

**FISCAL YEAR 2011  
MONITORING REPORT  
ON THE  
NEVADA REHABILITATION  
DIVISION**



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

**OCTOBER 24, 2011**

# TABLE OF CONTENTS

	<b>Page</b>
Section 1: Executive Summary .....	1
Section 2: Performance Analysis .....	4
Section 3: Emerging Practices .....	7
Section 4: Results of Prior Monitoring Activities.....	9
Section 5: Focus Areas.....	13
A. Organizational Structure Requirements of the Designated State Agency and Designated State Unit.....	13
B. Transition Services and Employment Outcomes for Youth with Disabilities .....	15
C. Fiscal Integrity of the Vocational Rehabilitation Program .....	17
Section 6: Compliance Findings and Corrective Actions .....	20
Appendix A: Agency Response .....	28
Appendix B: Legal Requirements.....	32

# SECTION 1: EXECUTIVE SUMMARY

---

## Background

Section 107 of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), requires the Commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Rehabilitation Act to determine whether a state vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under section 101 of the Rehabilitation Act and with the evaluation standards and performance indicators established under Section 106. 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 Rehabilitation Act.

Through its monitoring of the VR and SE programs administered by the Nevada Rehabilitation Division (NRD) in fiscal year (FY) 2011, RSA:

- reviewed the VR agency's progress toward implementing recommendations and resolving findings identified during the prior monitoring cycle (FY 2007 through FY 2010);
- reviewed the VR agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment outcomes;
- recommended strategies to improve performance and required corrective actions in response to compliance findings related to three focus areas, including:
  - organizational structure requirements of the designated state agency (DSA) and the designated state unit (DSU);
  - transition services and employment outcomes for youth with disabilities; and
  - the fiscal integrity of the VR program;
- identified emerging practices related to the three focus areas and other aspects of the VR agency's operations; and
- provided technical assistance (TA) to the VR agency to enable it to enhance its performance and to resolve findings of noncompliance.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from August 8, 2011 through August 11, 2011 is described in detail in the FY 2011 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program located at: [www.ed.gov/rschstat/eval/rehab/107-reports/2011/monitoring-and-technical-assistance-guide.doc](http://www.ed.gov/rschstat/eval/rehab/107-reports/2011/monitoring-and-technical-assistance-guide.doc) or, [www.ed.gov/rschstat/eval/rehab/107-reports/2011/monitoring-and-technical-assistance-guide.pdf](http://www.ed.gov/rschstat/eval/rehab/107-reports/2011/monitoring-and-technical-assistance-guide.pdf)

## Emerging Practices

Through the course of its review, RSA collaborated with NRD, the State Rehabilitation Council (SRC), the Technical Assistance and Continuing Education (TACE) center and other

stakeholders to identify the emerging practices below implemented by the agency to improve the performance and administration of the VR program.

- Transition--NRD implemented a two-track summer program for students with disabilities to help them determine whether to pursue post-secondary education or employment.
- Transition--NRD partnered with the Washoe County School District to co-locate a dedicated transition VR Counselor and technician in an office together with school district transition personnel to improve service delivery to transition-age students.
- Transition--NRD collaborated with its state partners in developing an agreement to facilitate the achievement of customized employment outcomes for individuals with intellectual disabilities/developmental disabilities.

A more complete description of these practices can be found in Section 3 of this report.

## **Summary of Observations**

RSA's review of NRD resulted in the observations related to the focus area identified below. The entire observations and the recommendations made by RSA that the agency can undertake to improve its performance are contained in Section 5 of this report.

### **Fiscal Integrity of the VR Program**

- Performance Monitoring and Resource Allocation: NRD does not evaluate the quality of services provided by external community rehabilitation providers (CRPs) and other public or private individual vendors and, as a result, cannot effectively evaluate the financial and programmatic performance of services provided through external entities.
- NRD Review of Financial Reports: The Department of Employment, Training and Rehabilitation (DETR) submits financial reports directly to RSA and does not provide NRD with an opportunity to review this information to ensure that the data are reliable and valid prior to submission.

