with DBS, Early Childhood Intervention (ECI) Services and Disability Determination Services. DARS provides several areas of centralized functions across these agencies including financial oversight, data and case management systems, strategic planning and stakeholder management. DRS serves individuals with all disabilities except blindness and visual impairment, throughout the agency's 118 field offices. DRS divided the state's 254 counties into 5 service delivery regions. The agency's headquarters are located in Austin. The average field office has 12 counselors, most of whom serve an active general caseload of 65-85 consumers with IPEs. Transition VR counselors' (TVRC) average caseload size is 50. The agency has general and specialty counselor caseloads.

DRS officials detailed, and RSA has noted, that DRS embarked upon a historic policy shift approximately six years ago. This paradigm shift emphasizes quality over quantity of employment outcomes. DRS reports that its previous emphasis on quantity contributed to the erosion of staff morale, encouraged provision of services to persons with less significant disabilities and resulted in low quality employment outcomes. As a result of its new service delivery model, DRS management and counselors stated that they are focused on helping individuals with more significant disabilities to secure higher quality employment outcomes.

DRS reports to be making progressive and fundamental changes in the culture and management of the agency. To improve the consistency and quality of its service delivery system, DRS has undertaken a number of system-wide management initiatives, including:

- E-3 Essentials;
- Horizontal Management;
- CRP Outcome-Based Payment System;
- "Roadmap" Strategic planning;
- Business Services Unit; and
- DRS' caseload size reduction.

DRS proposes to continuously evaluate the impact and effectiveness of the aforementioned initiatives on service quality, while simultaneously implementing those that are still in either draft or pilot form.

DRS partners with over 500 CRP vendors to deliver employment services to assist individuals achieve competitive employment. Approximately half of these CRPs offer SE services. In 2007, DRS began to work with CRPs in an outcome-based vendor system focusing on CRP performance regarding quantity and quality of outcomes through achievement of employment activity benchmarks.

As of 2008, according to the Texas Education Agency, there are 1229 Independent School Districts (ISDs) and 2085 high schools in TX. Transition services are administered through 100

TVRCs assigned to specific high schools and general VR counselors who service multiple high schools.

## **Personnel**

DRS administers and operates its programs with 1304 full time equivalent (FTE) positions at all levels of the agency. At the time of the review, DRS employed 609 caseload-carrying counselors, 21 VR unit program specialists and 371 rehabilitation services technicians.

DRS adopted the national standard established by the Commission on Certification of Rehabilitation Counselors as its personnel standard for VR counselors under the agency's comprehensive system of personnel development (CSPD). Under the standard, to be deemed a qualified VR counselor, individuals must possess a master's degree in rehabilitation counseling or in a related field with coursework in the theories and techniques of counseling. As of June 22, 2009, DRS reported 603 counselors on staff; approximately 66 percent met the CSPD standard.

## **Data Management**

DRS is currently using a non-web-based case management system (CMS) called RSS. DRS shares their data throughout the organization via the DARS intranet. Standardized reports can be run on the DARS intranet at anytime by anyone to obtain information including, but not limited to the number of individuals in the system, their status, disability and purchase order tracking. Other reports produced by the CMS are used by managers to view the caseloads, ensure documentation is completed, federal regulations are adhered to, eligibility determination is made on time, comparable benefits are used where possible, quality decisions are being made, and caseload requirements are timely met. Specialized ad hoc reports are prepared either by the Program Reporting and Analysis Unit or developed within each office by querying the underlying CMS database through MS Access. These reports are used to look for trends, counselor problems, training needs, disability groups served and purchasing trends.

Information collected in the CMS is uploaded daily. To ensure the integrity and accuracy of the data, DRS uses its own integrity tool to check for errors, reasonableness and anomalies.

By June 2010, DRS intends to implement a new CMS called ReHabWorks. A test version is currently available on the DARS intranet. The system was developed in-house with input from all levels of the organization and will incorporate the CMS of both DRS and DBS using current technology. The system will enable DRS to more effectively manage its programs through the use of real-time data reports. Other enhancements to the new CMS include action pop-up screens, remote check out, a draft function, the capability to add the same service for many consumers at the same time and more sort options. Additionally, reports currently on intranet will be contained within the CMS. Another enhancement will be the use of air cards to access the CMS from the field.

## Quality Assurance

DRS operates under a customer service quality standard philosophy entitled E-3 (excellent service, every customer, every time). Excellent customer service is defined as the ability to constantly and consistently meet or exceed customer expectations. This construct is grounded in 5 Core Values<sup>1</sup> and a slate of measurable actions. The targeted customers are the consumer, the business community and the agency staff.

DRS implemented a case review process in March 2006. The case review system is a component of the formal system to evaluate performance of VR staff within the division, document the employee's performance, provide a development plan, improve performance, provide a basis for personnel management decisions and facilitate open communication. Because the 2008 statewide case review did not demonstrate improvement in quality measures, a workgroup was established to develop guiding parameters for case reviews. The workgroup conducted extensive research to develop tools, measures and evaluation components. Of particular note, is the identification of key quality performance standards and indicators throughout the service delivery process. The new case review process is scheduled for implementation during September 2009.

## Planning

DARS' two primary strategic planning processes are the "Roadmap" and the annual VR state plan. DRS last completed the "Roadmap" during FY 2007.

"Roadmap" was developed after the reorganization of state government structure and replaced all pre-existing planning objectives. "Roadmap" uses a five year approach to strategic planning and to track agency progress and contains strategies that refocused the vision, mission, management philosophy, guiding principles, values, and beliefs of all of the divisions under DARS.

DARS Comprehensive Statewide Needs Assessment (CSNA) has been incorporated into the DRS state plan and is conducted every three years. The most recent CSNA occurred in the fall of 2007.

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

### 1. Indicator 1.1

- As indicated by Table 2.2 below, DRS improved its performance significantly in Indicator 1.1 between FY 2007 and FY 2008. After a four-year decline, in FY 2008, DRS showed an increase of 700 successful outcomes over the previous year and therefore

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<sup>1</sup> The 5 Core Values are as follows: "(1) we serve consumers in ways that achieve their goal of suitable employment; (2) we value the consumer/counselor relationship as a foundational principle of VR; (3) the time we spend in the community is essential to the success of our consumers; (4) our active relationship with business, providers and others contributes to the success of consumers; and (5) we thrive in, and support, an environment of teamwork and internal collaboration."

met RSA's minimum requirement for passing the indicator. The agency identified initiatives to develop and maintain employer relations. The development of the Business Services Unit and the agency's E-3 customer service philosophy are likely contributors to this performance improvement.

**Table 2.2**

**DRS' Summary of Performance on Indicator 1.1 for FY 2004 through FY 2008**

<b>Employment Outcomes</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Current year	18,965	13,791	12,540	11,024	11,724
Prior year	20,552	18,965	13,791	12,540	11,024
Difference	-1,587	-5,174	-1,251	-1,516	700

**Note:** In order to meet indicator 1.1, an agency must equal or exceed the number of employment outcomes over the previous year.

## **VR and SE Programs Technical Assistance Provided to DRS During the Review Process**

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

- RSA Management Information System; and
- the ability of general and blind agencies to serve individuals simultaneously.

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

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

- DRS staff practice E-3 Customer Service at every level of the agency.
- The agency provides a variety of training opportunities available to staff through conferences, universities, Texas Rehab Action Network and utilizes webinars and SharePoint technology.
- DRS strongly encourages open communication between central office, regional offices and field staff.
- DRS has visionary and capable leadership.
- There is a lack of a consistent level of high quality service provision in all parts of the state. There are a high number of individuals whose cases are closed unsuccessfully after an IPE is developed.
- There is a challenge in managing limited resources to maximize effectiveness.
- Public transportation infrastructure is very limited statewide and, where it exists, tends to be unreliable and lacking in accessibility features.

- CRPs' documentation in reports often lacks quality, does not meet DRS reporting standards and is often sent back for revisions.
- There are insufficient numbers of CRPs statewide.
- There is a lack of deaf and hard of hearing interpreters.
- The regional and local disparity of comparable benefit resources brings into question the fairness of the budget allocation formula.

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

## Continuing Education Needs of DRS Staff

RSA solicited input from DRS and its stakeholders to identify the following continuing education needs of its staff:

- VR implications for individuals with mental illness, autism, and traumatic brain injury;
- service provision for individuals requiring prosthetics and orthotics;
- resource identification for deafness and hard of hearing;
- effective VR engagement of individuals in the workmen's compensation program;
- job placement in rural areas;
- VR office-centered job placement and support activities; and
- current developments in assistive technology.

## VR and SE Performance Observations and RSA Recommendations

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

### 1. Planning

**Observation:** DRS' primary planning activities involve the DARS' "Roadmap" and the development of the DRS annual VR state plan. DRS would benefit from increased integration of the "Roadmap" and the DRS annual VR state plan.

- The "Roadmap" is DARS' five year guide to plan and track its progress and identifies four key "destinations:"
  - world-class services and business practices are the DARS standard;
  - constructive collaboration is the theme of DARS' interactions with all internal and external entities;
  - DARS executives are the models of leadership and commitment to a united DARS; and
  - employees are DARS' most valuable resource and are empowered to develop competency to achieve world class services.

- Each agency administered by DARS, including DRS, develops “mile markers” and “avenues” for each of the four “destinations” that effectively function as goals, objectives and strategies.
- DRS’ FY 2009 VR state plan includes six goals:
  - to provide VR services that result in individuals with significant disabilities achieving a quality employment outcome;
  - to ensure that individuals from minority backgrounds with significant disabilities have equal access to VR services;
  - to support a consumer service delivery system that: (1) enhances available information about service providers, employment options and other choices; and (2) is based on informed consumer choice and designed to enhance the delivery of quality and timely services to VR consumers;
  - to provide effective supported employment services;
  - to enhance services to the deaf and hard of hearing populations; and
  - to expand and improve transition services for youth with disabilities.
- While DRS devotes significant time and resources to its various planning activities in order to manage the program as strategically as possible, the relationships between the “destinations,” “mile markers” and “avenues” in the “Roadmap” and the goals and strategies in the VR state plan are limited.
  - DRS achieved its objective of increasing the percentage of referrals of deaf and hard of hearing individuals, but did not strategically plan to increase its capacity to service these individuals within its field offices through resource allocation of sign-language interpreters.

**Recommendation 1:** RSA recommends that DRS integrate the planning activities of the “Roadmap” and the VR state plan to the maximum extent appropriate.

**Agency Response:** Prior to the monitoring visit DRS had begun to take steps to integrate the Roadmap with the VR state plan where appropriate and will continue to do so. Since the Roadmap is a strategic planning document, some plan elements identified will indirectly relate to the state plan. For example, one Roadmap plan element states “The DRS Assistant Commissioner assures that DRS develops and implements strategies directed at maintaining turnover between 8 and 12 percent for each year of the plan beginning in FY 2006 and continuing for the duration of the plan.” While this is not identified in the state plan, retention of qualified and productive employees is crucial to meeting the goals identified in the state plan

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

## 2. DRS’ Horizontal Management Initiative (HMI)

**Observation:** DRS has undertaken an ambitious, relatively new, and promising management initiative, referred to as the Horizontal Management Initiative (HMI), in order to improve the agency’s service delivery system. HMI has targeted for improvement seven “system essentials” or components of the service delivery system based on input from staff at all levels of the organization as well as partners and stakeholders. DRS would benefit from an evaluation that could recommend how DRS could approach the “seven essentials” as strategically as possible.



- Beginning in 2008, DRS began a process to identify areas of its service delivery system that needed to be more consistent and/or higher quality.
- DRS used a number of information-gathering techniques and included a wide range of staff, stakeholders, and partners to identify these areas.
- The following seven areas were identified as the “system essentials” that DRS would focus upon:
  - case review/coaching;
  - transition;
  - monitoring/support;
  - case services budget;
  - goal setting/performance;
  - “E-3” customer service for businesses and consumers; and
  - policy development and implementation.
- DRS field staff consistently validated the importance and need to address the seven “system essentials.” In addition, DRS field staff indicated their appreciation and support of the process that resulted in the development of these target areas.
- The seven “system essentials” are comprised of one or more processes (e.g., policy development and implementation and monitoring) and topical areas (e.g., transition) that are implemented in concert with each other.
- At this early stage of HMI, the seven “system essentials” are, to a significant degree, being addressed separately. As a result, issues of quality and consistency that result as a consequence of the interaction between two or more of the “seven essentials,” may not be readily apparent. Conducting an evaluation to determine how “system essentials” interact could result in the optimal impact of HMI.

**Recommendation 2:** RSA recommends that DRS:

- 2.1 evaluate the seven “system essentials” to identify the relationships that may exist between them; and
- 2.2 based on that evaluation, develop a plan that strategically addresses both the individual and collective aspects of the seven “system essentials.”

**Agency Response:** Since the inception of the System Essentials, the seven core elements have been seen as integrated parts of a whole strategy to ensure a consistent level in the quality of services and a consistent methodology for management within the field offices. The comment by RSA that the System Essentials “are, to a significant degree, being addressed separately” appears to be a function of the timing of the RSA review, during which each System Essential was being established. DRS is implementing the System Essentials strategically and collectively and therefore no additional planning should be necessary.

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

### 3. Evaluating and Improving CRP Services

**Observation:** DRS is sophisticated in the collection and use of data to evaluate its staff and implementation of the VR process. As indicated in Observation 2, above, DRS made a significant commitment to improve the quality and consistency of how VR services are delivered. DRS would benefit from a commensurate effort to evaluate and improve the quality of services provided by CRPs.

- At the time of the review, DRS collected information about the performance of CRPs, but did not systematically share that information with VR counselors and consumers or have a set of common CRP evaluation measures.
- DRS staff indicated that information about the performance of CRPs was shared informally among peers. DRS staff indicated that having performance data about CRPs based on a set of common measures would be of great assistance to them in providing consumers with informed choices about CRPs.
- CRPs indicated that they would welcome the dissemination of information about their performance to VR counselors and consumers.
- During and immediately after the on-site review, DRS expressed an interest in developing a CRP evaluation tool and learning what other state VR agencies had done to evaluate CRP performance and share that information with VR counselors and consumers.

**Recommendation 3:** RSA recommends that DRS:

- 3.1 continue to pursue the development of an evaluation tool that employs common measures addressing the performance of CRPs;
- 3.2 share that evaluation information with VR counselors, consumers, and CRPs; and
- 3.3 use the evaluation information to improve the quality of services provided by CRPs by identifying training and technical assistance needs of CRP staff.

**Agency Response:** As discussed during RSA’s onsite visit, DRS is currently exploring several avenues for obtaining performance data and information. DRS Standards for Providers have for some time required that CRPs “have an ongoing self-evaluation system designed to assess the effectiveness of services provided to consumers.” (SfP 1.13 Program Evaluation). We are exploring the possibility of expanding the guidance to CRPs on such self-evaluation, and requiring that the results be shared with DRS. As part of ongoing refinement of contract management practices, DARS Contract Oversight and Support contract monitors will implement consumer/customer interviews during monitoring visits, and we are also considering implementing a “customer survey” to obtain timely feedback from consumers. Combining this information with payment and success rate data we already have available should result in a good picture of each CRP, which we will make available to counselors and consumers to assist in making informed choices. We will also be able to use the information to identify problems or concerns and provided targeted intervention when necessary.

**Technical Assistance:** DRS requests technical assistance from the Technical Assistance and Continuing Education program (TACE) to further refine and implement tools that employ common measures to address CRP performance.

#### 4. CRP Expansion and Training

**Observation:** There is a need for more CRPs, particularly those that are appropriately staffed with consumer-focused rehabilitation professionals to improve both the quality of service provided and consumer choice.

- DRS contracts with over 500 CRPs that provide an array of job placement services, including job coaching. Approximately half of these CRP providers offer SE services. Even though there are 500 vendors statewide, there are really only two or three in each geographic area. In some areas of TX vendors would travel two or more hours to reach consumers.
- DRS counselors expressed concern that vendors needed training in disability awareness and customer service.
- Consumer choice is often very limited due to transportation, geography and the availability of vendors within the local area.

