

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



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

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

### **Alaska Administration of the VR, SE, IL and OIB Programs**

In Alaska, the Department of Labor and Workforce Development is comprised of 12 divisions, including the Division of Labor Standards and Safety, the Division of Worker's Compensation and the Division of Vocational Rehabilitation (ADVR). The division designated by the Department of Labor and Workforce Development to administer the four programs listed above is ADVR. ADVR provides services to all individuals with disabilities, including those who are blind and visually impaired.

### **ADVR Performance over the Past Five Years**

Based on data provided by ADVR through various RSA reporting instruments, the agency's employment rate increased from 61.94 percent to 65.82 percent during the period beginning in FY 2004 and ending in FY 2008. Over this same period, the number of applicants for VR services increased from 1,455 to 1,543, the number of individuals who received services under an individualized plan for employment increased from 846 to 863, and the number of individuals the agency assisted to achieve employment increased from 524 to 568. From FY 2004 through FY 2008, the average hourly earnings of those individuals who achieved employment increased from \$12.31 to \$13.68.

Additionally during this five year period, of those individuals who achieved an employment outcome, the number who achieved a supported employment outcome decreased from 47 to 41.

Either directly, or through grants or contracts with centers for independent living (CILs) and other service providers, the number of individuals served through the ADVR IL program increased from 953 to 990 during the period beginning in FY 2006 and ending in FY 2008. In FY 2008, 283 individuals were served through the agency's OIB program.

### **Observations of the Agency and Stakeholders**

Through the course of the review, agency personnel and representatives of stakeholders, such as the State Rehabilitation Council (SRC), Statewide Independent Living Council (SILC) and the Client Assistance Program, shared information concerning the administration and performance

of the ADVR VR, SE, IL and OIB programs. The observations shared with the RSA review team included:

- ADVR collaborates closely with Workforce Investment Act (WIA) partners, particularly with WIA's in-school and out-of-school programs for at-risk youth and American Recovery and Reinvestment Act (ARRA) Summer Youth Employment Programs for youth with disabilities and significant mental health issues;
- ADVR co-enrolls approximately 50 youth with the Job Corps annually and provides disability related expertise as a member of the Corps' inter-disciplinary assessment team;
- VR counselors and community rehabilitation programs (CRPs) use self-employment as an effective employment strategy particularly in remote areas without road systems and limited access to technology;
- ADVR has an insufficient level of vendors, especially in rural Alaska, to address the service needs of all eligible individuals with disabilities;
- ADVR's linkages with workforce development partners, including WIA and the Governor's Council on Special Education, increase the vocational training and placement options for individuals with disabilities in a fiscally prudent fashion;
- a lack of long term supported employment funding is a barrier for individuals with the most significant disabilities to benefit from VR services and thereby achieve a successful employment outcome;
- the Alaska Tribal VR (TVR) Consortium and ADVR have a generally positive working relationship, however, there is a need for a stronger administrative level TVR liaison, a contingency plan for TVR programs that lose American Indian Vocational Rehabilitation Services' (AIVRS) funding, heightened cultural awareness by some ADVR staff, and a more manageable caseload size for the VR counselor in the Northern Region;
- ADVR's successful partnership with the Department of Defense (DOD), including participating in the development and implementation of a DOD Disability Manager's course, facilitated DOD's hiring of individuals with disabilities using the federal Schedule A hiring authority;
- the SILC and CILs involve many partner organizations in the coordination and provision of the core IL services; and
- ADVR partners with the Veterans Administration statewide to provide VR services to veterans with disabilities.

## **Strengths and Challenges:**

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

### **Strengths:**

ADVR uses a sophisticated case management system (CMS) to effectively manage the VR program. The system generates web-based and real time data, including reports, tables, graphs and maps. Counselors and managers can obtain a variety of programmatic and fiscal

information, including that pertaining to services authorized and provided, outcomes, combined year budgetary allocations, production activities and “action due” reports.

ADVR has developed a user friendly VR policy manual and provides extensive training for its staff regarding revisions, updates and policy-related service delivery challenges. Its policies are comprehensive and consistent with both the letter and spirit of the Act. The agency’s policies are readily accessible and available in multiple formats for use by the public, including consumers and advocates. Based on interactions with staff during the course of the review, RSA found that VR counselors possess a thorough understanding of agency policies and are able to use them effectively to address complicated issues related to service provision.

ADVR has implemented various strategies to improve the services provided and the outcomes achieved through the VR program. For example, the agency’s customized self-employment program is not a separate, stand-alone program, but is one of a wide array of employment options within the VR program. The agency uses this strategy to provide job opportunities, particularly in rural Alaska, where other sources of gainful employment are scarce. The agency’s program combines initial vocational discovery and technical skills training with comprehensive self-employment assessment, business management skills training, business planning, supported employment assistance, job retention services and an extensive support network.

In addition, ADVR has initiated a summer internship program for school teachers through which they learn about the agency and its programs. The teachers use this knowledge within their respective school districts to facilitate the provision of transition services by providing information both to school personnel and families. The teachers also share their experiences and suggestions for improvements with VR staff.

ADVR has sought to improve services to individuals who are deaf and hard of hearing in Alaska by employing two specialists dedicated to serving these individuals. The agency also employs a statewide consultant for the deaf and a full-time interpreter, who can provide benefits analysis and job search services when available.

ADVR uses a vast network of business, industrial and community organizations to secure positive employment outcomes and to assist with the delivery of a comprehensive array of services. The division director and the SRC chair described this active engagement with statewide community and workforce development partners as essential to securing and fostering employment opportunities in an infrastructure challenged state. In particular, ADVR maintains significant employer relations with other government agencies that offer direct placement and on-the-job experiences for individuals with disabilities. The agency educates federal agency staff on the excepted hiring authority (Schedule A) for persons with disabilities. In addition, the agency has increased the use of a state statute to secure state government employment opportunities for individual with significant disabilities. This statute provides an employment preference for qualified individuals. ADVR is currently collaborating with other agencies on the “State of Alaska - Model Employer” initiative to further increase the number of individuals with disabilities working in state service and to better accommodate employees who acquire a disability.

ADVR's active participation on the Alaska Governor's Council on Disabilities and Special Education and its strong relationship with WIA and other partners, particularly those serving disadvantaged youths, facilitates a heightened level of job placement and vocational training participation throughout Alaska for youth with disabilities enrolled in out-of-school and in-school programs funded by the Council, WIA and other partners. These advantageous linkages have expanded the availability of vocational training and job opportunities statewide and enabled ADVR to focus its resources on providing VR services to persons with the most significant disabilities.

ADVR maintains strong working relationships with CILs. Both ADVR and CIL staff regularly refer individuals with disabilities to each other's programs to ensure that their IL and employment needs are met. During the review, individuals reported that CIL staff are responsive and provide services in a timely manner.

## **Challenges:**

Alaska is the largest state (572,000 square miles) in the U.S. with a small population (686,300), limited infrastructure, limited service providers and remote locations that pose extreme service delivery challenges. Though serving relatively small populations, some ADVR offices, like that in Fairbanks, are responsible for serving individuals from a catchment area comparable to the size of Texas.

Geographic differences are compounded by the fact that ADVR, along with 11 AIVRS programs, offers services for many sovereign nations. Each of these Native American nations has a distinct culture, varying resources and unique service delivery issues, making it difficult at times for ADVR to collaborate effectively with the tribal programs.

Additionally, the provision of transition services is affected by the shortage of special education teachers throughout the state and high teacher turnover. The low density of population also affects the ability of the state to establish public schools in many remote areas, where one-room school houses with as few as ten students often exist. These schools lack the staff and resources to provide special education, bilingual education, disability support services and VR transition liaisons for youth with disabilities.

Finally, at the time of the review ADVR was experiencing challenges in the fiscal administration of the VR and IL programs. For example, the agency had failed to properly assign personnel costs for staff working on multiple programs. Also, it had not established adequate internal controls and tracking procedures for the expenditure of program funds and had not developed written policies and procedures setting reasonable fees paid to community rehabilitation programs.

## **Acknowledgement**

RSA wishes to express appreciation to the representatives of the Department of Labor and Workforce Development and ADVR, SRC, SILC and the stakeholders who assisted the RSA monitoring team in the review of ADVR.