## **Summary of Compliance Findings**

RSA's review resulted in the identification of compliance findings in the focus areas specified below. The complete findings and the corrective actions that NRD must undertake to bring itself into compliance with pertinent legal requirements are contained in Section 6 of this report.

- Individualized Plan for Employment (IPE): NRD VR Counselors do not develop and approve an IPE for each student in transition prior to the student exiting school.
- DSU Representation on the LWIB: NRD is not represented on the Workforce Connections Local Workforce Investment Board (LWIB).
- DSU Participation in Entering into Memoranda of Understanding with the LWIBs: NRD is not involved in the development of the memoranda of understanding (MOUs), and does not participate in reviewing them to ensure that they accurately reflect VR program participation in the JobConnects.

- Program Income: NRD is not disbursing available program income prior to drawing down federal VR funds.
- Monitoring Grant Activities: NRD is not fulfilling its responsibility for managing daily operations of grant supported activities, and does not have procedures in place to ensure financial accountability.
- Assigning Personnel Costs – VR Program: NRD does not have procedures in place to ensure financial accountability that
  - expenditures are traceable and compliant with federal statutes;
  - VR funds are used solely for the provision of VR services or for the administration of the VR program; and
  - require employees working on multiple cost objectives to maintain personnel activity reports (PARs) or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee.
- Written Policies Governing Payment of VR Services: NRD has not established and maintained written policies on how it will set fees for purchased VR services.

## **Development of the Technical Assistance Plan**

RSA will collaborate closely with NRD and Region IX TACE (San Diego State University Interwork Institute) to develop a plan to address the TA needs identified by NRD in Appendix A of this report. RSA, NRD and the Interwork Institute will conduct a teleconference within 30 days following the publication of this report to discuss the details of the TA needs, identify and assign specific responsibilities for implementing TA and establish initial timeframes for the provision of the assistance. RSA, NRD and the Interwork Institute will participate in teleconferences at least semi-annually to gauge progress and revise the plan as necessary.

## **Review Team Participants**

Members of the RSA review team included Christy Cavataio and David Jones (VR Unit); Charles Sadler (TA Unit); Craig McManus (Fiscal Unit); Julya Doyle (Data Unit); and Deb Cotter and Tim Beatty (IL Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

## **Acknowledgement**

RSA wishes to express appreciation to the representatives of NRD for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of DETR, the SRC, the Client Assistance Program and advocates, and other stakeholders in the monitoring process.

## SECTION 2: PERFORMANCE ANALYSIS

This analysis is based on a review of the programmatic data contained in Table 2.1 and is intended to serve as a broad overview of the VR program administered by NRD. It should not be construed as a definitive or exhaustive review of all available agency VR program data. As such, the analysis does not necessarily capture all possible programmatic trends. In addition, the data in Table 2.1 measure performance based on individuals who exited the VR program during FY 2006 through FY 2010. Consequently, the table and accompanying analysis do not provide information derived from NRD open service records including that related to current applicants, individuals who have been determined eligible, and those who are receiving services. NRD may wish to conduct its own analysis, incorporating internal open caseload data, to substantiate or confirm any trends identified in the analysis.