**Recommendation 4:** RSA recommends that DRS:

- 4.1 explore ways of increasing its network of CRPs providing job placement and SE services statewide to allow for access to local service providers as much as possible;
- 4.2 offer DRS internal training opportunities to vendors to increase vendor proficiency in working with individuals with disabilities; and
- 4.3 assess training needs regarding progress report writing in order to fulfill vendor reporting obligations and provide remediation as needed.

**Agency Response:** 4.1. The statement “Even though there are 500 vendors statewide, there are really only two or three in each geographic area” is confusing and it is unclear what is meant by “each geographic area.” The reality is that many areas of the state have a sufficient number of CRPs to meet the demands and provide adequate consumer choice, while other parts of the state, mostly rural areas, have few if any CRPs. DARS operates under an open enrollment process for establishment of CRPs. This works well where there are ample potential providers. As was discussed during the RSA monitoring visit, DRS is exploring an alternate contract methodology for those underserved or unserved offices to entice a competent CRP from one area to establish a satellite function in the underserved or unserved area.

4.2 -4.3- The elimination by RSA of the CRP-Rehabilitation Continuing Education Program (RCEP’s) had an immediate negative impact on CRPs access to effective training. DRS has limited personnel to provide ongoing training to CRPs. However, DARS plans to use ARRA stimulus funds to work with TACE to host a series of regional conferences for CRPs and staff in spring and summer of 2010. The conferences will focus on challenging-to-serve populations such as mental health and autism as well as information on supported self employment. Additionally, DRS plans to contract with a university to approve CRPs for DRS. CRPs will have to meet requirements for training and competencies to be approved and will be required to meet continuing education requirements to remain in “approved” status.

**Technical Assistance:** DRS requests technical assistance from the TACE to manage the conferences.

## 5. Specialty Caseloads

**Observation:** DRS expanded the designation of specialty counselors from an approach based on regional need to a statewide approach based on caseload characteristics and caseload composition percentages. DRS literature states, “The backbone of service provision will always be the general caseload, but specialty assignments added to the general work allows counselors to grow professionally and become ‘local experts’. Identified experts reduce the need for every counselor to invest the time necessary to become knowledgeable and proficient with every possible specialized consumer need.”<sup>2</sup> Specialty caseloads include: brain injury; comprehensive rehabilitation services; deaf and hard of hearing; injured worker- workers compensation; veterans; mobility and dexterity; behavioral health; corrections; developmental disabilities; end stage renal disease; independent living services; and epilepsy.

- DRS field staff indicate that when specialty caseloads were created, they were designated by assessing the percentage of cases that fell within a specialty area. “If the percentage was 50 percent or more, of a disability group a specialty caseload was established. All transitional VR counselor caseloads are designated as specialty caseloads. If the composition percentage is lower than 50 percent but with a concentration, the counselor is declared as having a caseload ‘with special focus,’ a caseload could have multiple ‘with special focus’ areas.”<sup>3</sup> “Local expert” designation was not determined based on an inventory of counselor skills, abilities, or employment outcomes in working with disability groups.
- Some VR counselors reported that while the agency classifies them as experts, they do not see themselves as such because they lack training to function as experts.

**Recommendation 5:** RSA recommends that DRS:

- 5.1 develop a knowledge skill set criteria for each of its specialty counselor areas and develop an inventory of knowledge and experience of its counseling staff to ensure that counselors have the required skills to be deemed subject matter experts; and
- 5.2 DRS should further consider development of additional foundation knowledge training based on these results.

**Agency Response:** RSA has stated that some VR counselors reported that DRS classifies them as experts. This indicates to DRS that there is confusion among counselors and perhaps managers in regard to specialty caseloads and designation as a “local expert.” As RSA correctly noted, DRS literature indicates that specialty assignments allow counselors to grow professionally and become local experts. It was never intended that assignment to a specialty caseload creates a local expert. Rather, our expectation is that over time counselors will acquire a combination of experience and training that will result in subject matter expertise.

<sup>2</sup> VR Specialty Caseloads Introduction

<sup>3</sup> Definition of Specialty Caseloads and Specialty Focus Caseloads

DRS's in-service training model is built on a much broader approach than a single list of skill criteria. In order to address the ever-changing needs of our consumers, we consider academic, technical skill, and self-reported needs in combination with management report of just-in-time learning in a comprehensive assessment of the delivery of learning opportunities. The TACE works closely with DRS to provide a part of the needs assessment along with resources to meet expressed training needs. Our newly-formed Center for Learning Management will also operate on a customer service philosophy that engages participants and managers in assessing learning gaps and making training more practical and thus sustainable. Classroom, on-line and external resources are used in a blended learning approach that allows fairly immediate access to training and caseload-specific coaching. DRS adds "focus" areas to the annual training plan each year, for instance Autism and tools for mental health counseling. The Center for Learning Management is expected to broaden access, application, and availability of resource for learning across the divisions.

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

## **6. Sharing of Knowledge between Specialty Counselors and General Counselors**

**Observation:** The information provided during the training to specialty counselors is not routinely shared within the office with general counselors or to counselors outside the specialty area, particularly in service provision to transition-age-youths.

- DRS specialty counselors are provided opportunities for specialized training in service provision and opportunities to communicate and network amongst themselves.
- Meetings are held quarterly or yearly with peers within their specialty areas. However, the training learned is not routinely shared within the office to general counselors or counselors outside of that specialty area.

**Recommendation 6:** RSA recommends that DRS establish opportunities for sharing new knowledge, trends, best practices, and resources with all counselors to increase the overall expertise of counseling staff.

**Agency Response:** DRS believes that much information provided during the training of specialty counselors is already available to all counselors. Counselors have access to expertise and information when needed. DRS uses a variety of means for making information available, including extensive use of the intranet as a repository for training materials and presentations, along with consultation from central office subject matter experts. Among the approximate 1250 field staff there are several staff that have received extensive training or who have experience in certain disabilities or processes and/or are SMEs. Our continued goal is to ensure that other staff have access to these resources when needed. As noted in the response above, with the planned implementation of the Center for Learning Management we expect our means of sharing information to expand, which will help further assure access to needed information.

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

## **7. Transition-Age-Youths Service Provision**

**Observation:** DRS closes a high percentage of transition-age-youths unsuccessfully from application (see Table 2.3). DRS uses two approaches in serving transition-age youths, TVRCs assigned to individual high schools and general VR counselors serving multiple high schools. DRS staff indicate that the use of TVRCs appears to be the more effective modality promoting early engagement, development of trusting relationships between youths and counselors with increased interactions with schools, students and families creating partnership and a bridge to adult services. DRS identified transition services as one of its seven “system essentials” under HMI.

**Table 2.3**  
**Percentage of Transition-Aged-Individuals Who Exited the VR Program as an Applicant for FY 2003 through FY 2007**

Agency	2003	2004	2005	2006	2007
DRS	21.5%	15.9%	24.9%	25.8%	24.8%
All general agencies	17.7%	16.0%	15.8%	15.1%	14.3%

**Recommendation 7:** RSA recommends that DRS:

- 7.1 continue to pursue additional funding to increase the number of TVRCs within the agency in line with its goal of providing world class service;
- 7.2 increase the consistency in serving transition-age-youth including the time frame for initiation of services, and scope of services offered while in school through clarification of roles and responsibilities for general counselors working with schools; and
- 7.3 develop knowledge sharing forums between TVRCs and VR counselors and develop best practices that can be standardized for general counselors working with multiple schools that draw from the experiences of the transition program, school personnel, consumers and families to ensure access to quality services and to reduce the percentage of students who are closed unsuccessfully from applicant status.

**Agency Response:**

7.1 DARS did pursue additional Full-Time-Equivalent (FTE) positions during the last legislative session ended June 2009, and specifically requested additional TVRCs. The legislature did not approve our request. We will continue to explore best application of the FTE pool available to us.

7.2 As discussed in the onsite visit, Texas agrees that there is need for consistency in serving transition age youth. Having identified this core function as a system essential, DRS has developed a clear vision and is working through measures to more appropriately apply the VR model. Understanding that many unsuccessful transition cases were forced by unnaturally applying an adult model to youth, adjusting the approach to system processes should relieve the unnecessary system pressures.

7.3 TVRCs communicate to their units those resources they identify in the community for the benefit of their fellow VRCs. Issues forums for TVRCs are routine and much information is

developed for dissemination among other VRCs. There is also a transition curriculum for VR counselors serving schools to help them with tools and resources to better serve transitioning youth. Reinforcing the practice of accessing available information will be a continuing focus.

**Technical Assistance:** Texas is establishing a model state plan for transition services. DRS is requesting technical assistance from the TACE to coordinate assistance from states with progressive ideas to form a community of practice to accomplish this goal.

**8. Underserved Disability and Minority Populations**

**Observation:** DRS served fewer individuals with mental/psychosocial and cognitive impairments, when compared to the national average for all general agencies since FY 2003. While substantial services are available to Latino individuals in south TX, San Antonio, Austin and the Metroplex, Latino individuals residing in east and west TX may be underserved (see Table 2.4).

- DRS staff in east and west TX indicated that DRS reported an inability to attract Latino counselors or administrative staff despite recruitment efforts to do so. While the Latino population is sizeable or emerging in these geographic areas, DRS reported that individuals were not requesting services at a level commensurate with the incidence in the population. In these geographic areas of TX, DRS reported a lack of Latino staff and Spanish language capacity to serve these potential consumers.

**Table 2.4  
Percentage of Underserved for FY 2003 through FY 2008**

<b>Impairment</b>	<b>Agency</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Mental/Psychosocial</b>	DRS	36.4%	35.7%	28.2%	27.2%	25.0%	23.4%
	All general agencies	35.5%	35.4%	34.6%	33.9%	34.1%	34.3%
<b>Cognitive</b>	DRS	15.2%	17.1%	18.6%	18.7%	19.8%	21.5%
	All general agencies	21.8%	22.9%	24.7%	25.5%	26.0%	26.3%
<b>Ethnicity</b>	<b>Agency</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Hispanic or Latino</b>	DRS	24.8%	24.8%	27.9%	27.6%	26.6%	27.1%
	ACS					36.0%	36.5%

**Recommendation 8:** RSA recommends that DRS:

- 8.1 evaluate why DRS is not serving more unserved and underserved populations and develop strategies to serve individuals with mental/psychosocial and cognitive impairments; and
- 8.2 continue to develop outreach strategies to attract Latino VR counselors and support staff with language skills.

**Agency Response:**

8.1 DRS is not under an order of selection and currently serves all consumers who apply for and are found eligible for services. Notwithstanding this fact, DRS has an outreach plan in place that includes focused outreach to underserved populations, including persons with mental/psychological and cognitive impairments. Additionally, through our Comprehensive Statewide Needs Assessment process with its mandated focus on the needs of minorities and unserved and underserved populations, DRS will continue this as a priority and work with its State Rehabilitation Council to develop strategies to better address the needs of these target populations. (Texas is piloting the new model Comprehensive Statewide Needs Assessment Guide for RSA.)

8.2 Recommendation is overly-restrictive, as our goal is to attract VR counselors who are fluent in Spanish regardless of ethnicity. We acknowledge that, despite our success in attracting bilingual Spanish/English staff in multiple areas of the state, we have been less successful in East and West Texas. DRS has an aggressive recruitment plan in place to attract VR counselors and administrative support staff who are fluent in Spanish. We will continue our efforts in this regard.

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

**9. Physical and Mental Restoration Services**

**Observation:** DRS' level of expenditure in physical and mental restoration services has been significantly higher than the national average for all general agencies (see Table 2.5). Given the serious lack of employer-sponsored medical insurance (see Table 2.6) and carved-out policies in TX, DRS and stakeholders frequently reported that there are no similar benefits other than county medical facilities. For VR program participants who have applied for Social Security Disability Insurance Benefits, medical benefits are not available for two years. Therefore, DRS becomes the payer of last resort, providing medical equipment and services including surgeries. DRS addressed this issue by establishing an internal approval mechanism for surgical procedures and prosthetics in order to determine the VR necessity of the service.

**Table 2.5  
Amount and Percentage of Expenditures for Diagnosis and Treatment of  
Physical and Mental Impairments for FY 2003 through FY 2007**

<b>Expenditures</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>DRS</b>					
Total Expenditures	\$107,178,578	\$101,995,953	\$106,073,226	\$112,284,457	\$113,180,071
Diagnosis and Treatment of Physical and Mental Impairments	\$42,340,485	\$44,287,863	\$47,200,599	\$51,094,639	\$51,735,834
Percent	39.5%	43.4%	44.5%	45.5%	45.7%



Expenditures	2003	2004	2005	2006	2007
<b>All general agencies</b>					
Total Expenditures	\$707,845,572	\$701,786,653	\$720,826,083	\$732,647,168	\$683,637,069
Diagnosis and Treatment of Physical and Mental Impairments	\$125,697,927	\$122,367,909	\$133,962,452	\$141,015,763	\$136,843,593
Percent	17.8%	17.4%	18.6%	19.2%	20.0%

**Table 2.6**  
**Percentage of Competitive Employment Outcomes with Employer-Provided Medical Insurance for FY 2003 through FY 2007**

Agency	2003	2004	2005	2006	2007
DRS	17.6%	16.2%	16.0%	17.1%	18.8%
All general agencies	30.6%	28.1%	28.4%	27.8%	27.9%

**Recommendation 9:** RSA recommends that DRS:

- 9.1 continue to develop and implement strategies to reduce inappropriate utilization of VR funds for physical and mental restoration services
- 9.2 define its core service mission and the parameters of services provided in physical and mental restoration services; and
- 9.3 determine the extent to which its role, scope of services, priorities and resources are balanced to serve all Texans.

**Agency Response:** As we shared with RSA during the monitoring visit, and as RSA has noted in this report, DRS continues to develop and implement strategies and internal mechanisms to ensure VR funds spent on physical and mental restoration services are efficiently used, and that those services are reasonable and necessary for consumers to reach or maintain employment. We disagree with the wording of recommendation 9.1 in that we believe that the vast majority of VR funds are appropriately used for physical restoration services. When evaluating data from fiscal years 2006 and 2007 we recognized that some decisions were being made based on medical necessity rather than on eligibility. We therefore focused training and policy on a careful, thoughtful approach to eligibility decision making for consumers who are in need of physical restoration. Further, all offices in areas of high physical restoration services have implemented plans to diversify referral sources. These efforts have resulted in a decrease in the number of referrals for these services, a trend that we expect to continue. Ultimately we expect to see reduced expenditures for physical restoration.

Our core service mission is clearly defined in our Rehabilitation Policy Manual (RPM) in a way that we believe is consistent with the requirements of the Rehabilitation Act of 1973 as amended and the implementing regulations. As DRS is not in an order of selection, we are prepared to provide VR services to all eligible applicants. It is our belief that further defining parameters of services provided in physical and mental restoration beyond the already existing policy restrictions would have the undesired effect of excluding from services individuals who meet eligibility criteria.

**Technical Assistance:** DRS requests technical assistance from RSA regarding DRS policies governing physical and mental restoration services if such assistance would result in less expenditure for physical restoration while serving all eligible consumers. RSA assistance to ensure that we are providing restoration services within the intent of the Rehabilitation Act of 1973 as amended would be helpful to preserve the integrity of the DRS VR program.

#### **10. Coordination with DBS to Serve Individuals with Multiple Disabilities.**

**Observation:** DRS established a policy that prohibits DRS and DBS from providing services simultaneously to the same individuals. As a consequence, DRS counselors do not collaborate with DBS staff to effectively serve individuals with multiple disabilities including blindness and visual impairments. DRS should take the steps necessary to ensure that individuals with multiple disabilities are served in an effective and efficient manner.