# INTRODUCTION AND RSA REVIEW PROCESS

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## Introduction

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

To fulfill its monitoring responsibilities, RSA:

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

## Review Process

Pursuant to the Act, RSA reviewed the performance of the following programs administered by the Alaska Division of Vocational Rehabilitation (ADVR):

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

## Information Gathering and Review Process Activities

During FY 2010, RSA began its review of ADVR by analyzing information from a variety of sources, including but not limited to, RSA's various data collections, ADVR VR and IL state plans and the agency's State Rehabilitation Council (SRC) Annual Report. After completing its internal review, the RSA review team:

- engaged in numerous teleconferences and other information gathering activities with representatives of ADVR, the SRC, Statewide Independent Living Council (SILC), Client Assistance Program and other stakeholders to gain a greater understanding of the agency's strengths and challenges related to the administration and performance of the VR, SE, IL and OIB programs; and
- conducted an on-site monitoring visit from May 3 through 7, 2010, during which it met with representatives of the Department of Labor and Workforce Development, ADVR, the SRC, SILC and other stakeholders to further gather and analyze information and to provide technical assistance in areas already identified by the review team and ADVR.

## **Data Used During the Review**

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

## **Results of Review Activities**

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

- identified areas of consistently high or improved performance;
- identified promising practices;
- identified performance areas for improvement and recommended that ADVR undertake specific actions to improve its performance;
- identified compliance findings and required ADVR to take corrective action; and
- in collaboration with ADVR determined whether RSA would provide technical assistance to improve the agency's performance or correct compliance findings.

## **Review Team Participants**

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

# CHAPTER 1: ADVR VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

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## VR and SE Program Systems

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

### Service Delivery

ADVR is a division of the Department of Labor and Workforce Development, the designated state agency. ADVR serves as the designated state unit and is comprised of ten field offices and two executive offices (the administrative office in Anchorage and the central office in Juneau). It is subdivided into five regions with ten field offices, six of which are co-located at One-Stop Job Centers.

ADVR and 53 school districts throughout Alaska work together, in conjunction with students and their families, to coordinate activities designed both to facilitate a smooth transition from school to ADVR and to promote successful employment outcomes. The agencies counselors are assigned to work with specific schools and/or school districts on an itinerant basis. VR counselors often communicate with rural or village schools by telephone given the difficulties in transportation. ADVR employs a transition coordinator whose primary responsibility is to provide guidance and technical assistance to those VR counselors delivering services to transition-age youths. This is accomplished through monthly teleconferences during which VR counselors share information, concerns, best practices and strategies.

ADVR has developed employment relationships with many of the state and federal agencies located in Alaska. Through the use of the non-competitive appointment Schedule A hiring authority, ADVR has assisted many individuals with disabilities to secure employment with the federal government. Still others, using non-competitive appointments, have been able to obtain training and experience to enable them to advance into higher level positions within the federal government. ADVR also has successfully placed individuals in internships and on-the-job training experiences with governmental employers, often enabling these individuals to obtain permanent employment in these positions. ADVR also assists employers to keep their current experienced employees, who have acquired disabilities, by identifying reasonable accommodations to their current working situation.

ADVR utilizes approximately 76 community rehabilitation providers (CRPs) for service delivery, most of which are housed in multiple locations and provide a variety of services, including:

- assistive technology services;
- benefits counseling;
- vocational evaluations and assessments;

- job readiness training;
- on-the-job supports;
- on-the-job evaluation;
- business development services; and
- job search assistance.

ADVR contracts with CRPs to provide intensive SE services through a “place and train” model until employment stability is achieved. The specific services provided include job coaching and work adjustment for a period not to exceed 18 months. Due to the limited availability of funding for extended SE services, such as that provided through the Medicaid waiver program, ADVR assists individuals to develop natural supports in the workplace.

Through its membership on the Governor’s Council on Disabilities and Special Education (GCDSE), ADVR is seeking to expand the availability of services for individuals with the most significant disabilities across Alaska, including SE and transition services. At the time of the review, the GCDSE was coordinating with the University of Montana and the University of Alaska to recruit and train CRPs for ADVR in rural Alaska utilizing a curriculum developed by the agency. In addition, the agency seeks to maintain the quality of the services provided by the CRPs and other partners through participation on a statewide training team comprised of ADVR staff, personnel from tribal community organizations and job center staff. ADVR has provided training to these partners related to the provision of assistive technology and disability issues.

## **Personnel**

ADVR employs 101 permanent staff and two long-term non-permanent graduate interns. Table 1.1 below provides a breakdown of permanent employees. As of June 2010, three of the permanent positions (one VR counselor II (VRC II), one VR evaluator and a program coordinator) were vacant.

**Table 1.1**  
**ADVR Personnel Data Demonstrating Job Categories and**  
**Number of Staff in Each Category as of June 2010**

Position	Number of Staff
VRC I	8
VRC II	12
VRC III	24
VR evaluators	2
ASL interpreters	1
VR assistant (VRA) I	8
VRA II	17
VRA III	4
Field office VR managers	5
Central office staff	12
Administrative office staff	8
<b>Total</b>	<b>101</b>

Alaska has not established a state standard for rehabilitation counselors. Instead, ADVR has adopted the Commission on Rehabilitation Counselors Certification (CRCC) academic degree requirements as its personnel standard for qualified VR counselors under its comprehensive system of personnel development (CSPD). ADVR promotes its CSPD via a three tier VRC classification system that is designed to ensure a high standard of professional competency and the appropriate credentialing of its counselors. Positions can be reclassified within the VRC I, II and III series for promotion and recruitment purposes.

Newly-hired counselors who do not possess the CRCC academic requirements must do so within six years of employment. At the time of the review, 33 (77 percent) of the agency's VRCs were certified by the CRC. The remaining counselors were either eligible to sit for the CRCC exam or were in the process of taking the requisite coursework.

### **Data and Case Management**

ADVR hosts its case management system (CMS) on a dedicated server maintained by the Department of Labor and Workforce Development. At the time of the review, three of the agency's staff possessed the requisite skills and program knowledge to support the administration of the CMS. ADVR is a lead participant within a user group for this commercially-available CMS system. This group exchanges information about the system and recommends system's modifications to its vendor.

Additionally, the CMS can be customized to include data elements unique to ADVR's business plan and to produce specialized reports. The agency uses the CMS to track service delivery, usage and outcomes. The agency further uses the CMS to track the performance of CRPs by

capturing costs, hourly rates, services provided and contract information. This information is used to develop a report card for consumer choice in vendor selection.

Web-based and real time reports are available to all staff with access to the CMS, both remotely and at itinerant locations. Counselors and managers can view a variety of data and information, including budgets, production activities and “action due” reports. The RSA-113 and RSA-911 reports produced for RSA are generated directly from the CMS.

## **Quality Assurance**

The primary focus of the quality assurance (QA) system centers on the agency’s vision and mission. The mission provides the foundation for the agency’s completion of the triennial comprehensive statewide needs assessment (CSNA). The CSNA serves as the framework for the planning processes implemented by ADVR and followed through in the QA system. The QA system is comprised of the following components:

- case review system (CRS) process;
- fiscal review process;
- interviews with CRPs;
- interviews with VRCs;
- customer satisfaction surveys;
- SRC input;
- identification of effective practices; and
- evaluation of CRPs.

ADVR’s comprehensive CRS process is conducted biennially and consists of a review of all counselor caseloads. The CRS focuses on ADVR’s compliance with federal and state regulations and covers core VR principles such as eligibility determinations, plan development, and VR service delivery. The review team consists of managers, VR counselors, fiscal staff and other personnel.

In addition, ADVR ensures the quality of services provided by CRPs through application and monitoring processes. Prior to submitting an initial application, a potential vendor of VR and SE services must receive training in the VR process. Applications are resubmitted by vendors every three years and reviewed by ADVR. Pursuant to the application process, vendors must report information concerning financial audits, liens on the organization, past performance, fiscal issues, staff qualifications, services to be provided and debarment/certifications.

Vendors must complete both an ethics training module and a confidentiality module within six months of contracting with ADVR. When monitoring vendors, including job coaches, ADVR carries out case file reviews for a percentage of VR cases, conducts interviews with staff and management, and evaluates past performance. ADVR uses these reviews to identify training needs for CRPs in general and for those that perform poorly.