### Performance Analysis

#### VR Program Analysis

**Table 2.1**  
**NRD Program Performance Data for FY 2006 through FY 2010**

NRD Program Performance	2006	2007	2008	2009	2010	Change from 2006 to 2010	Combined Agencies 2010
Total cases closed – number	3,341	3,329	3,304	3,451	3,869	15.8%	281,286
Percent	100.0%	100.0%	100.0%	100.0%	100.0%	0.0%	100.0%
Exited as an applicant – number	474	411	422	452	495	4.4%	47,487
Percent	14.2%	12.3%	12.8%	13.1%	12.8%	-1.4%	16.9%
Exited during or after trial work /extended employment – number	13	5	4	15	17	30.8%	1,708
Percent	0.4%	0.2%	0.1%	0.4%	0.4%	0.0%	0.6%
Total not determined eligible – number	487	416	426	467	512	5.1%	49,195
Percent	14.6%	12.5%	12.9%	13.5%	13.2%	-1.3%	17.5%
Exited without employment outcome after signed IPE – number	42	41	45	58	116	176.2%	5,824
Percent	1.3%	1.2%	1.4%	1.7%	3.0%	4.2%	2.1%
Exited from order of selection waiting list – number	0	0	0	0	0	0.0%	1,390
Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%
Exited without employment after eligibility, before IPE – number	979	1,052	1,112	1,350	1,498	53.0%	68,696
Percent	29.3%	31.6%	33.7%	39.1%	38.7%	9.4%	24.4%
Total exited after eligibility, but prior to receiving services – number	1,021	1,093	1,157	1,408	1,614	58.1%	75,910
Percent	30.6%	32.8%	35.0%	40.8%	41.7%	11.2%	27.0%
Exited with employment – number	1,149	1,161	1,060	901	947	-17.6%	78,860
Percent	34.4%	34.9%	32.1%	26.1%	24.5%	-9.9%	28.0%
Exited without employment – number	684	659	661	675	796	16.4%	77,321
Percent	20.5%	19.8%	20.0%	19.6%	20.6%	0.1%	27.5%
Total receiving services – number	1,833	1,820	1,721	1,576	1,743	-4.9%	156,181
Percent	54.9%	54.7%	52.1%	45.7%	45.1%	-9.8%	55.5%

<b>NRD Program Performance</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>Change from 2006 to 2010</b>	<b>Combined Agencies 2010</b>
Employment rate	62.68%	63.79%	61.59%	57.17%	54.33%	-8.4%	50.49%
Transition aged youth closed – number	707	729	789	784	1,025	45.0%	100,116
Percent	21.2%	21.9%	23.9%	22.7%	26.5%	5.3%	35.6%
Transition aged youth employment outcomes – number	246	216	235	206	191	-22.4%	27,745
Percent	21.4%	18.6%	22.2%	22.9%	20.2%	-1.2%	35.2%
Competitive employment outcomes – number	1,140	1,157	1,057	892	944	-17.2%	73,995
Percent	99.2%	99.7%	99.7%	99.0%	99.7%	0.5%	93.8%
Supported employment outcomes - number	0	8	91	65	72	0.0%	7,004
Percent	0.0%	0.7%	8.6%	7.2%	7.6%	7.6%	8.9%
Average hourly wage for competitive employment outcomes	\$10.75	\$11.00	\$10.94	\$11.34	\$11.18	\$0.43	\$11.33
Average hours worked for competitive employment outcomes	34.1	33.4	33.1	32.3	31.8	-2.3	31.4
Competitive employment outcomes at 35 or more hours per week – number	724	700	622	482	486	-32.9%	38,784
Percent	63.0%	60.3%	58.7%	53.5%	51.3%	-11.7%	49.2%
Employment outcomes meeting SGA – number	884	824	736	584	613	-30.7%	48,900
Percent	76.9%	71.0%	69.4%	64.8%	64.7%	-12.2%	62.0%
Employment outcomes with employer-provided medical insurance – number	408	395	424	317	311	-23.8%	18,791
Percent	35.5%	34.0%	40.0%	35.2%	32.8%	-2.7%	23.8%

## VR Performance Trends

### Positive Trends

Despite a significant economic decline statewide during the time of national recession, NRD's overall performance in serving individuals with disabilities indicated a 15.8 percent increase from FY 2006 to FY 2010, as demonstrated by the total number of cases closed. NRD's employment rate (the ratio of those individuals who received services under an IPE who exited with employment compared to the total individuals who received services) for FY 2010 remained higher at 54.3 percent than that of combined agencies nationally at 50.5 percent.

In addition, in FY 2010, the overall quality of employment outcomes was generally consistent with that of combined agencies nationally, with respect to quality indicators, including hourly wage, average hours worked, employment outcomes meeting substantial gainful activity (SGA), and employment outcomes with employer-provided medical insurance. The average hourly wage was \$11.18 compared to the national average of \$11.33; the average hours worked for competitive employment outcomes was 31.8 hours compared to the national average of 31.4 hours; the average number of employment outcomes meeting SGA was 64.7 percent compared to the national average of 62 percent; and the percentage of employment outcomes with employer-provided medical insurance was 32.8 percent compared to the national average of 23.8 percent.