- DRS staff collaborate with their colleagues in DBS in the conduct of job fairs, training and other activities designed to benefit the individuals served by both agencies. However, DRS counselors consistently stated that they do not collaborate with DBS staff when providing services to individuals with multiple disabilities including blindness and visual impairments, even though DBS staff possess the expertise necessary to more effectively serve these individuals.
- DRS established a VR program policy (Policy 3.8.2) that prohibits DRS and DBS from providing services simultaneously to the same individuals. Instead, the policy establishes a method for determining which agency, DRS or DBS, will serve individuals with multiple disabilities including blindness and visual impairments. Pursuant to the policy, individuals who are legally blind are served by DBS. Individuals with primary disabilities (other than blindness and visual impairments) and who have related visual impairments are served by DRS. Individuals with disabilities with unrelated visual impairments that constitute the primary impediment to employment are served by DBS. Individuals with disabilities and unrelated visual impairments, for whom it is not readily apparent which disability is the more substantial impediment to employment, can be served by either agency depending on the determination of the VR counselors from both agencies.
- During the on-site visit, RSA staff provided technical assistance to DRS management on the joint provision of services by general and blind agencies to individuals with multiple disabilities, informing agency management that the Rehabilitation Act and its implementing regulations do not prohibit general and blind agencies from each opening a case and serving the same individual simultaneously, so long as services are not duplicated. RSA further advised DRS that if both the general and blind agency provide substantial services to the same individual, both can report the achievement of an employment outcome by the individual.
- The DRS policy does not prohibit consultation between DRS and DBS staff when serving individuals with multiple disabilities including blindness and visual impairments. However, it may inhibit such consultation and effective service delivery to these individuals.

**Recommendation 10:** To ensure that individuals with multiple disabilities are served effectively and in light of the technical assistance provided on joint service provision, RSA

strongly encourages DRS to revise Policy 3.8.2 to permit DRS and DBS to simultaneously serve individuals with multiple disabilities including blindness and visual impairments. RSA further recommends that DRS, following any revisions to Policy 3.8.2, revise the agreement with DBS required by regulations at 34 CFR 361.24(d) to describe the manner in which the two agencies will collaborate on the provision of services to individuals with multiple disabilities.

**Agency Response:** We are in the process of exploring and the development of both policies and a revised agreement with the Division for Blind Services to simultaneously serve those individuals with certain severe multiple disabilities that we believe would be appropriate and in the best interest of the consumer in achieving a successful outcome. Prior to implementing both policies, we recommend that RSA provide written policy guidance that allows the simultaneously serving of individuals from the two DSUs where both DSUs take the closure outcome. This written guidance will ensure that our policies are in alignment.

**Technical Assistance:** DRS requests TA from RSA.

## CHAPTER 3: FISCAL MANAGEMENT OF DRS VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, AND INDEPENDENT LIVING PROGRAMS

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RSA reviewed DRS' 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 DRS fiscal management system needs to be strengthened in the areas of reporting practices, internal controls in processing CRP invoices, tracking contractor finances, contracting, program income with Centers for Independent Living (CILs) and some sources of match. The current fiscal system was strengthened in the past few years due to audit issues and new management practices.

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 it is compared). Fiscal data related to administration, total expenditures, and administrative cost percentage is taken from the RSA-2.

**Table 3.1**  
**Fiscal Data for DRS for FY 2004 through FY 2008**

Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	152,099,004	156,872,878	161,415,745	169,713,850	174,573,163
Required Match	41,165,296	42,457,335	43,686,853	45,932,719	47,146,797
Federal Expenditures	152,099,004	156,872,878	161,415,745	169,713,850	**167,389,692
Actual Match	41,165,296	42,068,760	43,686,853	45,932,719	47,247,883
Over (Under) Match	0	(388,575)	0	0	101,086
Carryover at 9/30 (year one)	15,973,498	21,380,819	13,993,230	19,510,930	19,980,319
Program Income	4,605,002	3,139,331	6,248,490	5,055,099	8,020,469
Maintenance of Effort	38,562,592	39,968,768	41,165,296	42,068,760	43,686,853
Administrative Costs	12,998,268	18,854,685	21,483,406	17,139,906	16,448,837
*Total Expenditures	182,721,916	196,827,695	214,301,574	211,958,977	223,942,204
Percent Admin Costs to Total Expenditures	7.11%	9.58%	10.02%	8.09%	7.35%

\* Includes Supported Employment Program Expenditures.

\*\* Deadline for obligating FY 2008 federal grant funds – September 30, 2009.

## 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 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. [34 CFR 361.60(a) and (b); 34 CFR 80.24]

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources and the projected amount of state appropriated funds available for match in each federal fiscal year. 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 Social Security Administration for rehabilitating Social Security beneficiaries, payments received from Workers' Compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals and income generated by a state-operated 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 Social

Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed 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:**

The 1992 amendments 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 DRS During the Review Process**

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

- contract administration and identifying areas that need strengthening or revision to ensure proper management of internal controls and appropriate invoice processing;
- training fiscal staff on the completion of fiscal reports, which included providing self instruction modules for training new staff; and
- the differences between administrative and indirect costs centers.

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

RSA solicited input from DRS about the fiscal management of the VR, SE and IL programs. DRS shared the following observations:

- there was a need to correct RSA-2 and SF-269 reporting practices;
- the contracting and financial management policies applied to agreements with CILs needed significant revision to ensure proper tracking and reconciliation of expenditures funded with program income;
- there were misunderstandings on the reporting of administrative costs versus indirect costs; and
- the checks and balances related to CRP authorizations and payment processing needs strengthening.

RSA discussed these observations with DRS 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 DRS about those observations. DRS responded to each of the recommendations and in those instances when RSA and DRS agreed upon a recommendation, RSA and DRS identified the technical assistance that RSA would provide to DRS to successfully implement the recommendation.

### 1. Report Inaccuracies

**Observation:** Inaccurate reporting of indirect and administrative costs is resulting in underreporting of administrative costs. SF-269 reports were developed incorrectly due to an apparent misunderstanding of reporting instructions.

**Recommendation 1:** RSA recommends that DRS formally request that the incorrect reports be opened to enable fiscal staff to make the changes required to reflect actual administrative and indirect costs.

**Agency Response:** The instructions for the RSA-2 are not clear and RSA acknowledged this during their visit. During the visit, RSA provided clearer verbal instructions and followed up with written instructions, which made the development of the RSA-2 clearer for DARS. DARS will change its procedures to capture the administrative costs based upon this guidance starting with the 2009 submission. The RSA review team stated that other states have had similar issues. DARS asks that when the RSA-2 is updated, it be distributed to all agencies.

The issues with the SF-269 relate to DARS reporting subrogation receipts (insurance proceeds) as program income. DARS has been following the written rules from RSA based on a letter dated September 24, 2003, that indicated that subrogation receipts should be recorded as program income. Like the RSA-2 instructions, DARS requested written evidence to support what it views as a change in the treatment for subrogation receipts for accounting purposes. DARS has been complying with RSA rules as directed by the RSA letter; should RSA decide to change their approach on this and send something in writing, DARS will comply with the most recent written guidelines.

**RSA Response:** RSA agrees with DARS that insurance subrogation receipts constitute program income for purposes of the VR program, pursuant to 34 CFR 361.63 and 34 CFR 80.25 of the Education Department General Administrative Regulations (EDGAR), and should be reported as such on the SF-269s. Therefore, DARS only needs to pursue the recommendation to revise earlier reports.

**Technical Assistance:** DRS does not request TA.

## 2. Separation of Duties

**Observation:** DRS does not clearly separate duties to ensure proper handling of the CRP billing.

- The counselor and technician are involved in the approval of the service to be delivered and its payment. The system does not permit the same staff person to enter a request for service and the approval of payment; however, the technician does not always have the expertise to determine if a payment is appropriate. This creates a situation where the counselor could order the service and indirectly also approve the service, even though the system would show two staff persons involved in the process.
- Financial staff process the CRP payments based upon the electronic approval forwarded to them for payment, regardless of how the actual approval was developed.

**Recommendation 2:** RSA recommends that DRS develop a system of checks and balances for billing purchased services to involve supervisor oversight in the ordering of services and/or approval of payments.

**Agency Response:** We are confident that we have the checks and balances on the separation of duties and the proper oversight in the ordering and payment of services. Our system of checks and balances have been scrutinized through audits conducted by DARS internal audit, external entities such as the Texas State Auditor's Office (SAO), previous RSA monitoring visits, KPMG, and an effective DARS contract monitoring and oversight process. Through DRS' case review process to include purchasing reviews, DRS Managers are able to evaluate each step of the vocational rehabilitation process and provide overall feedback on the entire case, integrating the findings at each critical juncture of the process.

**RSA Response:** In addition to the checks and balances that are currently in place, RSA recommends that the individual who signs off on the acceptability of the services provided and



approves payment do so without consulting the counselor who approved the original provision of the services. This will ensure that a second person, not the counselor who approved the actual services, is responsible for the payment of those services.

**Technical Assistance:** DRS does not request TA.

### 3. Reporting of IL Match

**Observation:** DRS reports sufficient match for their IL programs by the end of the fourth quarter and continues to report match into the second year of the grant period. Match is to be reported only in the year in which the federal funds were allocated.

**Recommendation 3:** RSA recommends that DRS:

- 3.1 cease reporting IL non-federal match in the 2<sup>nd</sup> year of the grant period; and
- 3.2 request that the SF-269 reports that are impacted by this practice be opened to allow for correction.

**Agency Response:** DARS will ask that the 2006 IL report be open to allow the match to be corrected. The 2008 report has not been finalized. DARS will implement new procedures to comply with submission of IL reports to be in compliance with guidance received from RSA.

**Technical Assistance:** DRS does not request TA other than the opening of the 2006 IL report so that match can be corrected.

### 4. CIL Monitoring

**Observation:** DRS is not effectively monitoring CILs they have contracted with to provide IL services using program income from Social Security Reimbursements. In January 2009, RSA independently monitored one of the CILs with whom DRS contracts. This resulted in serious findings of fiscal mismanagement. The “regular” DRS monitoring visit report for this CIL and invoices submitted to DRS were reviewed and several issues were noted including:

- The CILs are line item contracts but are reviewed in the same manner as the regular VR CRP contracts which are performance-based, fixed unit price contracts. This resulted in DARS Contract Oversight and Support – Consumers Services Monitoring Unit missing serious financial irregularities.
- The CIL in question had findings noted in a DARS monitoring visit, but it was not required to formulate a Corrective Action Plan (CAP).
- As a result of incorrect invoice processing, DRS did not identify a double charge to the contract which resulted in overpayment.

**Recommendation 4:**

- 4.1 Develop a contract with the CILs that requires: 1) measurable outcomes; 2) appropriate financial tracking of expenditures; and 3) CIL personnel and non-personnel cost allocations to all grants according to the benefit received.
- 4.2 Revise the DARS monitoring procedural manual to meet the requirements of EDGAR 80.20, including the review of fiscal systems of the CILs which are usually not a focus area in contracts that are only outcome based and funded through fixed price payments.
- 4.3 Include, in the DARS manual, a policy that ensures the consistent identification of fiscal and program areas of non-compliance for CILs and the development of CAPs.

**Agency Response:**

4.1 This recommendation is not necessary. These provisions were already included at the time of this audit. Accordingly, no action by DARS is required to address this recommendation. Specifically, DARS CIL contracts currently include measurable outcomes and requirements for the appropriate financial tracking of expenditures, and compliance with cost allocation principles.

4.2 This recommendation is not necessary. DARS conducts a much more comprehensive fiscal review of contracts for Independent Living Centers (ILC), compared to the monitoring process followed for fixed unit price contracts. This more comprehensive fiscal monitoring of CILs include reviews of requests for advances or reimbursement, budget revisions, program income, financial reports, expenditure reports, annual financial statements and the results of independent or single audits. Current DARS Monitoring procedures adequately address cost reimbursement contracts, as represented by the CILs.

4.3 This recommendation is not necessary. The DARS Contracting Processes and Procedures Manual (CPPM) fully address the requirements for obtaining corrective action plans from CILs to address any findings discovered in the course of a monitoring review (CPPM-Section 9.3.5). We agree that a formally documented corrective action plan was not obtained for one CIL where an overpayment was identified during a DARS monitoring review, even though the overpayment in question was timely recovered. DARS will utilize this isolated incident as an opportunity to re-emphasize staff training on compliance with existing corrective action plan policies and procedures.

**RSA Response:** RSA appreciates the procedures and requirements that DRS describes in their response to this Observation. Implementation of all of these procedures and requirements was not evident during RSA's monitoring visit. RSA recommends that DRS review these procedures and requirements with those staff who implement them and monitor their implementation.

**Technical Assistance:** DRS does not request TA.

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

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

### 1. Internal Controls of Staff to Ensure Proper Invoice Processing

#### Legal Requirements:

34 CFR 361.12 states that:

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 that:

- (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 that:

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:** DARS/DRS' Contract Oversight and Support/Consumers Services Monitoring Unit is responsible for monitoring, per DARS' own policies and procedures, its CRPs at least once every four years. The DARS policies and procedures clearly define the monitoring process, both for financial and programmatic functions, and DRS staff document their monitoring activities. While on-site, RSA reviewed 10 DRS monitoring reports of various CRPs and noted similar findings were made for each of them, primarily involving improper invoices for consumer services. In each of those monitoring reports, DRS required the CRPs to submit corrected

invoices. In each instance, the CRPs submitted corrected invoices, but also continued to make the same mistakes with other invoices. DRS did not ensure that the inaccuracies were fixed on a systemic level. Furthermore, RSA noted that the findings against the CRPs also raised concerns with the processing of those invoices by DRS' own staff. For example, RSA noted:

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

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

DRS has established and implemented monitoring procedures, as required by 34 CFR 80.40, to ensure that grant-supported activities, such as those by the CRPs, comply with Federal requirements. These monitoring activities, including the corrective actions imposed, are well-documented by DRS staff. However, DRS does not follow through with the CRPs to ensure that the corrective actions (namely complete and accurate invoices) are implemented systemically so the problem does not recur, and, as a result, the CRPs continue to submit incomplete and inaccurate invoices for services rendered. DRS' failure to follow through to ensure the CRPs implement systemic corrective actions violates its responsibility to ensure compliance of all grant-supported activities, as required by 34 CFR 361.40. In addition, DRS has failed to implement appropriate internal procedures to ensure that its own counselors make payments only for verified services submitted via complete and accurate invoices. DRS' failure to have these procedures in place constitutes a failure to comply with 34 CFR 361.12 and 34 CFR 80.20, because these lack of procedures make it impossible for DRS to ensure that it administers of the VR program properly and efficiently and that it maintains accurate fiscal accounting of VR funds. The continued failure by DRS counselors to reject and not pay on the inaccurate or incomplete invoices, compounded the systemic problem of the CRPs continuing to submit inaccurate or incomplete invoices despite being told to submit corrected invoices.

**Corrective Action 1:** DRS must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that DRS will comply with: 1) 34 CFR 361.12, 34 CFR 80.20 and 80.40, especially with regards to ensuring proper and efficient administration of the VR program and accurate financial accounting of all VR funds; and 2) its own financial procedures, as set forth in the agency's Standard's Manual;
- 1.2 develop and implement procedures to ensure that CRPs make systemic corrective actions with regard to their invoices so that they do not continue to submit inaccurate or incomplete invoices; and
- 1.3 ensure that its counselors and technicians comply with DRS' policies and procedures that require invoices be approved for payment only when those services have been verified as having been provided and submitted via accurate and complete invoices.

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

**Agency Response:** DARS does not agree that it is not in compliance with 34CFR 361.12, 34 CFR 80.20 and 80.40. DARS has a comprehensive and effective Contract Monitoring and Oversight process. Contract monitors review documents, including invoices, according to program standards. DARS has converted to outcome based supported employment and placement which requires CRP vendors to submit documentation in addition to invoices to demonstrate that outcomes have been achieved. DARS believes that these documents provide adequate proof that consumers received services in accordance with program requirements. Many of the findings in previous program monitoring reviews regarding incomplete invoices have centered on technical issues such as service dates and signatures. DRS staff and COS staff have recently begun looking at the compatibility between some of the program standards for services and those for submitting billing invoices and have found inconsistencies between the intent of the outcome based payment system and billing standards. A workgroup will make recommendations as to which standards should be eliminated or modified.