## **Planning**

ADVR's planning processes begin with the completion of the comprehensive statewide needs assessment (CSNA). The CSNA serves as the framework for the planning processes implemented by ADVR. The most recent CSNA was completed in FY 2010.

ADVR has implemented an ongoing three year strategic planning process coinciding with the federally required triennial CSNA. The mission and values developed by the agency serve as the framework for the strategic planning process. The employment-related goals developed in the strategic plan are communicated to the DSA and included in the DSA's overall strategic plan. A new strategic plan is written every three years and is informed by the CSNA. In years two and three of the strategic planning cycle, the planning team convenes to review progress, amend the objectives and strategies as necessary and develop a detailed work plan for the upcoming year.

The strategic planning team is composed of the ADVR management team including fiscal management staff, representatives of the State Rehabilitation Council (SRC), the Client Assistance Program, TVR programs and the State Independent Living Council (SILC). During the most recent planning cycle, the team identified four focus areas with specific priorities for FY 2010. The full strategic plan is communicated to all employees via the ADVR website. Regional managers convey the strategic plan to local office staff via regular and supervisory meetings.

The strategic plan then serves as the basis for the development of the VR State Plan. ADVR, in conjunction with the SRC, reviews the goals contained in the State Plan annually and updates them as required.

## **Promising VR and SE Program Practices**

Throughout the review process, RSA solicited input from ADVR and its stakeholders regarding promising practices undertaken by the agency in the administration and operation of the VR and SE programs. The RSA review team substantiated the positive outcomes generated by the practices in the course of conducting monitoring activities. Some of these practices include:

### **Employment Outcomes with Federal, State and Local Government Employers**

ADVR has a long-standing history of maintaining significant employer relations with other government agencies that offer direct placement and on-the-job experiences for individuals with disabilities, resulting in the placement of approximately one-seventh (14 percent) of its consumers who achieve employment outcomes with federal, state or local government agencies, including school districts. Typically, these individuals are employed in full-time positions with benefits. In FY 2008, the agency secured 89 governmental hires, including 24 federal, 35 state and 30 local government positions. These jobs paid, on average, \$16.25 per hour. This denotes an average hourly competitive employment wage that is \$7.75 per hour, 91.2 percent, above the median of \$8.50 in FY 2008 for all combined agencies not on an order of selection. Indicating consistency in ADVR's alliance with other governmental agencies, in FY 2009, the agency

facilitated 76 hires, including 29 federal, 24 state and 23 local government positions. These career opportunities paid, on average, \$17.27 per hour.

ADVR attributes this success to educating federal agency staff on the excepted hiring authority (Schedule A) for persons with disabilities. It has established Community Based Assessment or Work Experience sites within governmental agencies which can lead to employment for the participant. It also promotes the ability to assist with the retention of valuable employees who have acquired a disability. In addition, the agency increased awareness of a rarely used statute allowing provisional hire in state employment by developing curriculum delivered to new supervisors. It was also successful in placing provisional hire information on the website used by state hiring managers to post open positions. It is currently collaborating with other agencies on the “*State of Alaska - Model Employer*” initiative to increase the number of individuals with disabilities working in state service and to better accommodate employees who acquire a disability.

Of particular note, an Equal Employment Opportunity Officer with the Department of Defense (DOD) with whom ADVR works closely recently assisted in training at the first ever DOD Disability Manager's course at the Defense Equal Opportunity Management Institute. He emphasized his partnership with ADVR and the mechanics of how it works. Two managers followed up with him a month after the training to describe their positive experience with ADVR program staff and their immediate success facilitating the hiring of numerous Schedule A candidates. This DOD manager is currently working to streamline the process in the Air Force.

## **VR and SE Program Performance**

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

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

<b>Program Highlights</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Total funds expended on VR and SE	\$12,731,424	\$12,863,920	\$12,929,164	\$14,006,217	\$13,037,635
Individuals whose cases were closed with employment outcomes	524	526	527	529	568
Individuals whose cases were closed without employment outcomes	322	335	369	367	295
Total number of individuals whose cases were closed after receiving services	846	861	896	896	863
Employment rate	61.94%	61.09%	58.82%	59.04%	65.82%
Individuals whose cases were closed with supported employment outcomes <sup>1</sup>	47	54	44	32	41
New applicants per million state population	2,220	2,471	2,185	2,224	2,248
Average cost per employment outcome	\$6,030	\$7,287	\$6,098	\$6,435	\$5,887
Average cost per unsuccessful employment outcome	\$4,933	\$5,089	\$5,015	\$4,443	\$4,144
Average hourly earnings for competitive employment outcomes	\$12.43	\$13.00	\$12.92	\$13.56	\$13.78
Average state hourly earnings	\$18.56	\$19.22	\$19.82	\$20.88	\$21.71
Percent average hourly earnings for competitive employment outcomes to state average hourly earnings	67%	68%	65%	65%	63%
Average hours worked per week for competitive employment outcomes	32.5	33.1	31.9	32.2	33
Percent of transition age served to total served	18.20%	21.95%	22.43%	23.55%	22.83%
Employment rate for transition population served	55.84%	67.72%	57.21%	56.40%	64.47%
Average time between application and closure (in months) for individuals with competitive employment outcomes	24.9	27.6	26.1	25.9	23.3
Performance on Standard 1	MET	MET	MET	MET	MET
Performance on Standard 2	MET	MET	MET	MET	MET

<sup>1</sup> During the review, RSA and ADVR determined that the agency had submitted inaccurate data through the RSA-911 regarding the number of individuals who had achieved competitive employment with supports (i.e., a supported employment outcome) for FYs 2004 through 2008. Table 1.2 contains the corrected data submitted by ADVR during the course of the review. The data previously submitted through RSA-911 by ADVR and which still appears in the MIS are as follows: FY 2004 – 18; FY 2005 – 20; FY 2006 – 20; FY 2007 – 7; and FY 2008 – 13.

## **Areas of Consistently High or Improved Performance**

### **1. Self-Employment**

Customized self-employment is the primary self-employment model used by ADVR. This personalized model includes a discovery process geared at uncovering entrepreneurial aptitude and both technical assistance and support in the development, implementation and follow-through of business plans. ADVR reported an increase for those achieving self-employment outcomes from 21 (4 percent of all employment outcomes) to 33 (5.8 percent) during the five year period commencing in 2004. This is nearly double the 3.1 percent average in FY 2008 for combined agencies not on an order of selection. During this same five year period, the average hourly earnings for ADVR's consumers who achieved self-employment goals rose from \$13.13 to \$20.03 (a 52.6 percent increase). In addition, this FY 2008 self-employment wage was 45.4 percent higher than the average hourly earnings of \$13.78 by all competitively employed ADVR consumers and equivalent to 92.3 percent of the state's average hourly earnings of \$21.71.

### **2. Southeast Alaska ADVR-AIVRS Joint Service Provision**

The tribal vocational rehabilitation (TVR) program manager for the Central Council Tlingit and Haida Indian Tribes of Alaska (CCTHITA) reported that in 1990, when its TVR program was established, that about 3 percent of ADVR's consumers in Southeast Alaska were Alaskan Natives. As of April 2010, nearly 75 percent of CCTHITA's 243 TVR consumers were said to be jointly served with ADVR. The CCTHITA program manager attributed this growth to a higher level of trust between agencies, greater cultural awareness by ADVR, joint in-service training, joint interviewing and counseling, shared application and case process documents (including the IPE) and shared case service funding. In FY 2007, TVR established a DVR outstation within the TVR portion of the CCTHITA building. TVR funds this private office space and ADVR provides a computer station with a firewall protected CMS for ADVR counselor usage. One or two ADVR counselors work at this office one day a week; thereby allowing ADVR to provide significant VR services at the tribal community location.

### **3. High Wage Competitive Employment Outcomes**

As demonstrated by earnings and the employment ratio on the standards and indicators (S&I), ADVR ranks among the highest performing agencies with respect to the competitive employment wages achieved by its consumers.

With regard to the competitive employment wages earned in FY 2008, ADVR ranked third out of the 32 combined agencies funded by RSA and second when compared to the 16 combined agencies not on an order of selection. Moreover, throughout the five year monitoring cycle ending in FY 2008, ADVR reported an increase in mean hourly wages per hour for competitive employment of \$1.35 (a 10.9 percent increase), from \$12.43 to \$13.78. This denotes an average hourly competitive employment wage that is \$5.28 per hour, 64.2 percent, above the median of \$8.50 in FY 2008 for all combined agencies not on an order of selection.