## **Trends Indicating a Potential Risk to the Performance of the VR Program**

The total number of individuals who exited after eligibility but prior to receiving services increased from 30.6 percent (1,021) in FY 2006 to 41.7 percent (1,614) in FY 2010, compared to the national average of 27.0 percent for combined agencies nationally in FY 2010. This increase has been consistent across all closure categories for those individuals who exited the program. NRD staff attributed this increase to the transient nature of population.

While the overall quality of employment outcomes compared favorably with that of other combined agencies nationally in FY 2010 with respect to quality indicators, as described above, the agency itself experienced a declining trend in its performance for most of the quality indicators during the five-year period as demonstrated in Table 2.1: the average hours worked for competitive employment outcomes decreased from 34.1 in FY 2006 to 31.8 in FY 2010; the percentage of employment outcomes meeting SGA decreased from 76.9 percent in FY 2006 to 64.7 percent in FY 2010; and the percentage of employment outcomes with employer-provided medical insurance decreased from 35.5 percent in FY 2006 to 32.8 percent in FY 2010.

The total number of transition-age youths closed by NRD in all categories increased from 21.2 percent (707) in FY 2006 to 26.5 percent (1,025) in FY 2010 but remained much lower compared to the 35.6 percent average for the combined agencies nationally. This signifies that transition youth are accessing NRD at a much lower rate overall than in other combined agencies nationally. In addition, the total number of transition-age youths achieving employment outcomes decreased from 21.4 percent (246) to 20.2 percent (191) and was approximately 15 percent lower than the 35.2 percent average for the combined agencies nationally.

## **Summary**

RSA discussed the agency's performance with NRD staff and stakeholders throughout the review. Prior to the economic downturn in the state, individuals moved to Nevada to obtain employment in the service industry, particularly in the Las Vegas area. While NRD attributed the decline in its performance primarily to the economic crisis in the state, staff was receptive to exploring available data and identifying additional courses of action to improve performance.

In addition, NRD developed new methods for increasing outreach, coordination, and streamlined service delivery to transition-age youths and individuals with intellectual disabilities/developmental disabilities. These methods include the strategic co-location of a dedicated transition VR Counselor at the Washoe County school district in northern Nevada, the initiation of a customized employment program targeting students with intellectual disabilities/developmental disabilities, and strengthened activities in its summer program to emphasize post-secondary training. These initiatives are addressed below in greater detail in Section 3, Emerging Practices.

## SECTION 3: EMERGING PRACTICES

---

While conducting the monitoring of the VR program, the review team collaborated with the NRD, the SRC, the TACE center, and agency stakeholders to identify emerging practices in the following areas:

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

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

As a result of its monitoring activities, RSA identified the emerging practices below.

### **1. Transition--Careers, Recreation, and Vocational Education (CRAVE)**

The Southern Nevada Transition VR program has successfully collaborated with a number of community partners to sponsor a summer camp program called CRAVE. The program's short-term goal is to help participants break down barriers that prevent them from going to college or pursuing employment. The agency's long-term goal is to have a higher percentage of transition students choosing careers rather than entry-level jobs. In FY 2011, CRAVE camp celebrated its third year with 30 participants and the inclusion of additional community partners.

The program has two tracks, one focusing on post-secondary education, and the second emphasizing employment. Within the college track, the students learn how to navigate the college system, advocate for themselves, and learn how to procure financial aid, accommodations and supportive services to ensure access to campus courses, services, and activities. They tour local colleges during the week and have an opportunity to meet Disability Resource Center staff. Students participating in the employment track learn job market information, effective application completion, interview skills, and work-related social skills. They also meet with human resource managers and business owners. Upon completion of this week-long camp, the students participate in a six-week paid internship on campus or within the community.