DARS has identified issues with regards to follow-up with CRPs corrective actions and other invoice errors. DARS plans to have contract managers test accuracy of billing documentation quarterly for follow-up review. Additionally, COS will perform desk reviews of billing for samples solicited from the field offices. Issues of non-compliance with standards will be provided to DARS management and intervention/training will result as appropriate.

**RSA Response:** While we agree that DARS has a Contract Monitoring and Oversight Process to monitor the CRPs, DRS has not, as DARS recognizes, followed up with CRPs to ensure that CRPs correct errors that are identified by DRS. Such follow up with CRPs should be an important part of DRS' overall monitoring process. We appreciate that DRS has begun prospectively to address these concerns. However, since this is a work in progress, this compliance finding stands as written and DRS is required to implement (or elaborate on what specific steps it is taking to implement) the aforementioned corrective actions in its corrective action plan.

**Technical Assistance:** DRS does not request TA.

## 2. Use of Consumers' Contribution to Meet the Non-federal Match Requirement

### Legal Requirements:

34 CFR 361.60(b), in pertinent part, states that:

- (b) *Non-federal share* – (1) *General*. Except as provided in paragraph (b) (2) and (3) of this section, expenditures made under the State plan to meet the non-federal share under this section must be consistent with the provisions of 34 CFR 80.24.

34 CFR 361.63, in pertinent part, states:

- (a) *Definition*. For purposes of this section, *program income* means gross income received by the State that is directly generated by an activity supported under [the VR program].
- (b) *Sources*. Sources of program income include, but are not limited to...fees for services to defray part or all of the costs of services provided to particular individuals....
- (c) *Use of program income*.  
\*\*\*
- (4) Program income cannot be used to meet the non-federal share requirement under [34 CFR] 361.60.

34 CFR 80.24(a) (1) states:

- (a) With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:
  - (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-federal grants or by others cash donations from non-federal third parties.

**Finding:** Pursuant to 34 CFR 361.54(b) (1), DRS has elected to establish a policy that requires VR consumers to participate in the cost of the VR services received under certain circumstances. In FY 2005, DRS counted \$208,386 of the funds consumers paid for the cost of their services towards satisfying its non-federal share requirements for the VR program.

Federal regulations require DRS to satisfy its non-federal share obligation of 21.3 percent of the expenditures made under the State plan with allowable expenditures paid with non-federal funds (34 CFR 361.60(b) (1) and 34 CFR 80.24(a)). Fees for services to defray part or all of the costs of services provided to particular individuals is considered program income (34 CFR 361.63(b)). However, program income cannot be used to meet the non-federal share requirement (34 CFR 361.63(c) (4)). From the information RSA reviewed, it is unclear whether consumers paid DRS their share of the cost of services, and DRS, in turn, paid the entire amount to a vendor, or whether consumers paid their share of the cost to the vendor directly which, in turn, paid those funds to DRS. Regardless of to whom the consumers paid their share of the costs, DRS may not count the fees for services paid by consumers to meet its non-federal share requirements, because the fees are program income that cannot be used to meet this requirement. Thus, DRS is not

entitled to count the \$208,386 in fees paid by consumers to meet its non-federal share requirement in FY 2005.

**Corrective Action 2:** DRS must:

- 2.1 cease counting fees paid by consumers to meet its non-federal share under the VR program;
- 2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will not use fees paid by consumers for VR services to meet its non-federal share requirement; and
- 2.3 submit detailed information to RSA outlining how much of the reported non-federal share resources for FYs 2005 through 2008 came from fees paid by consumers for services.

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

**Agency Response:** DARS stopped using consumer reimbursements as match after receiving training on allowable match sources at a 2006 VR regional RSA conference held in Denver Colorado. DARS will submit a written assurance to RSA within 10 days of receipt of the final monitoring report stating that DRS has not used consumers' financial contributions to meet DRS' VR's non-federal share as match since 2005.

**RSA Response:** We commend DRS for taking some corrective actions and for the fact that it will no longer count consumer fees towards satisfying its non-federal share obligation under the VR program prospectively. However, DRS counted \$208,386 of the funds consumers paid for the cost of their services towards satisfying its non-federal share requirements for the VR program in FY 2005. The required corrective actions under 2.2, and 2.3, therefore, still stand, and DRS is required to make those corrective actions.

**Technical Assistance:** DARS would like RSA to change their match regulations so that they are clearer and not subject to interpretation and to provide examples of what is allowable and not allowable. Program income examples would also be beneficial. The current regulations are ambiguous and subject to interpretation. By clarifying the rules, states will be able to follow the RSA direction more easily.

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

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

- all direct state cash revenue and "certified" costs utilized as non-federal match; and
- DRS' application of its indirect cost rate to ensure that it is being applied against the actual personnel and non-personnel expenditures that are allowable and allocable to the VR program.

## CHAPTER 4: DBS' VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

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

**Table 4.1**  
**DBS Program Highlights for VR and SE Programs for FY 2003 through FY 2007**

<b>Program Highlights</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Total funds expended on VR and SE	\$46,400,336	\$46,041,410	\$50,410,188	\$54,194,059	\$58,028,589
Individuals whose cases were closed with employment outcomes	1,719	1,354	1,383	1,332	1,385
Individuals whose cases were closed without employment outcomes	618	476	487	553	533
Total number of individuals whose cases were closed after receiving services	2,337	1,830	1,870	1,885	1,918
Employment rate	73.56%	73.99%	73.96%	70.66%	72.21%
Individuals whose cases were closed with supported employment outcomes	27	13	10	19	29
New applicants per million state population	182.91	162.83	149.96	138.92	134.77
Average cost per employment outcome	\$5,125.46	\$5,772.39	\$6,611.47	\$7,436.97	\$7,790.19
Average cost per unsuccessful employment outcome	\$4,623.19	\$4,345.80	\$4,598.30	\$6,678.95	\$7,204.13
Average hourly earnings for competitive employment outcomes	\$11.64	\$11.64	\$11.23	\$12.42	\$12.36
Average state hourly earnings	\$17.77	\$18.23	\$19.14	\$20.09	\$21.22
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	65.50%	63.85%	58.67%	61.82%	58.25%
Average hours worked per week for competitive employment outcomes	30.24	29.33	30.21	30.69	30.88
Percent of transition age served to total served	12.24%	12.46%	13.10%	12.84%	13.66%
Employment rate for transition population served	48.60%	50.00%	48.98%	44.63%	51.53%



<b>Program Highlights</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Average time between application and closure (in months) for individuals with competitive employment outcomes	20.6	20.6	21.2	21.5	24.2
Performance on Standard 1	MET	MET	MET	MET	MET
Performance on Standard 2	NOT MET	MET	MET	MET	MET

## **VR and SE Service Delivery**

Division for Blind Services (DBS) is the designated state unit under Department of Assistive and Rehabilitative Services (DARS) that is responsible for the provision of VR and SE services. DBS serves blind and visually impaired individuals throughout the agency's 26 field offices. DBS has divided the state's 254 counties into 12 service delivery regions. DBS provides services through its VR program, the Business Enterprises of Texas (BET) program, the Blind Children's Vocational Discovery and Development Program (BCVDDP) and the Blindness Education, Screening and Treatment (BEST) program. The VR program is designed for adults whose visual condition limits their ability to begin or continue work. The BET program provides blind consumers with opportunities to own their own business in food service management. BCVDDP helps children from birth to age 22 to develop their individual potential through specialized services designed to reduce the impact of vision impairment on the child's social, emotional, physical, educational and vocational development. BEST works to help Texans prevent vision loss and is funded with voluntary donations when Texans renew their drivers' licenses.

DBS uses 165 CRP vendors to deliver SE services mostly in metropolitan areas of TX. In 2007, DBS began to work with these vendors in an outcome-based vendor system that focuses on CRP performance in terms of the quantity and quality of SE outcomes. DBS believes that an increase in referrals, placements and a decrease in consumers' time in program resulted from these changes.

DBS employs and contracts with orientation and mobility (O&M) instructors and rehabilitation teachers to provide O&M training, Braille instruction and training in techniques of daily living to individuals served through the VR program. In addition, the agency provides these services in group settings to effectively use its staff resources. Finally, DBS assists individuals to engage in comprehensive residential training programs offered at the Criss Cole Rehabilitation Center (CCRC) and other providers out of state.

At the agency-operated CCRC, VR program participants engage in a comprehensive residential training program, described by DBS as "employment lifestyle" training. Individuals reside at the CCRC from six to nine months and receive intensive training in O&M, Braille, the use of computers and assistive technology devices and techniques of daily living. The training provided through all aspects of this core curriculum focuses on the skills required to obtain and maintain employment. To maintain focus on the goals identified in their IPEs and to further improve their

employment-related skills, individuals receive career guidance and engage in job-readiness assessments, informational interviews, job shadowing, college training, resume writing and job search activities while participating in and following the core curriculum offered at CCRC. In addition, individuals engage in leisure and other activities through which they develop confidence and skills that can be transferred to the employment setting.

The DBS transition program focuses on six core skill areas: adjustment to blindness, IL Skills, travel skills, communication skills, development of support services and vocational skills. Based upon the guidelines established by the memorandum of understanding between DBS and the host school and the student's Individualized Education Program (IEP), the student's IPE, a preliminary assessment and a comprehensive vocational assessment, DBS provides career exploration workshops and activities, summer camp sponsorship, skills training, education technology, adaptive equipment, independent living activities and annual IPE updates and reviews for transition-age-youths, ages 10 to 23.

## **Personnel**

DBS administers and operates its programs with 505 full time equivalent (FTE) positions at all levels of the agency. At the time of the review, DBS employed 139 caseload-carrying counselors, 61 rehabilitation assistants, 12 regional field directors, 90 VR teachers and 17 employment assistance specialists. According to DBS, VR counselors carry an average caseload of 54 individuals and transition counselors carry an average caseload of 61. The DBS management team is comprised of seven key staff reporting directly to the assistant commissioner. Their average length of public service in DBS is 23 years.

DBS has adopted the national standard established by the Commission on Certification of Rehabilitation Counselors as its personnel standard for VR counselors under the agency's comprehensive system of personnel development (CSPD). Under the standard, to be deemed a qualified VR counselor, individuals must possess a master's degree in rehabilitation counseling or in a related field with coursework in the theories and techniques of counseling.

## **Data Management**

Since FY 2003, DBS has been using a web-based case management system (CMS) called T-Works. It is an upgrade to the mainframe system, which had not been accessible to the blind and visually impaired. The CMS is used to produce the reports that are required by RSA.

By June 2010, DBS intends to implement a new CMS called ReHabWorks. A test version is currently available on the DARS intranet. The system was developed in-house with input from all levels of the organization and will incorporate the CMS of both DBS and DRS using current technology. The system will enable DBS to more effectively manage its programs through the use of real-time data reports. Other enhancements to the new CMS include action pop-up screens, remote check out, a draft function, the capability to add the same service for many consumers at the same time and more sort options. Additionally, reports currently on intranet will be contained within the CMS. Another enhancement will be the use of air cards to access the CMS from the field.

## Quality Assurance

The quality assurance (QA) system at DBS is overseen by the senior management team that includes the Workforce Investment Act specialist, and the directors of BET, CCRC and consumer services support and the northern and southern regions. The QA system incorporates planning, systems management, monitoring and oversight. VR counselors, rehabilitation assistants, VR coordinators, and field directors monitor the T-Works system, the VR operations manuals, agency performance and compliance with federal and state regulations. Staff also monitor CRP performance-based contracts.

Monitoring and oversight is accomplished routinely by reviewing agency performance reports generated by the T-Works system, case record review reports, consumer satisfaction surveys, staff performance reviews, CAP compliance complaints, and contracting reports. The twelve VR coordinators then meet quarterly with the senior management team who review the results and design strategies for higher quality services.

## Planning

DBS was last involved in the statewide DARS strategic planning initiative entitled “Roadmap” during FY 2006. “Roadmap” was developed after the reorganization of state government structure and replaced all pre-existing planning objectives. “Roadmap” contains strategies that refocused the vision, mission, management philosophy, guiding principles, values, and beliefs of all of the divisions under DARS.

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

### 1. Employment Status At Closure

- As indicated in Table 4.2, DBS increased the number of individuals employed without supports in an integrated setting from FY 2003 to FY 2007. This rate was 2.5 percent higher than the national average for blind agencies in FY 2007.
- DBS consistently decreased the number of homemaker outcomes from 495 in FY 2003 to 104 in FY 2007.

**Table 4.2  
Employment Status at Closure for FY 2003 through FY 2007**

Employment Status	2003	2004	2005	2006	2007	Agencies that Serve the Blind and Visually Impaired FY 2007
<b>Employed without support in integrated setting</b>						
Number	904	883	976	957	1,018	4,916
Percent	52.6%	65.2%	70.6%	71.8%	73.5%	71.0%

<b>Homemaker</b>						
Number	495	168	139	115	104	1,036
Percent	28.8%	12.4%	10.1%	8.6%	7.5%	15.0%

## 2. Self-Employment

- In FY 2007, 214 individuals out of a total of 1,385 individuals whose cases were closed by DBS with an employment outcome after receiving services were closed in a self-employment setting. This was 6.2 percent higher than the national average for agencies that serve the blind and visually impaired.

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

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

- the ability of general and blind agencies to serve individuals simultaneously;
- development of a coordinated effort for job development in urban one-stop centers;
- follow-along services for self-employed consumers;
- development of long-term job retention data for employed individuals; and
- development of a fully integrated and comprehensive QA system.

### Observations of DBS and Its Stakeholders about the Performance of the VR and SE Programs

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

- DBS has good leadership and a positive organizational structure that promotes open lines of communication amongst staff at all levels.
- DBS encourages innovation, creativity, flexibility, service delivery and stresses a holistic view of consumers and their rehabilitation.
- Staff training programs in blindness are high in quality and are relevant to consumers' rehabilitation needs.
- DBS counselors practice an "open door" policy, consistently handle consumers' issues in a positive way, and are open to finding solutions for consumers.
- DBS' policy of working with children as young as age ten to take part in its transition program is generally well-regarded by stakeholders.
- The BET program is a good source of self-employment outcomes for consumers.
- Rural employment is virtually non-existent in some areas due to a lack of employers.
- There is a lack of a coordinated job development effort in urban one-stop centers.
- There is a shortage of qualified O&M instructors and rehabilitation teachers statewide, especially in rural areas.

- There is a shortage of CRPs in rural areas that limits consumer choice.
- Assistive technology services are difficult to provide to consumers because of limited resources.
- CCRC programs are effective in delivering a holistic rehabilitation program, but the length of the program hampers completion by some consumers.
- The DBS deaf-blind program offers unique opportunities for consumers with multiple disabilities through an innovative holistic and aggressive approach to rehabilitation.

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

### **Continuing Education Needs of DBS Staff**

RSA solicited input from DBS and its stakeholders to identify the following continuing education needs of its staff:

- building business relationships;
- services to blind and visually impaired individuals with secondary disabilities including substance abuse, traumatic brain injury and orthopedic disabilities;
- current developments in assistive technology;
- analysis of the long-term job retention of individuals who achieve employment; and
- job development in rural areas.

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

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

#### **1. Adjustment to Blindness Services**

**Observation:** DBS would benefit from tools for evaluating the quality of adjustment to blindness services provided directly to individuals, in group settings in the community and at the CCRC and their effectiveness in assisting individuals to obtain employment that will aid the agency in providing these services in an effective and efficient manner.

- DBS experiences a significant demand for adjustment to blindness services from individuals it serves. In FY 2007, 58.9 percent of all individuals served by DBS received adjustment to blindness services, while only 36.2 percent of all individuals served by the agencies for the blind and visually impaired received these services.
- DBS provides adjustment to blindness services to a majority of the nearly 2,000 individuals each year receiving these services in their local communities. To do so, DBS contracts with individuals and CRPs in the community. In areas of the state where an

insufficient number of contractors are available, the agency employs three orientation and mobility instructors located in three of its 12 field offices.