In addition, during FY 2008, ADVR achieved a ratio of .63 for Indicator 1.5, which measures the ratio of the average hourly wage for individuals who achieve competitive employment through the VR program to the average state hourly wage. This figure was 21.15 percent above the minimum performance level of .52 for this indicator and 9.6 percent above the median of .575 for the agency's three comparison states (New Hampshire, North Dakota and Wyoming).

## **Technical Assistance**

### **Technical Assistance Provided**

During the review of the VR and SE programs, RSA provided technical assistance to ADVR concerning services to both repeat applicants and individuals with substance use disorders regarding differences between its official VR policies, as written, and how these policies are perceived by consumers, advocates and service providers, that included developing and implementing communication and marketing strategies consistent with objectives in the CSNA and agency strategic plan to include:

- informing consumers, advocates and service providers that there is no “three strikes and you’re out” policy;
- informing consumer advocates that ADVR asks repeat applicants what has changed as one of many things considered in the assessment and eligibility process; and
- informing consumers, advocates and service providers that there is no specific time period required for sobriety before ADVR accepts an application.

In addition, RSA provided technical assistance to ADVR regarding SE RSA-911 data and coding definitions for individuals employed with supports in an integrated setting.

### **Continuing Education**

During the course of the review, ADVR and stakeholder representatives, including the SRC, requested that CRP staff receive continuing education in the areas of:

- disabilities and the impact on employment; and
- strategies to improve the quality and quantity of effective CRP services in rural and remote areas.

## **CHAPTER 2: ADVR INDEPENDENT LIVING PROGRAM**

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### **IL Program Systems**

The following sections of this chapter describe the manner in which ADVR administers and operates the independent living (IL) program, authorized pursuant to Title VII, Part B, of the *Rehabilitation Act*, through a variety of functions or systems, including service delivery, personnel, case and data management, quality assurance and planning.

### **Program Administration and Service Delivery**

ADVR administered Alaska's IL program in FY 2008 through four centers of independent living (CIL) that are established under Title VII and funded, in part, by Chapter One Part B or Part C funds. Arctic Access ILC and Independent Living Center, Inc. received, \$19,850 and \$95,892, respectively, in Part B funds through ADVR. Access Alaska was financed directly with \$434,214 in Part C funds, and was also awarded \$293,637 in Part B funds through ADVR. Southeast Alaska Independent Living Center was financed directly with \$350,665 in Part C funds, and was also awarded \$17,100 in Part B funds through ADVR.

The Alaska SILC is fully constituted and provides strong support for the IL community. SILC members are engaged and participate in SILC meetings and activities. They have a clear understanding of their roles and responsibilities. Nomination and elections processes have been established and implemented. ADVR provides Part B funds to the SILC to support its resource plan. The SILC uses these funds to conduct meetings, develop and coordinate activities related to the State Plan for Independent Living (SPIL) and monitor the progress on these activities. In FY 2008, the SILC received \$2,250 in Part B funding.

### **Personnel**

ADVR utilizes contract fiscal and program staff to assist with contract administration. According to information submitted in Part I of the FY2008 RSA-704 report, staffing was as follows: decision-making staff: 7.25 and other staff: 7.

The SILC employs a full-time executive director for day-to-day management and operations.

### **Data Management**

The CILs use a commercially-available data management system to track consumer involvement in the IL service delivery system. The system allows CILs to report data used for RSA reporting purposes to ADVR in a consistent and timely manner, generates Part I of the RSA-704 report, and tracks individual consumer movement through IL service delivery.

## **Quality Assurance**

The focal points of the quality assurance (QA) process are the consistency of the CIL's service delivery with the activities and objectives included in the SPIL, and a CIL's compliance with federal and state regulations. The central component of the QA process is the annual monitoring of its contracts with the CILs through the conduct of on-site reviews, including the examination of policies and procedures regarding how consumers access services, policy changes since the last review, progress towards recommendations from the last site evaluation, and review of applicable legal, corporate and fiscal documents. ADVR's QA system also involves review of the following components:

- quarterly progress reports presented to the full Council;
- public testimony at publicized hearings during quarterly SILC meetings;
- SILC prepared summaries of consumer surveys completed via a web based tool; and
- SILC prepared summaries of consumer surveys distributed at the Centers.

## **Planning**

ADVR, the SILC, CILs and other disability organizations are involved in the development of the SPIL. In FY 2010, ADVR, the SILC and CILs completed a statewide needs assessment for use in development of the FY 2011 – 2013 SPIL. Public forums were also conducted during the year prior to SPIL submission to collect additional information regarding consumer and community needs. ADVR, the SILC and the CILs then analyzed the needs and used the analysis to develop the goals and objectives identified in the SPIL. The SPIL goals and objectives are the basis for the development of the CILs' strategic plans.

## **IL Program Performance**

The following table provides data on the ADVR IL program performance in key areas from FY 2006 through FY 2009 for Arctic Access ILC and Independent Living Center, Inc.

**Table 2.1  
Alaska IL Program Highlights for FY 2006 through FY 2009**

<b>Program Highlights</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Title VII, chapter 1, Part B funds	125,277	114,131	117,992	124,013
Total resources (including Part B funds)	1,120,660	870,783	785,362	1,430,683
Total served	953	1,186	990	1,049
Total consumer service records closed	202	267	264	244
Cases closed, completed all goals	139	138	180	184
Total goals set	1,440	1,567	1,272	1,571
Total goals met	414	511	330	579
Total individuals accessing previously unavailable transportation, health care, and assistive technology	39	113	429	441
Total FTEs	14	14	14.25	14.75
Total FTEs with disabilities	10	12	5.5	7.25

## **Technical Assistance**

### **Technical Assistance Provided**

During the review of the IL program, RSA provided technical assistance to ADVR regarding:

- SPIL development; and
- completion of Part I of the RSA-704 report.

# CHAPTER 3: INDEPENDENT LIVING SERVICES PROGRAM FOR OLDER INDIVIDUALS WHO ARE BLIND

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## Program Systems

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

## Program Administration and Service Delivery

In FY2008, ADVR received \$225,000 in federal funds, which were used to support four contracts for OIB program service provision. Each contractor received \$55,000, and of these four organizations, the remainder was distributed to the CIL serving the largest population. The contractors included Access Alaska, Kenai Peninsula Independent Living Center, Southeast Alaska Independent Living Center and Alaska Center for the Blind and Visually Impaired.

## Personnel

ADVR employs program and fiscal staff to administer the OIB Program, including a project director and two fiscal staff. According to the data contained in the FY 2008 RSA-7OB Report, staffing was as follows:

Full Time Equivalent (FTE) for State Agency:

Support/Administration:	0.2
Direct Service:	0
<u>Total:</u>	<u>0.2</u>

FTE Contractors:

Support/Administration:	1.07
Direct Service:	4.52

## Data Management

OIB contractors utilize a commercial software program for data collection and consumer service record entry. The data collected are submitted to ADVR and used for RSA reporting purposes.

## Quality Assurance

ADVR conducts on-site reviews of OIB contractors every three years. The reviews consist of policy and procedures review; consumer service record reviews; staff, consumer and board interviews; and review of fiscal activities and documentation. ADVR reported that fiscal monitoring is ongoing.

## Planning

The OIB Program participates in SPIL development. OIB goals and objectives are incorporated into the SPIL reflecting a strong working relationship between the CILs, ADVR and the OIB Program.

## OIB Program Performance

The following table provides data on ADVR OIB program performance in key areas in FY 2009.

**Table 3.1**  
**Alaska OIB Program Highlights for FY 2008 and FY 2009**

<b>Program Highlights</b>	<b>2008</b>	<b>2009</b>
Title VII, chapter 2 expenditures	225,000	225,000
Total expenditures (including chapter 2)	303,325	327,944
Total served older individuals who are blind	283	357
Total FTEs	5.79	4.75
Total FTEs with disabilities	1.42	1.48

## Technical Assistance

### Technical Assistance Provided

During the review of the OIB program, RSA provided technical assistance to ADVR regarding the monitoring of agreements and contracts, including the conduct of on-site reviews.