## **2. Transition--VR Agency Co-Location in School District Office**

NRD partnered with the Washoe County School District (WCSD) to co-locate a dedicated transition VR Counselor and technician in an office together with school district transition personnel. Full-time VR and WCSD personnel work together to facilitate the achievement of competitive employment outcomes for eligible transition youth. The office space is funded by WCSD. NRD and WCSD signed an agreement that states that NRD will provide its own office equipment, clerical supplies, computer, phones and staff. This collaboration provides a cohesive and comprehensive opportunity for VR staff to work side-by-side with school district transition personnel for improved mutual outcomes.

## **3. Transition--Customized Employment Collaborative**

NRD, the Nevada Center for Excellence in Disabilities (NCED) at the University of Nevada Reno, and the Nevada Division of Mental Health and Developmental Services/Sierra Regional Center, developed an agreement to facilitate the referral to NRD of individuals with intellectual disabilities/developmental disabilities who have been identified by their Regional Center case workers as having the greatest likelihood of benefiting from customized employment or job carving. NRD pays a higher fee-for-service rate, acknowledging the increased effort and expertise needed to achieve a successful closure. The team, representing the university, NRD, and the Regional Center, work together to identify appropriate referrals, assessment sites, job developers, and IPE goals. All individuals referred by the Regional Center are pre-identified as funded for extended services to ensure appropriate SE closures. The first year pilot goal is for 30 successful closures with \$135,000 in SE funds earmarked for the project.

A complete description of the practices described above can be found on the RSA website at <http://rsa.ed.gov/emerging-practices.cfm>.

## SECTION 4: RESULTS OF PRIOR MONITORING ACTIVITIES

---

During its review of the VR and SE programs in FY 2011, RSA assessed progress toward the implementation of recommendations that NRD agreed to address during the prior monitoring cycle in FY 2008 and the resolution of findings from that review. The additional TA requested by the agency to enable it to implement these prior recommendations and to resolve any outstanding compliance findings is contained in Appendix A of this report titled “Agency Response.”

### Recommendations

In response to RSA’s monitoring report dated September 12, 2008, NRD agreed to implement the recommendations below. A summary of the agency’s progress toward implementation of each recommendation appears below.

#### 1. New Applicants

**Recommendation:** RSA recommends that NRD:

Develop goals and strategies to increase the number of new applicants coming into the VR program proportional to the state population.

**Status:** NRD adjusted staffing and program goals to ensure that resources are deployed proportionately throughout the state. The agency is partnering with the Washoe County School District to streamline the delivery of transition services. NRD initiated service coordination contracts in order to respond to increase outreach and improve service delivery to transition-age youths and individuals in rural parts of the state. Another effective outreach strategy has been the conduct of numerous open houses in different geographical areas of the state.

#### 2. Impact of VR Counselor Turnover

**Recommendation:** RSA recommends that NRD:

Develop performance goals for VR Counselors in the area of service delivery, including increasing the number of new applicants, individuals served, and employment outcomes.

**Status:** NRD purchased the services of a consultant to assist in developing an implementation plan specifically to address this recommendation. The plan includes the revision of the Client Policy and Procedures Manual, revision of rehabilitation counselor work performance standards, increased contact with the Region IX TACE center regarding job developer recruitment and retention, utilization of the eRehab on-line tool, expansion of supported employment assessment sites, and the provision of benefits counseling for consumers.

#### 3. Evaluation of Internal and External Providers

**Recommendation:** RSA recommends that NRD:

Develop and implement QA processes to evaluate the production, effectiveness, and efficiency of internal and external VR service providers fiscally and programmatically.

**Status:** NRD recently implemented a QA team consisting of a lead Quality Control Specialist II and a subordinate Quality Control Specialist I. The QA team conducts service record reviews in order to assess casework documentation compliance to the federal regulations. In addition, they conduct customer satisfaction surveys of job developers in the south and are now extending this to the north and rural areas of the state to measure the benefits of job development services. The survey results, coupled with an increase in the fee for job placement services from \$2,000 to \$3,000, should increase vendor efforts and increase closures. The agency has deployed a new MIS module and authorization tracking system which will allow it to monitor all services and expenditures related to consumers.