- DBS employs 90 rehabilitation teachers located in all field offices and CCRC to provide Braille instruction and training in the techniques of daily living to individuals in their local communities.
- Beginning in FY 2005, DBS undertook efforts to expand the manner by which it provides the type of training offered at the CCRC across the state, to better meet the needs of individuals who choose not to or are not capable of participating in a residential program. Since then CCRC staff have collaborated with staff of each of the field offices to provide one-week “mini-trainings,” through which groups of VR program participants are introduced in their own communities to each of the core trainings offered through the CCRC residential program.
- The field offices also have used the group training concept to further maximize their limited resources. Several times during the year, field office staff and contractors provide one week of basic and advanced O&M training and Braille instruction for approximately 15 to 25 persons who can benefit from group training.
- Group training not only maximizes limited resources, but the group dynamics often result in a more effective learning environment for consumers. Consumers benefit from knowing that other persons who are blind can successfully learn these skills.
- Of the nearly 2,000 individuals who receive adjustment to blindness services from DBS each year, approximately 160 to 175 individuals participate in the comprehensive residential training offered by CCRC.

**Recommendation 1:** RSA recommends that DBS:

- 1.1 develop tools for assessing the quality and effectiveness of the adjustment to blindness services provided on an individual basis, at the CCRC and in group settings and use the data and information obtained through the tools to determine strategies for the effective and efficient management of the limited resources within its field offices and in the community; and
- 1.2 develop strategies to identify additional resources available in the community for the provision of adjustment to blindness services.

**Agency Response:** DBS agrees with this recommendation, and will continue developing tools discussed with RSA during the monitoring visit for assessing the quality and effectiveness of adjustment to blindness services. DBS will also continue developing strategies to identify additional community resources where needed.

**Technical Assistance:** DBS requests technical assistance from the TACE.

## 2. Evaluation of CCRC Services

**Observation:** DBS captures data and qualitative information regarding the services it provides to VR program participants at the CCRC, and the outcomes achieved by these individuals. DBS would benefit from a comprehensive tool enabling the agency to evaluate the quality and effectiveness of this residential program.

- DBS collects a variety of data that can be used to assess the effectiveness of the CCRC residential program in terms of the outcomes achieved by individuals who complete the training. DBS shared examples of these data with RSA staff, through which RSA learned that:
  - CCRC served 186 individuals whose cases were closed in FY 2007 after receiving planned services;
  - Of these 186 individuals, 125 (67 percent) achieved an employment outcome;
  - Of the 125 who achieved an employment outcome, 99 (79 percent) obtained competitive employment with average weekly earnings of \$386.27;
  - Of the 125 who achieved an employment outcome, only ten (8 percent) were identified as homemakers; and
  - Of the 186 individuals, 61 (33 percent) did not achieve an employment outcome.
- In FY 2008, DBS began to assess the quality of the training and other services offered at the CCRC through satisfaction surveys of individuals who had completed the curriculum. Of the approximately 50 surveys distributed, DBS received approximately 20 responses. Currently, DBS is not conducting satisfaction surveys of individuals who do not complete their CCRC training.

**Recommendation 2:** RSA recommends that DBS:

- 2.1 using the data and customer satisfaction information collected regarding the outcomes of individuals who participate in CCRC training, develop a tool to evaluate the quality and effectiveness of the residential program and use this tool to determine how to improve this service; and
- 2.2 based on data obtained through the evaluation tool, develop measurable goals for improved performance of the CCRC program and incorporate these goals, along with strategies to achieve these goals in the agency's State Plan.

**Agency Response:** DBS agrees with this recommendation and will continue developing a tool to evaluate the quality and effectiveness of the residential program at CCRC. DBS will explore developing measurable goals for improved performance of the CCRC program.

**Technical Assistance:** DBS requests technical assistance from the TACE as well as from the Mississippi State University Training Center on Blindness and Low Vision.

### **3. Coordination with DRS to Serve Individuals with Multiple Disabilities**

**Observation:** DBS serves a large number of individuals with disabilities in addition to blindness and visual impairments. DBS has established a policy that prohibits DBS and DRS staff from providing services to individuals with multiple disabilities simultaneously. As a consequence, the agency's counselors and other staff do not collaborate as effectively as they could with DRS. VR counselors and other staff could benefit from more training to serve these individuals effectively. DBS should take the steps necessary to ensure that individuals with multiple disabilities are served in an effective and efficient manner.

- DBS has established a VR program policy (Policy 3.13.5) that prohibits DBS and DRS from providing services simultaneously to the same individuals. Instead, the policy establishes a method for determining which agency, DBS or DRS, will serve individuals who are blind or visually impaired with secondary disabilities. Pursuant to the policy, individuals who are legally blind are served by DBS. Individuals with significant vision loss and who possess secondary disabilities related to blindness are served by DBS. Individuals with significant vision loss and unrelated secondary disabilities that present the more substantial impediment to employment are served by DRS. Individuals with visual impairments and unrelated secondary disabilities, for whom it is not readily apparent which disability is the more substantial impediment to employment, can be served by either agency depending on the determination of the VR counselors from both agencies. As defined by the policy, unrelated secondary disabilities are those that are not commonly associated with blindness and visual impairments, such as the relationship of alcoholism to cataracts. The policy concludes by stating that, “federal regulations prohibit DBS and DRS from simultaneously providing VR services to the same consumer.”
- During the on-site visit, RSA staff provided technical assistance to DBS management on the joint provision of services by general and blind agencies to individuals with multiple disabilities, informing agency management that the Rehabilitation Act and its implementing regulations do not prohibit general and blind agencies from each opening a case and serving the same individual simultaneously, so long as services are not duplicated. RSA advised DBS that the statement in its policy that federal regulations do prohibit such simultaneous service provision is incorrect and contrary to RSA guidance on this matter. RSA further advised DBS that if both the general and blind agency provide substantial services to the same individual, both can report the achievement of an employment outcome by the individual.
- DBS staff collaborates with their colleagues in DRS in the conduct of job fairs, training and other activities designed to benefit the individuals served by both agencies. However, DBS counselors consistently stated that they do not collaborate with DRS staff when providing services to individuals with multiple disabilities, even though DRS staff may possess the expertise necessary to more effectively serve these individuals.
- RSA recognizes that the policy does not prohibit consultation between DBS and DRS staff when serving individuals with multiple disabilities. However, its existence may inhibit such consultation and effective service delivery to these individuals.
- During the course of the review, DBS management, VR counselors and other staff indicated that the agency provides services to a significant and increasing number of individuals with multiple disabilities, including blind and visually impaired individuals with diabetes, traumatic brain injuries, cognitive impairments, autism and orthopedic disabilities.
- DBS reported that 86 percent of the individuals who received training at the CCRC had disabilities in addition to blindness and visual impairments in FY 2007. Management indicated that this figure is reflective of the number of individuals with multiple disabilities served throughout the VR program.
- Field office staff stated that the hurricanes that have affected TX during the past few years have increased the numbers of individuals in the community with secondary



disabilities, such as post-traumatic stress syndrome and other psychiatric impairments that could potentially be served by DBS in the lower Metroplex and Houston areas. However DBS has had difficulty in determining the numbers of individuals with multiple disabilities that are unserved or underserved by the agency due to the lack of infrastructure in this region of the state, particularly as a result of Hurricane Ike.

- Field office staff reported that they often lack sufficient resources in the community to provide appropriate services to individuals with multiple disabilities. To address this issue, staff of the San Antonio office indicated that they are undertaking efforts to expand the capacity of CRPs in the area that can provide SE services to individuals with cognitive impairments and other secondary disabilities served by DBS. However, these resources are especially difficult to access in the rural areas of TX.
- DBS provides extensive and comprehensive training for VR counselors and other staff related to the provision of services to individuals who are blind and visually impaired. Yet counselors and staff consistently informed RSA that they lack and could benefit from training in the provision of services to individuals with secondary disabilities, such as traumatic brain injuries, cognitive impairments, orthopedic disabilities and substance abuse.

**Recommendation 3:** To ensure that individuals with multiple disabilities are served effectively and in light of the technical assistance provided on joint service provision, RSA strongly encourages DBS to revise Policy 3.13.5 to permit DBS and DRS to simultaneously serve individuals with multiple disabilities. RSA further recommends that DBS:

- 3.1 following any revisions to Policy 3.13.5 revise the agreement with DRS required by regulations at 34 CFR 361.24(d) to describe the manner in which the two agencies will collaborate on the provision of services to individuals with multiple disabilities;
- 3.2 conduct an analysis, as part of its comprehensive statewide needs assessment, to determine the extent to which individuals with multiple disabilities are unserved and underserved by DBS and require its services;
- 3.3 as a result of this analysis, develop strategies to effectively serve individuals with multiple disabilities, including additional strategies to expand the capacity of community partners to provide SE services; and
- 3.4 collaborate with DRS to provide training to the staff of both agencies on the provision of services to individuals with multiple disabilities and the manner in which staff should work together to ensure the effective and efficient provision of services to these individuals.

**Agency Response:** DBS agrees with this recommendation. DBS is in the process of exploring the development of both policies and a revised agreement with the Division for Rehabilitation Services to simultaneously serve those individuals with certain severe multiple disabilities that we believe would be appropriate and in the best interest of the consumer in achieving a successful outcome. Prior to implementing both policies, we recommend that RSA provide written policy guidance that allows the simultaneous serving of individuals from the two DSUs where both DSU's take the closure outcome. This written guidance will ensure that our policies are in alignment.

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

#### 4. Referral of Individuals to DRS

**Observation:** DBS should refer more individuals to DRS when those individuals fail to meet DBS' eligibility criteria, but would be eligible for services from DRS.

- Field office managers and VR counselors stated that individuals with conditions such as diabetes may not be determined eligible for services because their vision loss does not meet the eligibility criteria established by DBS. However, their vision loss may have resulted in functional limitations (e.g., the inability to drive or to use a computer keyboard) that in turn have led to the loss of employment.
- VR counselors reported that they often refer these individuals to a state program for indigent medical care, the Lion's Club, the Knights' Templar and other similar programs. At the same time, counselors stated that these programs do not have sufficient resources to assist all persons that seek their services, and that it is unlikely that the individuals whom they refer will receive the care needed to address their disabilities and vision loss.
- VR counselors further reported that the individuals whom they referred often reapplied for services from DBS while awaiting assistance from programs for indigent medical care and that these individuals were then eligible because the vision loss had progressed.

**Recommendation 4:** RSA recommends that DBS provide training to agency staff on the appropriate referral of individuals with conditions such as diabetes to DRS when these individuals cannot be served by DBS because they do not meet the agency's eligibility criteria.

**Agency Response:** DBS agrees with this recommendation. DBS believes that most of the individuals who were referred to agencies other than DRS were seeking only physical restoration services rather than vocational rehabilitation services. DBS agrees to refer those individuals to DRS who do not meet the DBS eligibility criteria, but who have a disabling condition and have expressed a desire to obtain, retain or maintain employment.

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

#### 5. Staff Training for Individuals Referred from ECI

**Observation:** DBS would benefit from improved training for staff serving youth referred from ECI.

- State funding for ECI's Blind Children's Vocational Discovery and Development Program (BCVDDP) was significantly reduced.
- DARS' staff reported that DBS' transition program and BCVDDP provide the same services to younger transition-age-youths.
- Pursuant to a DARS' directive, ECI staff and DBS field directors, coordinators and transition counselors reported that a 2004 DARS' policy change permits transfer of youth as young as ten from BCVDDP to the DBS transition program.

- DBS and ECI personnel indicate that ECI recently commenced routine transfer of most non-bedridden youth to DBS at the age of ten. It was further reported that a DARS' directive was to go into effect on July 1, 2009 regarding transfer of youth with heightened cognitive deficits and physical delays to the DBS transition program.
- DBS transition counselors indicated that the youth being referred need more attention and heightened professional intervention than the transition-age-youths who they routinely serve. They reported a need for specialized training and increased levels of staffing to appropriately serve this evolving population.

**Recommendation 5:** RSA recommends that DBS:

- 5.1 provide necessary training and assistance for its staff that provide services to youth referred to the transition program by ECI.

**Agency Response:** DBS agrees and is planning specialized training which will include statewide, regional and individual counselor training.

With regard to the fourth bullet above, the intent was not to direct the referrals of youth with heightened cognitive deficits and physical delays to the DBS Transition program, but rather to remove from DBS procedures what could be perceived as pre-screening criteria.

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

## 6. Assessment and IPE Development for Transition Services

**Observation:** DBS would benefit from improved processes for developing IPEs for transition-age-youths that are designed to achieve specific employment outcomes.

- IPEs are developed for participants regardless of their age. IPEs must contain specific employment goals, the services needed to achieve those goals and the parties responsible for service provision. DBS counselors reported that they often amend the identified employment goals in the IPEs for transition-age-youths to reflect changes in the career aspirations of these individuals over time. Based on a review of approximately 20 IPEs for transition-age-youths from most of the agency's field offices visited, RSA observed that the IPEs for students aged 10 to 12 do not consistently contain specific employment goals. Employment goals were described in vague terms such as "professional" or "unskilled." VR counselors confirmed this practice during on-site discussions.
- Special education and transition personnel reported that younger transition-age-youths often lack the maturity, self awareness, basic skills and literacy to engage in VR program activities, including developing IPEs designed to achieve specific employment outcomes.
- The transition-age-youths' IPEs reviewed by RSA were prepared on a standard IPE form that was reported to have been developed for adult consumers. It does not appear to contain simple language and age-appropriate concepts that can be understood by many youths; particularly younger students.

**Recommendation 6:** RSA recommends that DBS:

- 6.1 provide training to service delivery staff who work with transition-age-youths regarding the requirement that each and every IPE contain, among other things, both a specific employment outcome (34 CFR 361.45(b) (2)) that is consistent with the individual's unique strengths, resources, priorities, concerns, abilities, capabilities, career interests and informed choice and the specific VR services needed to achieve that particular employment outcomes (34 CFR 361.46(a)); and
- 6.2 utilize modes of communication consistent with a student's IEP, such as age appropriate simple language, throughout the service delivery process, including the development and updating of IPEs in accordance with 34 CFR 361.5(b) (5) and 34 CFR 361.45(d) (e).

**Agency Response:** DBS agrees with recommendation 6.1 and will provide training for service delivery staff and will update the VR Manual.

DBS is unclear about recommendation 6.2. It appears RSA is suggesting that the IEP uses age appropriate simple language, and that the IPE should be modeled after the IEP. After reviewing several IEPs, DBS did not see any examples of age appropriate simple language. The IEPs were often sixteen or more pages in length and contained language similar to that used in the IPE in terms of complexity. The regulations are clear as to what must be in the IPE, and DBS is concerned that changing the language could impact compliance with the regulations.

The IPE and the IEP are both signed by the parent or guardian for all of these consumers. DBS maintains that the critical factors are: that the IPE is jointly developed with the consumer, the parent/guardian and the VR Counselor; and that the IPE is explained to the consumer and the parent/guardian to ensure they fully understand the services to be provided and the responsibilities of each party.

**Technical Assistance:** DBS requests TA from RSA regarding recommendation 6.2 in terms of developing age-appropriate IPEs.

## 7. Quality Assurance

**Observation:** The DBS QA monitoring system includes vendor information, customer satisfaction, case reviews, staff performance reviews, client assistance program (CAP) results, and a future employer survey. The QA team does not generate a specific report on their processes. Likewise, DBS does not have a written description of the QA system, reporting structure, accountability measures, or outcomes.

- Vendor information is compiled at the VR counselor level and reported to the VR coordinators. VR coordinators communicate their findings to the management team at the quarterly QA meetings, including an account of external vendor services such as orientation and mobility and diabetes education information.
- The DARS contract compliance office monitors the contractual agreements between vendors and DBS and supports the work of the QA team.

- Customer satisfaction surveys are conducted quarterly on 100 percent of closed cases for all individuals who exited the VR program after receiving services with 50 percent to 60 percent return rates.
- VR coordinators conduct case reviews monthly based on RSA monitoring criteria. Staff performance reviews are conducted twice annually and are based on VR counselor performance in the areas of employment production, client budgets, client goal attainment, and quality of services.
- The CAP reports quarterly a list of all complaints and the outcomes of those complaints.
- DBS is creating an employer survey that will be sent to employers and included in the QA system monitoring process.