## **CHAPTER 4: FISCAL MANAGEMENT OF THE ADVR VOCATIONAL REHABILITATION, SUPPORTED EMPLOYMENT, INDEPENDENT LIVING AND INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND PROGRAMS**

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

### **Fiscal Management**

ADVR uses the State of Alaska's State Accounting System (AKSAS) to issue payments to contractors, clients and administrative/overhead bills. The state accounting system is designed to make it possible to present fairly and with full disclosure the financial position and results of financial operations of the funds and account groups of the state in conformity with generally accepted accounting principles (GAAP); and determine and demonstrate compliance with finance-related legal and contractual provisions. In accordance with AS 37.05.150, this includes both budgetary and property accounts. The broadest definition of the state accounting system includes all of the activities required to provide quantified information needed for planning, controlling, and reporting the financial condition and operations of the state. All purchased services which are evaluative and restorative are authorized prior to the provision of services. ADVR reimburses providers of medical services (both medical and psychological) based upon usual and customary fees for their area of specialization. Purchase orders are issued in relation to what is in the IPE and corresponds to the respective agreements with selected service providers.

### **ADVR Fiscal Performance**

The data in the following tables are taken from fiscal and program reports submitted by the state agencies to RSA, and speak to the overall effectiveness of the agency's fiscal management practices. Data related to the VR program matching requirements are taken from the fourth quarter of the respective fiscal year's SF-269 report. The data pertaining to the VR program maintenance of effort requirements are derived from the final SF-269 report of the fiscal year (two years prior to the fiscal year to which they are compared). Fiscal data related to VR program administration, total expenditures, and administrative cost percentages are taken from the RSA-2. IL and OIB program fiscal data, including the sources and amount of funding, match and carryover, are extracted from the programs' SF-269s, the RSA-704 and the RSA-70B reports.

**Table 4.1  
Fiscal Data for ADVR for FY 2004 through FY 2008**

Alaska (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$8,602,430	\$8,679,483	\$8,993,999	\$9,450,153	\$9,474,966
Federal Expenditures	\$8,602,430	\$8,679,483	\$8,529,795	\$9,450,153	\$9,474,966
Required Match	\$2,328,231	\$2,349,085	\$2,308,572	\$2,557,665	\$2,564,381
Actual Match	\$3,562,964	\$3,562,964	\$3,562,964	\$3,562,964	\$3,562,963
Over (Under) Match	\$1,234,733	\$1,213,879	\$1,254,392	\$1,005,299	\$998,582
Carryover at 9/30 (year one)	\$334,816	\$624,778	\$818,582	\$261,779	\$561,350
Program Income	\$313,982	\$729,207	\$456,855	\$409,633	\$274,519
Maintenance of Effort (MOE)	\$3,562,964	\$3,562,964	\$3,562,964	\$3,562,964	\$3,562,964
Administrative Costs	\$1,171,794	\$1,534,782	\$1,600,899	\$1,566,328	\$1,606,801
*Total Expenditures	\$12,731,424	\$12,863,920	\$12,929,164	\$14,006,217	\$13,037,635
Percent Admin Costs to Total Expenditures	9.20%	11.93%	12.38%	11.18%	12.32%

\*Includes Supported Employment Program Expenditures.

**Table 4.2  
ADVR IL Part B Fiscal Data for FY 2004—FY 2008**

Alaska (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$293,902	\$304,522	\$301,477	\$301,477	\$296,212
Federal Expenditures	\$293,902	\$304,522	\$301,477	\$301,477	\$296,212
Required Match	\$32,656	\$33,836	\$33,497	\$33,497	\$32,912
Actual Match	\$33,100	\$33,100	\$33,530	\$33,500	\$33,100
Over (Under) Match	\$444	-\$736	\$33	\$3	\$188

**Table 4.3  
ADVR OIB Program Fiscal Data for FY 2004—FY 2008**

Alaska (C)					
Fiscal Year	2004	2005	2006	2007	2008
Grant Amount	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Federal Expenditures	\$225,000	\$225,000	\$225,000	\$225,000	\$225,000
Required Match	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Actual Match	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Over (Under) Match	\$0	\$0	\$0	\$0	\$0

## Fiscal Management Observations and Recommendations

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

### 1. SILC Contract Structure & Monitoring of the SILC

**Observation:** The SILC contract does not have the specificity to clearly state the program and fiscal requirements of the agreement, which makes it difficult to monitor. Further, the monitoring of the SILC's expenditures is not at the level to ensure compliance with federal regulations.

**Recommendation 1:** ADVR should consider:

- revising the SILC contract to provide a breakout of expenses paid by the resource plan and other funding sources;
- ensuring that the monthly invoices reflect actual expenses with each funding source paying its fair share; and
- increasing the level of monitoring of the SILC's fiscal and programmatic operations.

### 2. CRP Agreements

**Observation:** The CRP agreements are only two pages and refer back to the CRP application for standards and certifications. A two page contract which refers back to a CRP application may or may not be sufficient in ensuring that all CRP fiscal and programmatic requirements are met. When agreements are brief and/or refer to other source documents that are not part of the agreement, there is the possibility that mandatory requirements, such as Suspension and Debarment may be missed.

**Recommendation 2:** ADVR should consider:

- reviewing the current CRP application package to ensure that all mandatory standards and certifications referenced in the agreement are included; and
- if ADVR does not want to physically include those standards and certifications within the agreement, include a copy of the original application that has all these specifications in the respective CRP file.

## **Fiscal Management Compliance Findings and Corrective Actions**

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

### **1. Periodic Certification – Staff Working Solely on VR Program**

#### **Legal Requirements:**

34 CFR 361.12 states:

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

34 CFR 80.20(a) states:

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

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

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

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

**Finding:** ADVR is not in compliance with 2 CFR part 225, Appendix B, paragraph 8.h.3, because the agency does not conduct periodic certifications for employees working solely on one federal grant program. In failing to comply with this requirement, ADVR is not able to ensure

that the VR program is administered properly and efficiently and that all VR funds are accounted for properly, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

As a recipient of VR funds, ADVR is required to administer the program properly and efficiently (34 CFR 361.12 and 34 CFR 80.20(a)). It must ensure that VR funds are properly accounted for and that accurate data are collected and reported (*Id.*). In ensuring the proper administration of the VR program and accountability of VR funds, ADVR must be able to document the time its staff spend on the VR program. Federal cost principles set forth requirements for ensuring the proper accounting of staff time, both for staff working full-time on one program and for staff splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.3, requires ADVR employees or their supervisors to certify, at least semi-annually, that the employee worked solely on one grant program during the period covered by the certification. While onsite, RSA found that ADVR does not conduct semi-annual certifications for staff who work solely on one program, as required by 2 CFR part 225, Appendix B, paragraph 8.h.3. Furthermore, ADVR does not require its staff to track their time to specific programs. Instead, the personnel documentation that RSA reviewed on-site indicated that ADVR staff report their hours worked, but do not attribute those hours to any benefiting grant, regardless of whether the hours worked were attributed to one single grant or multiple grants, which made it impossible for RSA to determine which staff worked on a single grant. Given this failure to ensure that the staff's time is certified at least twice a year, ADVR has failed to comply with 2 CFR part 225, Appendix B, paragraph 8.h.3. In failing to comply with this certification requirement, as well as ADVR's failure to require its staff to track their time in accordance with the program worked, ADVR also has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a) because ADVR cannot ensure that the VR program has been administered properly and efficiently or that VR funds have been expended solely on VR allowable personnel costs.

**Corrective Action 1:** ADVR must:

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

**2. Assigning Personnel Costs – Staff Working on Multiple Programs**

**Legal Requirements:**

34 CFR 361.12 states:

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

34 CFR 80.20(a) states:

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

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

C. Basic Guidelines

3. Allocable costs.

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

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

- 8.h.4 Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5). Such documentary support will be required where employees work on: (a) more than one federal award; and (b) A federal award and a non-federal award.
- 8.h.5 Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be signed by the employee; and (d) budget estimates or other distribution percentages determined before services are performed do not qualify as support for charges to federal awards but may be used for interim accounting purposes.

**Finding:** ADVR is not in compliance with 34 CFR 361.12, 34 CFR 80.20(a), and the Federal cost principles set forth at 2 CFR part 225, Appendix A, paragraph C, and Appendix B, 8.h.4 and 8.h.5, because the agency's personnel costs for administering the IL Part B, OIB, and other non-VR programs are borne by the VR program.