#### **4. Supported Employment (SE)**

**Recommendation:** RSA recommends that NRD:

Improve accuracy in case management for data collection, reporting and case documentation for SE. If needed, update the field guidance for SE and provide training to field staff on the guidance and case management practices for SE.

**Status:** Completed.

#### **5. Fiscal - Non-Federal Resources**

**Recommendation:** RSA recommends that NRD:

Continue its efforts to aggressively pursue additional matching resources for the VR program.

**Status:** NRD is actively pursuing additional sources of match. The Client Assistance Program Director and the Chief of Programs are both currently enrolled in the Certified Public Manager course and both have chosen capstone projects that are specific to locating and obtaining additional match sources. Region IX TACE center is also providing TA by reviewing other state agencies' best practices with third-party cooperative agreements and donations to augment state general fund appropriations, which have decreased significantly in recent years. Nevertheless, the agency anticipates both match and maintenance of effort (MOE) deficits in state FY 2012, FY 2013, and FY 2014.

#### **6. Fiscal - Report Inaccuracies**

**Recommendation:** RSA recommends that NRD:

Continue its efforts to appropriately report purchased services in specified categories, and institute an internal review process.

**Status:** Corrections to the report have been made. Review procedures have been instituted to verify the accuracy of report information. NRD instituted an internal review process to ensure the accuracy of the financial and statistical information reported to RSA.

**Status:** Review procedures have been instituted to verify the accuracy of report information.

## **Compliance Findings and Corrective Actions**

As the result of the monitoring conducted during FY 2008, NRD developed a corrective action plan (CAP) that included the steps NRD must take to resolve the compliance findings identified in the monitoring report dated September 12, 2008, timelines for the implementation of the steps and the methods by which the agency and RSA would evaluate the agency's progress toward the resolution of the findings. A summary of NRD's progress toward the resolution of each finding appears below.

Through the implementation of the CAP, NRD successfully resolved compliance findings in the following fiscal areas:

### **1. Assigning Personnel Costs**

Beginning with 2009, take the necessary actions to ensure that employees working on more than one federal program are identified and salary costs charged to each of the benefiting programs are based on time distribution records that accurately reflect time spent working in each of these programs.

**Status:** NRD identified employees that work on more than one federal program and instructed them to code their time to accurately reflect the time spent on each grant activity each day. The supervisory staff monitors the activities on a monthly basis to assure the activities do not exceed available resources. With this in mind, NRD conducted a thorough review of the time expended on the OIB grant and determined that an adjustment in the time allocation should be made to assure compliance with 2 CFR 225.

The CAP was closed on May 28, 2009, and contained the following clarifying note: "The CAP for this finding specifically concerned staff working on the VR and OIB program, since the Office of Disability Services (ODS) was charged separately with administering the Title VII Part B IL Program." It is RSA's understanding that some restructuring may have occurred regarding staff working on the various programs, including the IL Part B program. It is important to consider that if staff split time between any combination of VR, OIB, and IL Part B (for activities such as monitoring ODS) that the staff's time is split out, recorded, and charged to the respective programs proportionately: VR, OIB, and IL-Part B. During the FY 2011 on-site review, RSA found that NRD employees working on multiple cost objectives were not consistently maintaining personnel activity reports or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee, and this is included in this year's monitoring report as Finding Number 6, Assigning Personnel Costs – VR Program.

## **2. Periodic Certification**

RSA requires that NRD develop policies/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 as required by 2 CFR 225.

**Status:** NRD developed a procedure to comply with the requirement to provide semi-annual certifications for all employees working solely on the federal grant program. The procedure includes the development of the use of an internal form, staff certification on the form, supervisory review, and a tickler system to monitor the process. The CAP for this finding was closed on May 28, 2009.