**Recommendation 7:** RSA recommends that DBS:

- 7.1 create a written description of the QA system including, but not limited to, reporting structure, accountability measures, and performance outcomes; and
- 7.2 develop a comprehensive reporting and communication system to report out process and regular progress throughout the agency.

**Agency Response:** DBS agrees with this recommendation and has been working at strengthening its QA.

**Technical Assistance:** DBS requests continued technical assistance from the TACE.

## CHAPTER 5: FISCAL MANAGEMENT OF DBS' VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING, AND OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS

RSA reviewed DBS' 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 and financial management systems.

### Fiscal Management

Although DBS' fiscal management system has improved in recent years, it needs to be strengthened further in the areas of reporting practices, internal controls for processing CRP invoices, tracking contractor finances, contracting with educational institutions, developing Third Party Cooperative Arrangements, and identifying and applying allowable sources of match.

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 it is compared). Fiscal data related to administration, total expenditures and administrative cost percentage is taken from the RSA-2.

**Table 5.1  
Fiscal Data for DBS for FY 2004 through FY 2008**

Fiscal Year	2004	2005	2006	2007	2008
<b>Grant Amount</b>	38,325,197	39,158,313	40,353,936	42,428,463	43,643,418
<b>Required Match</b>	10,372,639	10,598,120	10,921,713	11,483,180	11,812,005
<b>Federal Expenditures</b>	38,325,197	39,158,313	40,353,936	42,428,463	**42,061,243
<b>Actual Match</b>	10,372,639	10,521,737	10,921,713	11,483,180	11,812,005
<b>Over (Under) Match</b>	0	(76,383)	0	0	0
<b>Carryover at 9/30 (year one)</b>	6,876,392	8,238,241	7,603,210	3,922,922	3,128,139
<b>Program Income</b>	1,391,115	1,759,155	1,560,677	1,777,049	2,546,466
<b>Maintenance of Effort</b>	10,133,867	10,072,700	10,372,639	10,521,737	10,921,713
<b>Administrative Costs</b>	5,814,208	6,580,712	6,675,211	7,386,130	6,758,240
<b>*Total Expenditures</b>	46,041,410	50,410,188	54,194,059	58,028,589	57,802,935
<b>Percent Admin Costs to Total Expenditures</b>	12.63%	13.05%	12.32%	12.73%	11.69%

\*Includes Supported Employment Program Expenditures.

\*\* Deadline for obligating FY 2008 federal grant funds – September 30, 2009.

## 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 1992 amendments to the Rehabilitation Act at 21.3 percent. As such, a *minimum* of 21.3 percent of the total allowable program costs charged to each year's grant must come from non-federal expenditures from allowable sources as defined in program and administrative regulations governing the VR Program. [34 CFR 361.60(a) and (b); 34 CFR 80.24]

In reviewing compliance with this requirement, RSA examined the appropriateness of the sources of funds used as match in the VR program, the amount of funds used as match from appropriate sources and the projected amount of state appropriated funds available for match in each federal fiscal year. 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 Social Security Administration for rehabilitating Social Security beneficiaries, payments received from Workers' Compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals and income generated by a state-operated 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 Social

Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

In reviewing program income, RSA analyzed 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:**

The 1992 amendments 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 DBS During the Review Process**

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

- contract administration processes and identifying areas that need strengthening or revision to ensure proper management of internal controls and appropriate invoice processing;
- training fiscal staff on the completion of fiscal reports, which included providing self instruction modules for training new staff;
- the differences between administrative and indirect cost centers; and
- clarifying the differences between: 1) Third Party Cooperative Arrangements, per 34 CFR 361.28; 2) Agreements developed through coordination with educational officials, per 34 CF 361.22; and 3) Agreements developed through shared funding and administration of joint programs, per 34 CFR 361.27.



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

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

- there was a need to correct SF-269 and RSA-2 reporting practices;
- there were misunderstandings on the reporting of administrative costs versus indirect costs;
- the checks and balances for CRP authorizations and payment processing needs strengthened; and
- the agreements with the TSBVI need revisions to make them viable agreements.

RSA discussed these observations with DBS 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 DBS about those observations. DBS responded to each of the recommendations and in those instances when RSA and DBS agreed upon a recommendation, RSA and DBS identified the technical assistance that RSA would provide to DBS to successfully implement the recommendation.

### 1. Report Inaccuracies

**Observation:** RSA identified the inaccurate reporting of the indirect and administrative costs, resulting in the underreporting of administrative costs.

**Recommendation 1:** RSA recommends that DBS formally request that the affected reports be opened to enable fiscal staff to make the changes required to reflect actual administrative and indirect costs.

**Agency Response:** Based on the results of previous RSA audit reviews, DARS' reporting of indirect and administrative costs on the SF 269 was deemed to be in compliance. The RSA review team stated that the RSA-2 instructions for reporting administrative cost are not clear and that other states have had similar issues with the reporting of administrative cost. DARS asked that these instructions be updated to insure they are clear, so that misunderstandings about the instructions will not occur in future RSA reviews involving different audit teams. Based on the updated instructions provided by the RSA audit team during the current audit visit, DARS is in the process of changing its procedures to capture the administrative costs that need to be reported on the RSA-2. DARS will make these changes in its RSA-2 reporting starting with the 2009 submission.

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

## 2. Separation of Duties

**Observation:** DBS does not clearly separate duties to ensure proper handling of CRP billing.

- The counselor and rehabilitation assistant are involved in the approval of the service to be delivered and its payment. The system does not permit the same staff person to enter a request for the service and the approval of payment; however, the rehabilitation assistant does not always have the expertise to determine if a payment is appropriate. This creates a situation where the counselor could order the service and indirectly approve the service, even though the system would show two staff persons involved in the process.
- Financial staff process CRP payments based upon the electronic approval forwarded to them for payment, regardless of how the actual approval was developed.

**Recommendation 2:** RSA recommends that DBS develop a system of checks and balances for billing purchased services to involve supervisor oversight in the ordering of services and/or approval of payments.

**Agency Response:** DBS does not agree with this recommendation. DBS is confident that the appropriate checks and balances are in place regarding separation of duties and proper oversight in the ordering and payment of services. The system of checks and balances includes edits in the case management system (TWorks) as well as management approval of some purchases. This system has been scrutinized through audits conducted by DARS internal audit, external entities such as the Texas State Auditor's Office (SAO), previous RSA monitoring visits, KPMG, and an effective DARS contract monitoring and oversight process. Through DBS' case review process to include purchasing reviews, DBS managers are able to evaluate each step of the vocational rehabilitation process and provide overall feedback on the entire case, integrating the findings at each critical juncture of the process.

**RSA Response:** In addition to the checks and balances that are currently in place, RSA recommends that the individual who signs off on the acceptability of the services provided and approves payment do so without consulting the counselor who approved the original provision of the services. This will ensure that a second person, not the counselor who approved the actual services, is responsible for the payment of those services.

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

## 3. Incorrect Reporting of IL Match

**Observation:** DBS reports sufficient match for their IL programs by the end of the fourth quarter and continues to report match into the second year of the grant period. Match is to be reported only in the year in which the federal funds were allocated.

**Recommendation 3:** RSA recommends that DBS cease reporting IL non-federal match in the second year of the grant period and request that the SF-269 reports that are impacted by this practice be opened to allow for correction.

**Agency Response:** DARS will ask that the 2007 IL report be opened to allow the match to be corrected. The 2008 report has not been finalized. DARS will implement new procedures to comply with submission of IL reports to be in compliance with guidance received from RSA.

**Technical Assistance:** DBS does not request TA other than the opening of the 2007 IL report so that match can be corrected.

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

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

### **1. Internal Controls of Staff to Ensure Proper Invoice Processing**

#### **Legal Requirements:**

34 CFR 361.12 states that:

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.

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:** DARS/DBS' Contract Oversight and Support/Consumers Services Monitoring Unit is responsible for monitoring, per DARS' own policies and procedures, its CRPs at least once every four years. The DARS policies and procedures clearly define the monitoring process, both for financial and programmatic functions, and DBS staff document their monitoring activities. While on-site, RSA reviewed 5 DBS monitoring reports of various CRPs and noted similar findings were made for each of them, primarily involving improper invoices for consumer services. In each of those monitoring reports, DBS required the CRPs to submit corrective actions but did not follow up to ensure the corrective actions were implemented. Furthermore, RSA noted that the findings against the CRPs also raised concerns with the processing of those invoices by DBS' own staff. For example, RSA noted:

1. The CRPs routinely submit incorrect or incomplete invoices for services provided. Many of the invoices lacked necessary information, such as the dates services were provided, consumer social security numbers, costs of the services, and the provider signatures. In addition, some of the invoices contained no purchase order number or did not correspond to the correct purchase order number. Some files contained evidence that purchase orders were issued after the services were provided; other files indicated that services were provided before DBS had given authorization for those services. Finally, CRPs frequently failed to submit the required Supported Employment Services Agreement prior to providing the services.
2. DBS counselors and technicians routinely approved payments to be made despite the fact that the invoices were incomplete or incorrect, and without knowing that the services were actually rendered as charged. For example, some of the invoices contained charges for training hours that were already provided and paid for, in addition to listing new training hours for which payments were due.

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

DARS has established and implemented monitoring procedures, as required by 34 CFR 80.40, for DBS to use to ensure that grant-supported activities, such as those performed by the CRPs, comply with Federal requirements. These monitoring activities, including the corrective actions imposed, are well-documented by DBS staff. However, DBS does not follow up with the CRPs to ensure that the corrective actions are implemented, and, as a result, the CRPs continue to submit incomplete and inaccurate invoices for services rendered. DBS' failure to follow through with the corrective actions violates its responsibility to ensure that all grant-supported activities comply with Federal requirements, as required by 34 CFR 80.40. In addition, DBS has failed to implement appropriate internal procedures to ensure that its own counselors make payments only

for verified services based on complete and accurate invoices. DBS' failure to have these procedures in place constitutes a failure to comply with 34 CFR 361.12 and 34 CFR 80.20, because the lack of procedures make it impossible for DBS to ensure that it administers of the VR program properly and efficiently and maintains accurate fiscal accounting of VR funds.

**Corrective Action 1:** DBS must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that DBS will comply with 34 CFR 361.12, 34 CFR 80.20, and 34 CFR 80.40, especially with regard to ensuring proper and efficient administration of the VR program and accurate financial accounting of all VR funds. The assurance also must indicate that DBS will comply with DARS' financial procedures, as set forth in the agency's Standard's Manual;
- 1.2 develop and implement procedures to effectively monitor the CRPs' implementation of corrective actions identified by DBS via its routine monitoring procedures; and
- 1.3 develop and implement procedures to ensure that DBS' counselors and technicians only approve for payment those services that have been verified as having been provided, as evidenced by the submission of accurate and complete invoices.

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

**Agency Response:** DBS does not agree that it is not in compliance with 34CFR 361.12, 34 CFR 80.20 and 80.40. DARS has a comprehensive and effective Contract Monitoring and Oversight process. Contract monitors review documents, including invoices, according to program standards. DARS has converted to outcome based supported employment and placement which requires CRP vendors to submit documentation in addition to invoices to demonstrate that outcomes have been achieved. DARS believes that these documents provide adequate proof that consumers received services in accordance with program requirements. Many of the findings in previous program monitoring reviews regarding incomplete invoices have centered around technical issues such as service dates and signatures. DBS staff and COS staff have recently begun looking at the compatibility between some of the program standards for services and those for submitting billing invoices and have found inconsistencies between the intent of the outcome based payment system and billing standards. A workgroup will make recommendations as to which standards should be eliminated or modified.

DARS has identified issues with regards to follow-up with CRPs' corrective actions and other invoice errors. DARS plans to have contract managers test the accuracy of billing documentation quarterly for follow-up review. Additionally, COS will perform desk reviews of billing for samples solicited from the field offices. Issues of non-compliance with standards will be provided to DBS management and intervention/training will result as appropriate.

**RSA Response:** While RSA agrees that DARS has a Contract Monitoring and Oversight Process to monitor the CRPs, DBS needs to follow-up with CRPs to ensure that CRPs correct errors that are identified by DBS during monitoring. Such follow up with CRPs should be an important part of DBS' overall monitoring process. RSA appreciates that DBS has begun prospectively to address these concerns. However, since this is a work in progress, this

compliance finding stands as written and DBS is required to implement (or elaborate on what specific steps it is taking to implement) the aforementioned corrective actions in its corrective action plan.

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

## 2. Non-Allowable Match Source -- Consumers' Financial Participation

### Legal Requirements:

34 CFR 361.60(b) (1) states that:

- (b) *Non-federal share* – (1) *General*. Except as provided in paragraph (b) (2) and (3) of this section, expenditures made under the State plan to meet the non-federal share under this section must be consistent with the provisions of 34 CFR 80.24.

34 CFR 361.63, in pertinent part, states:

- (a) *Definition*. For purposes of this section, *program income* means gross income received by the State that is directly generated by an activity supported under [the VR program].
- (b) *Sources*. Sources of program income include, but are not limited to...fees for services to defray part or all of the costs of services provided to particular individuals....
- (c) *Use of program income*.  
\*\*\*
- (4) Program income cannot be used to meet the non-federal share requirement under [34 CFR] 361.60.

34 CFR 80.24(a) (1) states:

- (a) With the qualifications and exceptions listed in paragraph (b) of this section, a matching or cost sharing requirement may be satisfied by either or both of the following:
  - (1) Allowable costs incurred by the grantee, subgrantee or a cost-type contractor under the assistance agreement. This includes allowable costs borne by non-federal grants or by others cash donations from non-federal third parties.

**Finding:** Pursuant to 34 CFR 361.54(b) (1), DBS has elected to establish a policy that requires VR consumers to participate in the cost of the VR services received under certain circumstances. In FY 2005, DBS counted \$4,711 of funds consumers paid for the cost of their services towards satisfying DBS' non-federal share requirement for the VR program.

Federal regulations require DBS to satisfy its non-federal share obligation of 21.3 percent of expenditures made under the State plan with allowable expenditures paid with non-federal funds (34 CFR 361.60(b) (1) and 34 CFR 80.24(a)). Fees for services to defray part or all of the costs of services provided to particular individuals is considered program income (34 CFR 361.63(b)). However, program income cannot be used to meet the non-federal share requirement (34 CFR 361.63(c) (4)). From the information RSA reviewed, it is unclear whether consumers paid DBS

their share of the cost of services, and DBS, in turn, paid the entire amount to a vendor, or whether consumers paid their share of the cost to the vendor directly which, in turn, paid those funds to DRS. Regardless of to whom the consumers paid their share of the costs, DRS may not count the fees for services paid by consumers to meet its non-federal share requirements, because the fees are program income that cannot be used to meet this requirement. Thus, DRS is not entitled to count the \$4,711 in fees paid by consumers for VR services to meet its non-federal share requirement in FY 2005.

**Corrective Action 2:** DBS must:

- 2.1 cease using consumers' financial contributions to meet its non-federal share under the VR program;
- 2.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will not use consumers' financial contributions for VR services to meet its non-federal share requirement; and
- 2.3 submit detailed information to RSA outlining how much of the reported non-federal share resources for FYs 2005 through 2008 came from fees paid by consumers for VR services.

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

**Agency Response:** DBS disagrees with Corrective Action 2.

- 2.1 DBS believes that consumers' financial contributions have never been used to meet the DBS non-federal share under the VR program.
- 2.2 DBS will submit a written assurance to RSA within 10 days of receipt of the final monitoring report stating that DBS will not use consumers' financial contributions to meet the VR non-federal share.
- 2.3 DBS has reported zero (\$0.00) non-federal share resources that came from fees paid by consumers for VR services for FYs 2005 through 2008.

**RSA Response:** Although DBS indicates that it has never used consumer financial participation funds for meeting its match obligation under the VR program, a DARS Budget Office's Finance Statement - FY 2005 to FY 2008 (dated 05/18/09) documents that \$4,711 in consumer participation funds was used as match by DBS in FY 2005. Since DBS did not present documentation to refute this fact, the compliance finding stands as written and DBS must implement the aforementioned corrective actions. Furthermore, RSA will consider its options for the most effective method to provide TA to the State regarding match and program income requirements.