As discussed in Finding 1 above, ADVR does not have procedures in place that require staff to record and keep track of the time they spend working on various programs. Staff are not required to complete personnel activity reports, as required by 2 CFR part 225, Appendix B, paragraph 8.h.4. Instead, staff who work on multiple programs simply record their time without attributing the hours to specific programs. For example, while on-site, RSA reviewed personnel documentation for those ADVR staff who split their time working at the Workforce Development One-Stop Centers. The documentation revealed that ADVR pays all of the personnel costs for these individuals with VR funds regardless of whether those individuals are serving VR applicants and consumers. Although the funding for the VR program represents the greatest share of ADVR's funding, the continuing practice of assigning all personnel costs to the VR program because of limited funding in other programs is not in accordance with cost principles outlined in 2 CFR part 225. To the extent ADVR has staff that work on multiple programs, ADVR must maintain personnel activity reports to account for the time staff work on each program (2 CFR part 225, Appendix B, paragraph 8). ADVR's failure to account for personnel activities accurately in accordance with the time spent on each program results in non-compliance with 2 CFR part 225, Appendix B, paragraph 8. Furthermore, ADVR has failed to comply with 34 CFR 361.12 and 34 CFR 80.20, which requires the proper and efficient administration of the VR program, which ensures proper accounting of expenditures and record-keeping. By using VR funds to pay for costs that should have been borne by the IL part B, OIB, and other programs, ADVR has not ensured proper administration and fiscal accountability under the VR program.

**Corrective Action 2:** ADVR must:

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

### 3. Internal Controls and Tracking of Funds – VR Program

#### Legal Requirements:

34 CFR 361.12 requires 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 VR program]. These methods must include procedures to ensure accurate data collection and financial accountability.

34 CFR 80.20(a), in pertinent part, requires that:

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

\*\*\*\*\*

(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.

**Finding:** ADVR is not in compliance with 34 CFR 361.12 and 34 CFR 80.20(a), because ADVR does not utilize methods of administration to ensure the proper administration of the VR program and accurate accounting of VR funds, including the ability to track the expenditure of funds to the VR program.

While onsite, RSA reviewed various aspects of ADVR's internal fiscal controls, including ADVR's policies and procedures for handling of Authorizations for Payment (AFPs). RSA noted several errors in the processing of AFPs; and RSA found instances in which ADVR did not follow its own procedures during the processing of AFPs. For example:

- Some AFP payments were made for services provided outside the range of authorized dates for service. RSA found that some of the AFPs' service origination dates were backdated, after receipt of payment by the vendor, to coincide with the invoice's authorized service delivery date;
- RSA found examples of AFP origination date being modified by staff other than the person originally authorizing the purchase, in contradiction to ADVR's own policies and procedures;
- In other AFPs, RSA noted instances in which the AFP states it covers services from 10/01/08 to 10/31/08 (1 month of service); however, ADVR made payment, pursuant to those AFPs to cover 3 months of service; and
- AFPs do not specify the service units to be provided to make the quantity of service delivery measurable, as required by ADVR's own policies.

In each of the above examples, ADVR demonstrated it did not consistently follow its own policies and procedures with regard to the AFPs and, as a result, errors on the AFPs were found. Given these errors and inconsistent handling of AFPs, ADVR cannot ensure that it expends and

accounts for VR grant funds in accordance with State laws and procedures for expending and accounting for VR grant funds, as required by state laws and procedures for expending funds, and as required by 34 CFR 80.20(a). Moreover, ADVR cannot ensure its ability to trace the expenditure of VR funds to a level of expenditures adequate to establish that such funds have been spent in accordance with Federal requirements, and Therefore, RSA finds that ADVR has failed to comply with 34 CFR 361.12 and 34 CFR 80.20(a).

**Corrective Action 3:** ADVR must submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will ensure that it adheres to its policies and procedures governing internal controls in order to be sure that VR funds are spent properly and efficiently, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

#### **4. Policies to Set Payments for all Purchased Services**

##### **Legal Requirements:**

34 CFR 361.50(c)(1) states that:

- (1) The State unit must establish and maintain written policies to govern the rates of payment for all purchased vocational rehabilitation services.

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.

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

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

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- 3.a A cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

**Finding:** ADVR is not in compliance with 34 CFR 361.50(c)(1), 34 CFR 361.12, and the Federal cost principles set forth at 2 CFR part 225, Appendix A, because ADVR does not have written policies to govern the rates of payment for purchased VR services.

While on-site, RSA questioned ADVR staff about how service rates were determined given the agency's lack of policy. ADVR staff informed RSA during the on-site monitoring visit that its contractors and vendors set the rate they charge for providing VR services to ADVR consumers. From the information that RSA reviewed on-site, the rates for services are not based on a market analysis of the costs for providing the services. In fact, RSA found that ADVR paid the same hourly rate —\$80 – regardless of the service provided. For example, RSA found that ADVR paid the CRPs and other vendors the same \$80 hourly rate for preliminary assessment, vocational

evaluation, job search assistance, job readiness training, OJT evaluation, situational assessment, business development, and OJT supports. In addition, the invoices RSA reviewed on-site did not contain information that verified services were provided solely to ADVR consumers.

Federal regulations require ADVR to establish procedures that enable it to administer the VR program in an efficient manner that ensures it can carry out all functions and account for the expenditure of VR funds properly (34 CFR 361.12). ADVR also must establish and maintain written policies that govern the rates of payment for all purchased VR services (34 CFR 361.50(c)(1)). The Federal cost principles require that allowable costs be necessary and reasonable for proper and efficient program performance and administration, as well as be allocable to the program (2 CFR part 225, Appendix A, paragraph C.1). To be allocable to a program, the cost must be relative to the benefit received (*Id.* at paragraph C.3.). ADVR has failed to comply with 34 CFR 361.12 and 34 CFR 361.50(c)(1) by not having a uniform system for developing fees with CRPs. As a result of this lack of policy for how rates are determined, ADVR is paying the same hourly rate, regardless of the service provided and the intensity needed for the provision of that service. Consequently, ADVR cannot ensure that the \$80 hourly rate is necessary or reasonable for some of the services in terms of the benefit received by ADVR. Moreover, given the invoices' lack of identification as to whom the services were provided, ADVR cannot ensure that the services were indeed provided to ADVR consumers, as required by 34 CFR 361.3 and 34 CFR 361.12. For all of these reasons, ADVR cannot assure that the costs are allocable to the program pursuant to 2 CFR part 225, Appendix A, paragraph C.3.a, and, thus, are a proper expenditure of VR funds.

**Corrective Action 4:** ADVR must:

- 4.1 submit a written assurance to RSA within 10 days of the final monitoring report that ADVR will comply with 34 CFR 361.12, 34 CFR 361.50(c)(1), and 2 CFR part 225;
- 4.2 establish and maintain written policies that govern the rates of payment for all purchased VR service as required by 34 CFR 361.50(c)(1)s; and
- 4.3 establish internal control and accounting procedures, as required by 34 CFR 361.12, to be sure that expenditures paid on invoices are determined to have been for allowable services for eligible consumers; and
- 4.4 submit copies of policies and procedures developed pursuant to this corrective action to RSA to ensure completion of that action.

**5. Internal Controls, Fiscal Management, and Monitoring of Subgrantees—IL–B and OIB programs**

**Legal Requirements:**

34 CFR 364.34 requires that:

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and

fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

34 CFR 364.35 requires that:

In addition to complying with applicable EDGAR recordkeeping requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will maintain –

- (a) Records that fully disclose and document –
  - (1) The amount and disposition by the recipient of that financial assistance;
  - (2) The total cost of the project or undertaking in connection with which the financial assistance is given or used;
  - (3) The amount of that portion of the cost of the project or undertaking supplied by other sources; and
  - (4) Compliance with the requirements of chapter 1 of title VII of the Act and this part; and
- (b) Other records that the Secretary determines to be appropriate to facilitate an effective audit.

34 CFR 80.20(a) states:

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

34 CFR 80.40(a) states:

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

2 CFR part 225 (formerly known as OMB Circular A-87), Cost Principles for State, Local and Indian Tribal Governments, Appendix B, in pertinent part, states:

8d.(5): Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of individuals whose salaries and wages are chargeable to such Federal awards and other activities.

**Finding:** For at least the last five years, ADVR has provided some of the IL funds it receives under title VII, Part B (chapter 1) to Southeast Alaska Independent Living (SAIL) for its general operation and some of the OIB (chapter 2) funds to Access Alaska, Inc., to provide services under the OIB program. While the grant agreements included budgets and narratives explaining

how the IL-B and OIB funds would be used, the invoices submitted by the subgrantees did not reflect the level of specificity necessary to connect the charges with the allowable activity approved under the budget. ADVR paid the invoices, even though it could not determine that the charges were allowable and allocable under the federal grants and consistent with the subgrant agreement. ADVR did not monitor the subgrantees to ensure that the IL-B and OIB funds provided under the grant agreements were spent on allowable costs and did not require the documentation needed to ensure that the federal awards could be traced to a level sufficient to show that they were not used in violation of federal restrictions and prohibitions. In particular, RSA found the following:

- A. ADVR provides subgrants to Access Alaska, Inc. organization to provide IL-OIB services in a contract amount of \$60,825. The grant agreement provides that Access Alaska is to be paid on a cost reimbursable basis upon presentation of invoices. It also provides that Access Alaska must establish and maintain separate accounting for the use of grant funds and that the use of funds in any manner contrary to allowable grant activities may result in the subsequent termination of the grant and any balance of funds. A budget is included in the agreement but a review of the invoices reveal that they do not provide a breakout of the costs in order to show that they are allowable, incurred during the grant period, and correspond to the items approved in the budget.
  
- B. ADVR provides IL – Part B subgrants to the Southeast Alaska Independent Living (SAIL) organization for its general operation in an amount of \$62,400. The grant agreement provides that Access Alaska is to be paid on a cost reimbursable basis upon presentation of invoices. It also provides that Access Alaska must establish and maintain separate accounting for the use of grant funds and that the use of funds in any manner contrary to allowable grant activities may result in the subsequent termination of the grant and any balance of funds. Internal control issues identified include:
  - A budget is included in the agreement but a review of the invoices reveal that they do not provide a breakout of the costs in order to show that they are allowable, incurred during the grant period, and correspond to the items approved in the budget.
  - Total salaries equal \$25,085 with a benefit package of 14.65 percent or \$3,675 but \$11,105 or 44.26 percent in benefits is budgeted and charged to the agreement. Fringe benefits are only permitted to be allocated to Federal awards in a manner consistent with the pattern of benefits attributable to the individuals whose salaries and wages are chargeable to such Federal awards in accordance with 2 CFR Part 225, Appendix B, Item 8d(5);
  - A grant summary payment sheet (7/20/08 to 06/20/09) for SAIL shows 12 block payments of \$5,200 being issued on the 20<sup>th</sup> of each month. The total amount of the payments is equal to the grant award amount of \$62,400. Because this is a cost reimbursable subgrant and relies on invoiced costs for each month, it seems very unlikely that costs were exactly the same each month. ADVR needs to ensure that it is only reimbursing costs and not making advance payments, since the grant agreement does not provide for such method of payment; and

- The aforementioned grant summary payment sheet has a note at the bottom that reads, “1<sup>st</sup> payment (7/20/08) may be a different amount (than reported), which brings into question what truly constituted the first payment.
- C. DVR failed to collect and maintain any financial records that would permit the agency to track, account for, and report on funds received and expended under the contracts. The lack of proper fiscal monitoring and oversight of the contracts and related payments includes, but is not limited to:
- A. ADVR does not follow the provisions in the grant agreement related to cost reimbursement and is not consistent in how it makes payments to the subgrantees, e.g. block payments.
  - B. Expenditures were not tracked, monitored, or reviewed at any level.
  - C. ADVR did not require a subgrantee to reconcile its expenditures to the budget in the grant agreement, and ADVR did not monitor expenditures to ensure accountability.

Federal regulations require ADVR to adopt fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for IL-B and OIB (34 CFR 364.34). In particular, ADVR must have fiscal controls in place that enable it to expend and account for the IL and OIB 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, ADVR is required to monitor and manage the day-to-day operations of all grant-supported activities (34 CFR 80.40(a)). The IL services provided by SAIL and OIB services provided by Alaska Access under grant agreements with ADVR, constitute grant-supported activities and must be monitored by ADVR to ensure compliance with all Federal requirements. ADVR has not adopted, maintained, or applied any fiscal controls and accounting procedures to ensure the SAIL and Access Alaska, Inc. are accountable for tracking, supporting, and accurately reporting expenditures from their respective grant agreements. As a result of the financial deficiencies outlined above, ADVR cannot trace the funds provided to SAIL and Access Alaska under these grant agreements to a level of expenditures adequate to establish that such funds were used for allowable costs, and have not been used in a way that violates Federal requirements. For all of these reasons, ADVR has failed to administer the program in accordance with the requirements of 34 CFR 364.34, 34 CFR 364.35, 34 CFR 80.20, and 80.40.

**Corrective Action 5:** ADVR must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the IL-B and OIB programs as required by 34 CFR 364.34 and 34 CFR 80.20(a)(2);
- 5.2 develop and implement policies/procedures to ensure that:
  - a invoices submitted by subgrantees provide sufficient detail regarding costs to show that they are allowable, incurred during the grant period, and correspond to the items approved in the budget;
  - b. enforce the existing grant agreements with the IL and IL-OIB providers, as well as any other similar grant agreements, to include guidance on allowable costs, invoicing and expenditure reporting requirements, maintenance of records to support costs charged, and separation of grant expenditures in order to properly allocate costs to existing grants and

- ensure compliance with the requirements of 34 CFR 364.34, 34 CFR 364.35, 34 CFR 80.20 and 80.40; and
- c. develop and implement a written protocol for fiscal monitoring of contractors.

## **Technical Assistance**

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

### **Technical Assistance Provided**

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

- ceasing use of the term “grant” or “grants” in any VR agreements, manuals, or other written communication to avoid confusion concerning ADVR’s intent;
- contract development, administration and performance-based fixed-price payments for CRPs;
- internal controls within the DSU and payments to contractors and the SILC;
- establishing and maintaining written policies to govern rates of payment for all purchased vocational rehabilitation services;
- fiscal monitoring of CRPs, the SILC and personal service contracts; and
- allocation of payroll costs according to benefiting grants.

## **APPENDIX A: AGENCY RESPONSE**

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### **Agency Response to Fiscal Management Observations and Recommendations:**

#### **1. SILC Contract Structure & Monitoring of the SILC**

##### **Recommendation 1:** ADVR should consider:

- revising the SILC contract to provide a breakout of expenses paid by the resource plan and other funding sources;
- ensuring that the monthly invoices reflect actual expenses with each funding source paying its fair share; and
- increasing the level of monitoring of the SILC's fiscal and programmatic operations.

##### **Agency Response to Recommendation 1:**

ADVR concurs with the recommendation.

#### **2. CRP Agreements**

##### **Recommendation 2:** ADVR should consider:

- reviewing the current CRP application package to ensure that all mandatory standards and certifications referenced in the agreement are included; and
- if ADVR does not want to physically include those standards and certifications within the agreement, include a copy of the original application that has all these specifications in the respective CRP file.

##### **Agency Response to Recommendation 2:**

This recommendation is not relevant as the process described in the recommendation has been ADVR's business practice for many years.

## **Agency Response to Fiscal Management Compliance Findings and Corrective Actions:**

### **1. Periodic Certification – Staff Working Solely on VR Program**

**Corrective Action 1:** ADVR must:

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

### **Agency Response to Compliance Finding 1:**

ADVR disagrees with this finding and believes it and the associated statement in the Challenges section of the Executive Summary should be eliminated.

ADVR follows the Alaska Department of Labor and Workforce Development's (DOLWD) Policy and Procedures for timesheet rules. A copy of this policy is included with this response. The policy states from whom and when timesheet are required. DOLWD's timesheet/periodic certifications have meet all federal and state audits and ADVR feels we are compliant with the requirements set forth in 2 CFR part 225, Appendix B, 8.h3.

ADVR requires periodic certifications for all overtime exempt employees working on one federal award and timesheets for all employees overtime eligible. A copy of periodic certifications are attached to this response along with timesheets for two employees working in One-Stop Centers for the period under review. The timesheets show the federal award being charged and in ADVR program all employees using timesheets with the exception of one employee working solely on the Basic Support 110 grant.