**Technical Assistance:** DBS requests that RSA clarify the language related to the match regulations so that it is not subject to interpretation, and to provide examples of what is allowable and not allowable. Program income examples would also be beneficial.

**3. Lack of Sufficient Fiscal Controls -- DBS' Interagency Agreements with the Texas School for the Blind and Visually Impaired (TSBVI)**

**Legal Requirements:**

34 CFR 361.12 states:

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

34 CFR 76.701 requires that:

A State and a subgrantee shall directly administer or supervise the administration of each project.

34 CFR 76.702 requires that:

A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement and accounting for Federal funds.

34 CFR Section 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:** DBS has developed interagency agreements with TSBVI, a secondary education institution, to operate the Summer Work Experience Austin, TX (SWEAT) program and the Post-Secondary Program (PSP) for DBS consumers. After reviewing the interagency agreements and discussing the programs with DBS staff while conducting on-site monitoring, RSA learned the following:

- A. The SWEAT program agreement (No. 538-07-7777-000000000417) requires DBS (Receiving Agency) to pay \$40,000 to TSBVI (Performing Agency) for “services to staff, student wages, and supplies” to operate the program, which runs from March 1 through July 31. No other budget detail is provided. According to the terms of the agreement, TSBVI submits an itemized Interagency Transaction Voucher for payment to DBS within 60 days of the completion of the agreement. DBS, in turn, pays for the services received



in one lump sum. There is no monthly or quarterly invoicing, reconciliation, tracking of funds or certification by DBS that the expenditures incurred support only DBS consumers. Furthermore, DBS does not assess whether the expenditures incurred were allowable, allocable, or reasonable for the VR program.

- B. The PSP agreement (No. 538-08-004-00000000000-1) establishes a residential program for blind youth, aged 18 to 22 years, who have graduated from traditional high school programs. Through this program, which may last up to 18 months, students learn independent living skills, Orientation and Mobility, vocational adjustment, and employment opportunities. According to the terms of the agreement, TSBVI bills DBS \$725 on a monthly basis for each consumer enrolled in the program. The agreement contains no other budget details as to how the funds are spent. DBS does not reconcile the monthly flat-rate charges with services provided, track the funds, or verify that the expenditures incurred support only DBS consumers. Furthermore, DBS does not assess whether the expenditures incurred were allowable, allocable, or reasonable for the VR program.

DBS must have procedures in place so that it can administer the VR program and carry out all required functions properly and efficiently (34 CFR 361.12). These procedures must enable DBS to ensure proper disbursement and accounting of VR funds (34 CFR 76.702). In particular, DBS must have fiscal controls in place that enable it to expend and account for the VR funds so 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)). DBS also must administer or supervise each project funded under the VR program (34 CFR 76.701). In carrying out this requirement, DBS must monitor and manage the day-to-day operations of all grant-supported activities (34 CFR 361.40(a)). The services provided by TSBVI through its SWEAT program and PSP, under agreements with DBS, constitute grant-supported activities and, therefore, DBS must ensure that the agreements are executed in a manner that enables DBS to: 1) administer and monitor all grant supported activities, including those performed by TSBVI; 2) ensure services set forth in the agreement are actually rendered as agreed upon and comply with all Federal requirements; and 3) ensure that Federal funds are disbursed and accounted for properly.

The information RSA reviewed during on-site monitoring shows a dual problem: 1) DBS' agreements with TSBVI lacked sufficient specificity about the services to be provided (described more fully below); and 2) DBS did not engage in proper oversight and monitoring of the TSBVI agreements to ensure that the services were provided in a manner consistent with Federal requirements, and to enable DBS to ensure that VR funds were used properly and efficiently. The TSBVI agreements were vague as to key terms that DBS would need to properly oversee and monitor TSBVI's activities with VR grant funds as required by 34 CFR 361.12, 34 CFR 76.701, 34 CFR 76.702, 34 CFR 80.20(a), and 34 CFR 80.40(a). For example, the agreements do not:

- account for how funds will be spent;
- provide a mechanism for TSBVI to provide DBS with an accurate and complete disclosure of the financial results of financially-assisted activities under the agreements;
- verify that the funds will be used only to serve DBS consumers;
- contain a proposed budget with which DBS could compare actual expenditures; and

- describe the activities performed under the agreements so that DBS can assess whether they are allowable under the VR program and that they were rendered as agreed.

As a result of these deficiencies, DBS is not able to properly and efficiently administer the TSBVI SWEAT and PSP projects as required by 34 CFR 361.12, 34 CFR 76.701, and 34 CFR 80.40(a). In addition, the agreements, as executed, do not enable DBS to trace the funds provided to TSBVI under these agreements to a level of expenditures adequate to establish that such funds have not been used in a way that violates Federal requirements, as required by 34 CFR 361.12, 34 CFR 76.702, and 34 CFR 80.20(a).

Compounding the vagueness of these agreements, DBS failed to monitor and oversee TSBVI's activities under the SWEAT program and PSP to ensure that TSBVI provided allowable services to DBS consumers in a manner that was consistent with Federal requirements as required by 34 CFR 76.701 and 34 CFR 80.40. Furthermore, DBS did not verify costs and expenditures under the agreements to ensure that the services were rendered prior to payment. DBS also did not verify that TSBVI performed all of the services agreed upon and paid for under the SWEAT and PSP agreements. Because of DBS' lack of oversight and monitoring of these agreements, it cannot account for the proper expenditure of VR funds, as required by 34 CFR 361.12, 34 CFR 76.702, and 34 CFR 80.20(a). For all of the foregoing reasons, DBS has failed to administer the program in accordance with the requirements of 34 CFR 361.12, 34 CFR 76.701, 34 CFR 76.702, 34 CFR 80.20(a), and 34 CFR 80.40.

**Corrective Action 3:** DBS must:

- 3.1 amend existing agreements with TSBVI for the SWEAT program and PSP, as well as any other similar agreement or contract, to include specific terms that would enable DBS to comply with the requirements of 34 CFR 361.12, 34 CFR 76.701, 34 CFR 76.702, 34 CFR 80.20(a), and 34 CFR 80.40, as well as the requirements for payments set forth at 34 CFR 361.50(c). Some of the key terms to be added to these agreements are as follows:
  - a. require regular and detailed billing or invoicing that reflects the costs identified in the revised agreements;
  - b. develop an invoicing system whereby TSBVI submits reimbursement requests that support the costs of services provided to VR consumers and applicants; and
  - c. require TSBVI and other third-party cooperating agencies 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 VR program;
- 3.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that future contracts with TSBVI and other entities will comply with the requirements in 34 CFR 361.12, 34 CFR 76.701, 34 CFR 76.702, 34 CFR 80.20(a), and 80.40. DBS also must assure that it will engage in better oversight and monitoring of the VR-supported activities performed by TSBVI under the current agreements, while DBS is negotiating amendments to these agreements;
- 3.3 submit certifications, jointly signed by DBS and TSBVI, that funds under the SWEAT and PSP agreements were expended only on allowable costs to serve DBS consumers;
- 3.4 develop and implement a protocol for monitoring TSBVI agreements, similar to that used by DBS in monitoring the CRPs (discussed in an earlier finding); and

- 3.5 develop spreadsheets that account for all expenditures, by line item, charged to the VR grant by TSBVI through invoices and other requests for reimbursement or payment for services through the SWEAT or PSP contracts, for FYs 2008 through 2009.

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

**Agency Response:** DBS maintains that it has adequate controls in place, which are detailed later in this response.

#### **Corrective Action 3.1**

DBS agrees that the agreements/contracts need strengthening to better reflect the controls that the agency has in place to monitor these programs. See request for technical assistance.

#### **Corrective Action 3.2**

DBS has oversight and monitoring of this program as evidenced by the controls detailed later in this response. Again as stated above DBS agrees that the agreement/contracts need to be strengthened.

#### **Corrective Action 3.3**

DBS agrees to submit certifications, jointly signed by DBS and TSBVI that funds under the SWEAT and PSP agreements were expended only on allowable costs to serve DBS consumers.

#### **Corrective Action 3.4**

DARS agrees with the recommendation to include interagency agreements with the Texas School for the Blind and Visually Impaired in our existing contract risk assessment and contract monitoring review process.

#### **Corrective Action 3.5**

A listing of all expenditures incurred for the SWEAT program is provided along with the invoice that identifies the total cost of the program. For the Post Secondary Program, DBS relies on the certification of TSBVI.

During the monitoring visit, RSA reviewed the agreement but not the supporting documentation provided by TSBVI and reviewed by DBS prior to authorizing payment. The following is a description of the fiscal controls in place for the SWEAT and Post Secondary Program:

#### **SWEAT**

The SWEAT Program is a five week summer work program that includes a pre-SWEAT weekend in the spring to select participants for the program. DBS staff participate in the pre-SWEAT weekend and afterwards review applicants with TSBVI staff. Invoicing, reconciliation of expenses and certification by DBS takes place after the completion of the five week program.

1. DBS and TSBVI meet early in the year to discuss renewal of the SWEAT contract and to make any needed changes to the contract.

2. DBS receives a Funding Proposal for the program from TSBVI. The Funding Proposal includes the breakdown of the budget for the Summer SWEAT Program.
3. DARS' Procurement, with input from program staff, initiates the Interagency Contract with TSBVI for the upcoming Summer SWEAT Program. The contract date is usually March–July
4. DBS completes the Purchase Order in HHSAS.
5. Pre SWEAT Weekend is held in the spring.
6. The actual Summer SWEAT Program takes place for five weeks in the summer.
7. TSBVI submits to DBS an Interagency Transaction Voucher (ITV) and the costs associated with the SWEAT Program once completed. In addition, to the ITV a SWEAT: Summer Program Report is submitted for each consumer who participated in SWEAT.

The report lists the consumer's name, program dates, program coordinator, residential coordinator, job coach, residential instructor, and orientation and mobility instructor. The following areas are detailed in the report: Program Overview (Description of SWEAT Program, Individual Student Job Description); Work Experience (Preparing to go to work, Modifications needed to perform job, Skills and Competencies on the job including Basic Skills, Thinking Skills, Personal Qualities, and Technology); Overall Job Performance; Independent Living (IL) Skills (Domestic Skills, Social Competence, Community Participation including Recreation and Leisure and Resources, and Overall Performance in independent living); Orientation and Mobility (O&M) (O&M Skills and Competencies, Description of route to work, Individual Performance).

8. The SWEAT Summer Program Report for each consumer and the costs related to SWEAT are reviewed by the DBS Transition Consultant. The supporting documents show a breakdown of expenses including employee payroll (instructional and residential) consumer wages and supplies. There is an additional spreadsheet that breaks down the individual employee and consumer payments.
9. The DBS Transition Consultant gives approval to initiate payment. Documentation is then sent to Accounting for payment.

### **PSP**

Collaboration of the PSP began in 1996 with the first group of consumers entering the program in 2001.

The agreement contains details that describe the contractor's responsibilities to include the provision of training not covered by CCRC including IL skills (twenty separate skills listed) and O&M. The purchase order notes payment for skills training.

#### **PSP Contract Process:**

- The agreement/contract is reviewed each year by DBS and TSBVI. Any needed changes in the contract are initiated by DBS (Program and Procurement staff) then sent to TSBVI for signature.
- At the beginning of the FY, a list of consumers who will participate in PSP is sent from TSBVI to DBS. The notification includes consumer names and estimated length of training. Consumers are added to the program as slots become available.
- DBS (Program staff) complete the purchase orders in TWorks for consumers/participants.

- Copies of the purchase orders are sent to TSBVI.
- Monthly – DBS receives from TSBVI an ITV and corresponding Fee for Service – which details hourly summaries by consumer. The Fee for Service for each consumer is reviewed for services received and verified as a DBS consumer prior to submitting for payment. Additionally, DBS receives a very detailed report for each participant. These reports are reviewed by the Transition consultant and the counselor.
- DBS (program staff) notifies the DBS’ Budget Analyst of receipt and confirmation of documentation, and payment is authorized in TWorks.
- The Comprehensive Monthly Program Report is sent to the respective CCRC counselor for their review and to file in the case file.
- Additionally, CCRC counselors maintain case notes in each consumer’s TWorks file.
- A PSP committee meets quarterly. The purpose of the quarterly meeting is for DBS program consultants, CCRC counselors and managers, and the PSP-TSBVI instructors and managers to review consumer progress in the joint training program provided by PSP and CCRC and to problem solve any needed changes. The committee also reviews and evaluates program issues and depending on the concern institutes the change or makes recommendations for program changes to DARS and TSBVI management

**RSA Response:** RSA agrees that the procedures DBS described regarding its fiscal controls over the SWEAT and PSP agreements with TSBVI would be sufficient to satisfy Federal requirements for maintaining adequate fiscal and programmatic controls over the VR program to ensure financial accountability. However, the documents RSA reviewed on-site – the SWEAT and PSP agreements, invoices, ITVs, and other supporting documents – did not match in practice what DBS claims are the established procedures. For example, even though the agreements required TSBVI to provide such details, RSA found that DBS paid many invoices, despite the fact that the invoices did not provide details of the services provided or the hours worked for the amount charged. Therefore, because DBS did not provide any additional information to change RSA’s analysis, the compliance finding stands and DBS must comply with the above-mentioned corrective actions.

As DBS suggests, we agree that the SWEAT and PSP agreements should be revised to specify the fiscal and programmatic controls that DBS has implemented for its agreements with TSBVI. RSA will work with DBS to modify these agreements to ensure compliance with Federal requirements.

**Technical Assistance:** DBS requests technical assistance to strengthen the agreement with TSBVI to better reflect the controls already in place to monitor these programs.

#### **4. Non-Allowable Match Source – DBS’s Interagency Agreements with TSBVI**

##### **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 the entire 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:** The interagency agreements between DBS and TSBVI to operate the SWEAT program and PSP are described in detail in the above finding. Upon reviewing the supporting documentation for these agreements, RSA learned during on-site monitoring that DBS used non-federal expenditures incurred by TSBVI in operating these programs towards satisfying its non-federal share requirements under the VR program. It appears DBS determined the match amounts by accepting the amount TSBVI claimed it expended on the programs via a letter at the end of the agreement period. There was no mention in the agreements that TSBVI's expenditures would be used by DBS for meeting its non-federal share requirement under the VR program.

In order for DBS to use the non-federal expenditures of another public agency, such as TSBVI, for purposes of satisfying DBS' non-federal share requirement under the VR program, DBS and that public agency must have a valid third-party cooperative arrangement in effect that satisfies the requirements of 34 CFR 361.28. In particular, the cooperating agency (TSBVI) 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 DBS applicants and consumers; and 3) provided on a statewide basis (34 CFR 361.28(a)). In addition, DBS must maintain supervision over the expenditures incurred under the programs and the staff providing those services (*Id.*).

Due to the vagueness of the agreements, the lack of itemized invoices, and the lack of supporting documentation for these programs (described in more detail in the previous finding), RSA was unable to evaluate the services provided and individuals served under these agreements. Without this specificity, RSA is unable to determine how much of the expenditures are allowable under the VR program and, therefore, eligible for match purposes under the VR program. However, even if some of these expenditures would otherwise be allowable under the VR program, DBS did not comply with 34 CFR 361.28(a) (3) and supervise the expenditure of funds by TSBVI under these agreements, or the TSBVI staff providing those services, because DBS could not verify the actual services provided to specific individuals or the cost of those services. DBS's

failure to supervise the expenditures incurred, and the staff providing the services, under the agreements as required by 34 CFR 361.28(a) (3) negates the validity of these agreements as serving as third-party cooperative arrangements for purposes of meeting DBS' non-federal share requirement under the VR program.