### **RSA Response:**

The DSA's policy, in pertinent part, states: "Certifications must be prepared at least semi-annually and must be signed by another employee or a supervisor who has firsthand knowledge of the work performed by the employee."

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

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

annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Two fundamental distinctions exist between the DSA's policy and 2 CFR Part 225, Appendix B, paragraph 8.h.3. First, according to the DSA's policy, only certain employees – overtime exempt employees – are required to complete the certifications. In contrast, the federal cost principles require that all employees working solely on one program must complete the semi-annual certifications. Second, according to the DSA's policy, another employee is permitted to prepare and sign the certifications. In contrast, the federal cost principles require that the certifications must be prepared and signed by the employee himself or the supervisor.

Though RSA appreciates the additional information submitted in response to this finding, the finding stands and the corrective actions must be taken because the DSA's policy is inconsistent with 2 CFR part 225, Appendix B, paragraph 8.h.3 with regards to 1) which VR staff working on a VR program must be certified and 2) who can prepare and sign the certification.

**Technical Assistance:**

ADVR did not request technical assistance.

**2. Assigning Personnel Costs – Staff Working on Multiple Programs**

**Corrective Action 2:** ADVR must:

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

## **Agency Response to Compliance Finding 2:**

This finding was corrected in July 2010 making ADVR compliant with 2 CFR Part 225, Appendix B, 8.h4 and 8.h.5. ADVR therefore believes this finding and the associated statement in the Challenges section of the Executive Summary should be eliminated.

ADVR ceased using Title I VR funds to support the administration of non Title I grants. The employee responsible for administering non Title I grants now charges their time spent on administering various grants on their timesheet. Copies of the timesheet for this employee are attached. Please note wages and benefits are being charged to the non VR grants along with an administrative indirect charge.

ADVR has only one employee who splits their time between multiple programs. ADVR has no staff working in the Workforce Development One-Stop Centers who split their time between the VR program and other programs. ADVR staff working in the one-stop centers work only on VR activities and do not serve participants of other programs nor do they perform other program activities. ADVR is collocated in one-stop centers and is not integrated and the activities of ADVR staff do not overlap with those of job center employees.

See attached time sheets for the period under review for two ADVR staff working in one-stop centers that show their time is 100% VR.

## **RSA Response:**

RSA appreciates receiving the information provided in ADVR's response to this finding, along with copies of the two time sheets demonstrating the manner in which staff report working on multiple grants. RSA recognizes that ADVR has taken the steps necessary to resolve the finding following the conclusion of the on-site review. Although the finding remains in this final report because the facts supporting it existed at the time of the on-site visit, ADVR is not required to take further corrective action and RSA considers this finding to have been resolved.

## **Technical Assistance:**

ADVR did not request technical assistance.

## **3. Internal Controls and Tracking of Funds – VR Program**

### **Corrective Action 3: ADVR must:**

- 3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the VR program, as required by 34 CFR 361.12 and 34 CFR 80.20(a);
- 3.2 develop and implement policies/procedures to ensure that:
  - a. verifiable supporting documentation is available for expenditures per requirements set forth in the service agreement;
  - b. fiscal controls permit the tracking of expenditures necessary to ensure that the funds are not used in violation of restrictions and prohibitions of applicable statutes; and

- c. internal controls are in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes.

### **Agency Response to Compliance Finding 3:**

ADVR acknowledges that errors can be made by staff. Recognizing this, ADVR has many safeguards in place to catch errors. ADVR's fiscal officer regularly provides training to staff on procurement processes.

Upon careful review and due consideration, ADVR believes this finding and its associated reference in the Challenges section of the Executive Summary should be eliminated based upon:

- Changes ADVR has made to its policies and business practices in regards to AFPs including the following:
  - VR managers will monitor 10% of the AFPs issued in their region (see attached Alaska DVR Technical Manual, Part 1 – Case Services, Section 2.3 – Monitoring AFPs).
  - 'Grants' to participants are discontinued as a method of procurement effective February 17, 2011 and references to 'Grant's have been deleted from the ADVR Technical Manual.
  - Hand written modifications to dates, vendors, services or funding source on AFPs are not allowed. These AFP modifications are handled through the amendment process (see attached Alaska DVR Technical Manual, Part 1 – Case Services, Section 2.7 – Paying AFPs and Section 2.9 – Amending AFPs).
- Development of training agenda regarding fiscal issues identified in the monitoring report which include:
  - Disseminating updated ADVR Technical Manual to all staff (completed February 2011)
  - Posting updated Technical Manual to the ADVR intranet (completed February 2011)
  - Face-to-face training of VR managers on policy and business practices changes (completed February 2011)
  - Statewide teleconferences providing training to all staff on policy and business practice changes (completed February 2011)
  - Face-to-face training of Field Administrative Services Team (completed February 2011)

ADVR also believes that many of the statements made in this finding are strongly worded drawing conclusions based on broad generalizations with no perspective as to the magnitude of any occurrences.

**RSA Response:**

RSA acknowledges and appreciates that ADVR has taken steps to address the issues presented in the original finding contained in the draft monitoring report dated January 6, 2011. In addition, RSA appreciates the information provided in its above response with respect to the issues presented in sections A and B of that original finding. Based on a careful review of this information, RSA has modified the finding as now written in this final monitoring report to delete reference to such issues.

However, ADVR does not present information to refute all instances of errors identified in section C of the original finding; thus, RSA maintains that portion of the finding pertinent to such errors. The finding as now written in this final report has been revised accordingly, along with the corrective action that ADVR must take to address the revised finding.

**Technical Assistance:**

ADVR did not request technical assistance.

**4. Policies to Set Payments for all Purchased Services****Corrective Action 4:** ADVR must:

- 4.1 submit a written assurance to RSA within 10 days of the final monitoring report that ADVR will comply with 34 CFR 361.12, 34 CFR 361.50(c)(1), and 2 CFR part 225;
- 4.2 establish and maintain written policies that govern the rates of payment for all purchased VR service as required by 34 CFR 361.50(c)(1)s; and
- 4.3 establish internal control and accounting procedures, as required by 34 CFR 361.12, to be sure that expenditures paid on invoices are determined to have been for allowable services for eligible consumers; and
- 4.4 submit copies of policies and procedures developed pursuant to this corrective action to RSA to ensure completion of that action.

**Agency Response to Compliance Finding 4:**

ADVR concurs with the finding and will submit a written assurance to RSA within 10 days of receipt of the final monitoring report.

**Technical Assistance:**

ADVR requests technical assistance.

**5. Internal Controls, Fiscal Management, and Monitoring of Sub grantees – IL –B and OIB programs**

**Corrective Action 5:** ADVR must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the IL-B and OIB programs as required by 34 CFR 364.34 and 34 CFR 80.20(a)(2);
- 5.2 develop and implement policies/procedures to ensure that:
  - a invoices submitted by subgrantees provide sufficient detail regarding costs to show that they are allowable, incurred during the grant period, and correspond to the items approved in the budget;
  - b. enforce the existing grant agreements with the IL and IL-OIB providers, as well as any other similar grant agreements, to include guidance on allowable costs, invoicing and expenditure reporting requirements, maintenance of records to support costs charged, and separation of grant expenditures in order to properly allocate costs to existing grants and ensure compliance with the requirements of 34 CFR 364.34, 34 CFR 364.35, 34 CFR 80.20 and 80.40; and
  - c. develop and implement a written protocol for fiscal monitoring of contractors.

**Agency Response to Compliance Finding 5:**

ADVR concurs with the finding and will submit a written assurance to RSA within 10 days of receipt of the final monitoring report.

**Technical Assistance:**

ADVR requests technical assistance.

## APPENDIX B: EXPLANATIONS OF DATA TABLES

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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

**OIB Program Highlights** (From RSA 7-OB Form)

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

## **APPENDIX C: EXPLANATIONS APPLICABLE TO FISCAL PROFILE TABLES 4.1-4.3**

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

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

### **Carryover:**

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

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

### **Program Income:**

Program income means gross income received by the state that is directly generated by an activity supported under a federal grant program. Sources of state VR program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated

by a state-operated community rehabilitation program. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other formula programs funded under the Act to expand services under these programs.

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

### **Maintenance of Effort (MOE):**

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

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

### **Administrative Costs:**

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