**Corrective Action 4:** DBS must:

- 4.1 cease reporting expenditures incurred by other public agencies for DBS match purposes when those expenditures are not incurred pursuant to a third-party cooperative arrangement that satisfies 34 CFR 361.28;
- 4.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that all future third-party cooperative arrangements will satisfy the requirements of 34 CFR 361.28, and that DBS will only report expenditures under such agreements for match purposes that are incurred pursuant to such valid arrangements;
- 4.3 develop new, or modify existing, agreements to comply with 34 CFR 361.28 and that: 1) utilize a budget for managing the cost controls of projected services; 2) include fiscal tracking, record keeping, and reporting of actual expenditures as detailed in the budget worksheet; and 3) incorporate all aspects of each funding source (Federal and non-federal) in the third-party cooperative arrangement and not through a letter submitted at the end of the agreement period; and
- 4.4 complete the following chart for FYs 2004 through 2009 detailing the non-federal funds that were reported and attributable to the SWEAT and PSP agreements, which were used to meet the match requirement of the respective fiscal years.

**Table 5.2  
Unallowable Match Applied From Non-federal Funds in Contracts with TSBVI**

Method of Match Finance	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	Totals
SWEAT	25,233	33,665	32,908	32,126	22,280	33,310	
PSP	71,647	83,441	71,127	80,545	84,944	50,385	
Total	96,880	117,106	104,035	112,671	107,224	83,695	

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

**Agency Response:** DBS agrees that the agreements need to be strengthened but does not agree with the assessment that these funds cannot be used as match.

DBS receives a letter from TSBVI that lists the total cost of each program and breaks out the cost of services for which DBS is responsible, as well as the cost of services provided by TSBVI. TSBVI has separate cost centers that track all expenditures for the SWEAT and PSP. TSBVI has financial records that support all expenses, including payroll records, and invoices that are available for review.

RSA states “that the agency must have a valid cooperative arrangement in effect that satisfies 34 CFR 361.28.” The PSP has been in existence at TSBVI since 2002 when the legacy Texas Commission for the Blind (TCB) sold apartments located on Avenue A in Austin, Texas. These proceeds were used by TSBVI to establish the post secondary program. RSA approved the sale of the apartments (originally purchased with federal funds) and was aware of these agreements and that TCB would utilize these funds as match. This is noted in an RSA review in FY 2004-2005. The report, issued on November 4, 2005, states the following (page 17):

“Cooperative Arrangements: TCB has a cooperative agreement with the Texas School for the Blind and Visually Impaired (TSBVI) for a student summer camp. A portion of the total expenditures is funded by TSBVI and this portion is transferred to TCB as non-federal match. TCB understands it is responsible for ensuring that the non federal matching funds TSBVI are in compliance with 34 CFR 361.60(b). After review of the relevant documents it was concluded that the TCB was meeting the requirements of 34 CFR 361.28 on cooperative arrangements with public agencies and 34 CFR 80.40(a) of the EDGAR.”

RSA had no findings or compliance actions as a result of the review that occurred in FY 2004-2005. This arrangement has been in place and has not changed since 2002. RSA states that TSBVI must provide services “that are: 1) either new and different from its customary services or modified to have a VR focus; 2) provided only to DBS applicants and consumers; and 3) provided on a statewide basis.” These two programs are specialty programs that provide a VR focus. These programs are offered and attended by DBS applicants and consumers from all parts of the state and DBS believes that these programs do meet the definition of statewideness. DBS also believes that it has supervision over expenditures as stated in previous sections of the response to TSBVI fiscal controls.

**RSA Response:** Regardless of whether DBS’ predecessor agency (TCB) had a similar agreement with TSBVI in prior years which had undergone regional office review, our monitoring focused on the agreements as they existed in FYs 2005 through 2008 and whether those agreements complied with Federal requirements. While DBS has satisfied some of the requirements of 34 CFR 361.28, DBS has not provided new information to refute the facts that serve as the basis for our finding. In particular, DBS did not provide new information to show that it indeed had supervisory control over the TSBVI staff and expenditures for the SWEAT and PSP programs; nor did it provide new information to show that the PSP had a new or expanded VR focus from that customarily provided by TSBVI. For these reasons, DBS has failed to comply with the requirements of 34 CFR 361.28 for a valid third-party cooperative arrangement with TSBVI and, as such, our compliance finding stands. DBS must comply with the aforementioned corrective actions. RSA will work with DBS as it undertakes the process of amending these agreements to ensure that they comply with Federal requirements.

**Technical Assistance:** DBS requests technical assistance to strengthen the agreement with TSBVI to better reflect the controls already in place to monitor these programs.



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

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

- the use of direct state cash revenue and “certified” costs as non-federal match, including the Business Enterprise Program match contributions;
- the SWEAT and PSP agreements and program operations; and
- DBS’ application of its indirect cost rate to ensure that it is being applied against the actual personnel and non-personnel expenditures that are allowable and allocable to the VR program.

## CHAPTER 6: INDEPENDENT LIVING PROGRAM

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The following table provides data on DRS' IL program performance in key areas from FY 2006 through FY 2007.

**Table 6.1**  
**Texas IL Program Highlights for FY 2006 through FY 2007**

Program Highlights	2006	2007
Title VII, chapter 1, part B funds	1,202,069	1,282,428
Total resources (including part B funds)	7,285,371	7,894,850
Total served	3,221	3,423
Total consumer service records closed	1,685	1,772
Cases closed, completed all goals	1,463	1,434
Total goals set	7,272	9,709
Total goals met	4,226	5,869
Total individuals accessing previously unavailable transportation, health care, and assistive technology	2	871
Total FTEs	58	60
Total FTEs with disabilities	15	19

### IL Program Administration and Service Delivery

DRS and DBS have primary fiduciary responsibility for, and were the recipients of, Part B funds that totaled \$1,282,428 in FY 2007. DRS contracted Part B funds that totaled \$183,870 with the Statewide Independent Living Council (SILC) for the SILC resource plan. The majority of Part B resources, totaling \$857,890, were utilized to provide IL services to people with significant disabilities statewide. Other Part B funds were used to contract for various services and projects with the Centers for Independent Living (CIL).

At the time of this review, there were a total of 21 CILs in TX including 20 Part C funded CILs and one state-funded CIL. Three of these CILs received Part B funds.

The SILC is a private, not-for-profit 501(c) (3) organization (established in 1998), and functions as a fully autonomous entity. In this capacity, the SILC leased offices, retained staff, conducted daily activities and administered both public and private funds.

### Personnel

DRS and DBS employ program managers and assistants to oversee and administer the Statewide Independent Living (SIL) Program. An additional program manager and assistant with DRS provide oversight and administration of the contracts with the CILs.

DRS and DBS provide liaisons to the SILC for contract assistance. Fiscal staff is responsible for processing invoices and payments.

The SILC employs an executive director. The SILC Executive Committee provides supervision and evaluation of this employee. In addition, volunteers are recruited to assist with various duties in the SILC office.

## **Data Management**

The SILC, DRS and DBS work jointly to compile and submit the 704 Part I report annually. Each Part B entity collects its own data. 704 data and narrative summaries are submitted monthly to the DSU's IL managers for 704 reporting purposes.

Staff and managers enter data into the existing DRS/DBS data collection systems. There will be a changeover to a new joint data and case management system during September 2009. Training is planned and will be implemented over the summer. IL staff will be trained separate from other DRS and DBS counselors. DRS and DBS anticipate a smooth transition from the old systems to the new joint data collection system, ReHabWorks.

## **Quality Assurance**

DRS and DBS IL managers organize and coordinate reviews of the Part B entities on an annual basis. Reviews of consumer records are completed consistently throughout the year by IL managers and field managers.

Consumer satisfaction surveys are conducted by both DSUs. FY 2007 results indicated that approximately 75-80 percent of consumers were satisfied with the services they received and recommended other individuals to the program.

## **Planning**

The Statewide Plan for Independent Living (SPIL) serves as the IL planning document. The DSUs, the SILC and other disability organizations participate in the development of the SPIL.

The SILC and its partners monitor and review SPIL goal progress by review of CIL activities, and through the use of a SILC evaluation instrument to assist with SPIL progress. Progress is monitored on a quarterly basis.

## **IL Program Technical Assistance Provided to DRS and DBS During the Review Process**

RSA provided the following IL program technical assistance to DRS and DBS during the review process regarding:

- SILC duties, roles and responsibilities;
- DSU contract administration with Part B entities; and

- SPIL development and increased consumer involvement.

## Observations of DRS and DBS and Its Stakeholders about the Performance of the IL Program

RSA solicited input from DRS, DBS and a wide range of its stakeholders about the performance of the IL program. DRS, DBS and its stakeholders shared the following observations:

- need for increased accessible transportation;
- inaccessibility of services and resources in rural areas of the state; and
- the need for additional funding for services and staff.

RSA discussed the observations of its stakeholders with DRS and DBS 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 observations and made recommendations to DRS and DBS about those observations. DRS and DBS responded to each of the recommendations and in those instances when RSA and the DSU's agreed upon a recommendation, RSA and the DSU's identified the technical assistance that RSA would provide to DRS and DBS to successfully implement the recommendation.

### 1. SILC Composition

**Observation:** The SILC has difficulty recruiting members from various disability populations and minority groups. Recruiting SILC members from across the state has been difficult.

**Recommendation 1:** RSA recommends that the DSUs and the SILC develop and implement recruitment strategies for SILC membership from cross-disability and minority groups and from unrepresented parts of the state.

**Agency Response:** We are unclear as to the source of the observation that recruiting members from cross-disability and minority groups is an issue in Texas. Current SILC membership represents multiple disability and minority groups, and includes members from all parts of the state.

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

## IL Program Compliance Findings and Corrective Actions

RSA identified the following compliance finding and corrective action that the DSU's and the SILC are required to undertake. The DSUs and the SILC must develop a corrective action plan for RSA's review and approval that includes specific steps the agencies will take to complete the corrective action, the timetable for completing those steps, and the methods the agencies will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the

corrective action plan can be developed within 45 days and RSA is available to provide TA to assist DRS, DBS and the SILC.

## 1. 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:** The SILC roster indicates that the SILC chair's term expired in May, 2009. The Governor's Office extended the chair's term until the position can be filled.

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 1:** The DSUs and the 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 by November 30, 2009.

RSA will review the action plan and upon approval, RSA will be available to provide TA to assist DRS, DBS and the SILC during completion of the action plan.

RSA also recommends that DRS, DBS and the SILC:

- 1.1 maintain a current SILC board roster from the Governor's office to evaluate the number of vacancies and expired terms;
- 1.2 develop and implement effective strategies for recruitment to the SILC board;
- 1.3 maintain the number of applications waiting appointment to the SILC and determine how to move the applications forward; and,
- 1.4 work with the Independent Living Research Utilization (ILRU) program, RSA's independent living technical assistance provider, to access training on SILC duties, roles and responsibilities.

**Agency Response:** According to SILC chair Michelle Crain, based on recent phone conversations with the Texas Governor's Office, SILC appointments for voting members that had expired and were approaching expiration have been filled. The SILC Chair issue

has been addressed with the selection of a new Chair effective with the August 2009 SILC meeting. DARS will continue to dialog with the Governor's Office as needed.

DRS and DBS will continue to coordinate with the SILC to maintain an accurate roster of SILC membership. Procedures are in place and functional to move applications for SILC appointment forward to the Governor's office. The SILC chair has been very proactive in attempting to work with the Governor's office to obtain timely appointments.

DARS and the SILC have leveraged the expertise of the ILRU for many years, and will continue to do so. The SILC Executive Director and Chair provide training to new SILC members and each year one meeting of the SILC is designated as a "training meeting."

**Technical Assistance:** DARS and the SILC will continue to utilize the resources of the ILRU as needed.

## CHAPTER 7: INDEPENDENT LIVING FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAM

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The following table provides data on DBS' OIB program performance in key areas from FY 2006 through FY 2007.

**Table 7.1**  
**Texas OIB Program Highlights for FY 2006 through FY 2007**

Program Highlights	2006	2007
Title VII, chapter 2 expenditures	1,928,245	1,925,477
Total expenditures (including chapter 2)	2,413,994	2,779,256
Total served older individuals who are blind	2,010	1,688
Total FTEs	29.02	30.78
Total FTEs with disabilities	4.50	7.05

### OIB Program Administration and Service Delivery

The OIB program is administered under DBS. DBS received Chapter II funds that totaled \$1,925,477 in FY 2007. DBS received Part B funds that totaled \$225,917 to provide IL services to individuals with significant disabilities. Part B funds were also used to supplement OIB funds.

IL and OIB services are provided by DBS administrative and direct service staff. DBS does not contract for IL and OIB services.

### Personnel

In FY 2007, DBS employed 28.78 staff for the OIB program. There were 10.16 administrative staff and 18.62 direct service staff that provided IL and OIB services to individuals who are visually impaired or blind.

### Data Management

DBS OIB staff use the same system as the DBS VR counselors for data entry. The organization will be transitioning to a new data and case management system during June 2010. Training for the new system will begin over the summer. DBS management anticipates a smooth transition from the old system to the new system, ReHabWorks.

### Quality Assurance

The OIB program manager monitors caseload size on a frequent basis, as data is readily available. Case file reviews are conducted by field managers and by the IL consultants on a

monthly schedule. Case reviews are a factor in staff performance evaluations. Consumer satisfaction surveys are conducted by phone after cases are closed. Consumers are typically satisfied with the services they receive. If a consumer is not satisfied with the services he/she received, then staff will make every effort to work with the consumer to resolve the situation.

## **Planning**

The OIB program uses the SPIL as its planning document. OIB management monitors the specific OIB goals and objectives to ensure goal achievement.

## **OIB Program Technical Assistance Provided to DBS During the Review Process**

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

- OIB policies and procedures; and
- increased involvement in the SPIL development process.

## **Observations of DBS and Its Stakeholders about the Performance of the OIB Program**

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

- need for additional services and staff;
- increased transportation; and
- need for additional staff to serve rural areas with very few resources.

RSA discussed the observations of its stakeholders with DBS 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 DBS about those observations. DBS responded to each of the recommendations and in those instances when RSA and DBS agreed upon a recommendation, RSA and DBS identified the technical assistance that RSA would provide to DBS to successfully implement the recommendation.



## 1. OIB Policies and Procedures

**Observation:** DBS does not have policies and procedures specific to the OIB Program.

**Recommendation 1:** RSA recommends that DBS consider development of policies and procedures specific to the OIB Program.

**Agency Response:** DBS does not agree with this recommendation.

DBS has a single policy manual (the IL Manual) which encompasses federal and state requirements for both the OIB and the Part B IL programs. DBS has implemented these programs with the same eligibility criteria, the same casework procedures, and the same list of available services. The only difference between the Part B program and the OIB program is that individuals must be 55 years of age or older to receive services through the OIB program. DBS thinks it would not be beneficial for either consumers or staff to have a separate policy and procedure manual specific to the OIB program.

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

**RSA Response:** The DSU cannot have the same eligibility criteria for the SILS Part B Program and the OIB Program. The casework criteria differ, especially because OIB has no ILP development/waiver requirement. The reporting requirements for OIB are different from those for the SILs program. OIB Reporting requirements are found in Section 752(i) (2) (A) of the Act.

OIB is an IL program but the IL program - Part B, does not have a requirement to include buying eyeglasses or low vision screening as one of the services it provides. OIB services are listed in 367.3(b); those for IL can be found in 364.4. OIB can provide all the IL services but IL does not have to provide all the OIB services listed for that program. The Part B program staff cannot provide certain OIB services e.g. mobility training.

RSA recommends that the policies and procedures be separate from those used for VR; and, that states have OIB-specific policies in place.

The policies that should be OIB specific are those regarding eligibility, notification about the Client Assistance Program, (CAP) – 34 CFR 364.30; confidentiality – 34 CFR 364.56(a); and access to records – 34 CFR 364.35 and 34 CFR 364.37.

## APPENDIX: SOURCES OF DATA

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### VR and SE Program Highlights

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

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

### **IL Program Highlights (From RSA 704 report)**

- Title VII, Chapter 1, Part B Funds – Subpart I, Administrative Data, Section A, Item 1(A)
- Total Resources (including Part B funds) – Subpart I, Administrative Data, Section A, Item 4
- Total Served - Subpart II, Number and Types of Individuals with Significant Disabilities Receiving Services, Section A(3)

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

**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"