## SECTION 5: FOCUS AREAS

---

### A. Organizational Structure Requirements of the Designated State Agency (DSA) and Designated State Unit (DSU)

The purpose of this focus area was to assess the compliance of the NRD with the federal requirements related to its organization within the Department of Employment, Training and Rehabilitation (DETR) and the ability of the NRD to perform its non-delegable functions, including the determination of eligibility, the provision of VR services, the development of VR service policies, and the expenditure of funds. Specifically, RSA engaged in a review of:

- compliance with statutory and regulatory provisions governing the organization of the DETR and NRD under 34 CFR 361.13(b);
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which NRD exercises responsibility over the expenditure and allocation of VR program funds, including procurement processes related to the development of contracts and agreements;
- procedures and practices related to the management of personnel, including the hiring, supervision and evaluation of staff; and
- the manner in which NRD participates in the state's workforce investment system.

In the course of implementing this focus area, RSA consulted with the following agency staff and stakeholders:

- NRD and DETR directors and senior managers;
- NRD and DETR staff members responsible for the fiscal management of the VR program;
- SRC Chairperson and members;
- Client Assistance Program staff members; and
- Region IX TACE center representative.

In support of this focus area, RSA reviewed the following documents:

- a diagram illustrating the DSU's position in relation to the DSA, its relationship and position to other agencies that fall under the DSA, and the direction of supervisory reporting between agencies;
- a diagram identifying all programs from all funding sources that fall under the administrative purview of the DSU, illustrating the number of full-time equivalent (FTE) staff working on each program;
- the number of FTEs in each program, identifying the specific programs on which they work and the individuals to whom they report, specifically including:
  - individuals who spend 100 percent of their time working on the rehabilitation work of NRD;

- individuals who work on rehabilitation work of the NRD and one or more additional programs/cost objectives (e.g., One-Stop career centers); and
- individuals under NRD that do not work on rehabilitation projects of the DSU.
- sample MOUs and/or cost allocation plans with One-Stop career centers; and
- documents describing Nevada procurement requirements and processes.

## **Overview**

NRD is one of five components reporting to DETR, the DSA. The following three divisions, one commission, and one bureau are located within DETR: NRD, Employment Security Division, Information Development and Processing Division, Equal Rights Commission, and Research and Analysis Bureau. Administrators lead each of the divisions and the commission, while the bureau is led by a chief economist. Each component's lead reports to the DETR director. At the time of the on-site review, the DETR director position was vacant and the deputy director was serving in an acting capacity. By the time the final monitoring report was published, the Governor had appointed a new DETR director.

NRD is located at the same organizational level as the other DETR divisions, the commission, and the bureau. The NRD administrator has the same organizational status as the other division administrators and the bureau's chief economist. The difference in salaries amongst the component leads is consistent with the nature and scope of the duties and responsibilities associated with the positions.

NRD's organizational diagram includes the following three components: Operations, Rehabilitation Division (ORD) - consisting of the Client Assistance Program, Management Analyst Team, Business Enterprises of Nevada, and the Business Process Analysts; Program Services, Rehabilitation Division (PSRD) - consisting of the Bureau of Vocational Rehabilitation, Bureau of Services to the Blind and Visually Impaired, and the Office of Disability Employment Policy; and the Bureau of Disability Adjudication (BDA).

NRD has a total of 235 filled FTEs assigned as follows: ORD – 11; PSRD – 113; BDA – 104; and NRD Administration – 7. Currently, 229 (97.4 percent) of the 235 FTEs are engaged full time in the VR program or vocational and other rehabilitation work of NRD. NRD has 42 vacancies and an overall complement of 277 positions. DETR has a total of 1,072 filled FTEs and a total complement of 1,318 positions. NRD has at least one VR Counselor co-located at each of DETR's 15 One-Stop career centers.

RSA's review of the organizational structure of NRD did not result in the identification of observations or recommendations. The compliance findings identified by RSA through the implementation of this focus area are contained in Section 6 of this report.

## **Technical Assistance**

RSA provided the TA described below to NRD related to this focus area during the course of its monitoring activities.

- State Workforce Investment Board (SWIB): RSA discussed with DSA and DSU staff the WIA requirement that the DSA representative to the SWIB represent the views of the DSU and individuals with disabilities in the state.
- Confidentiality of NRD Consumer Information: RSA emphasized the need to protect confidential consumer information in the One-Stop career centers. While VR Counselors are provided with office space, the staff from other partner programs should be reminded of the need to protect all information pertaining to NRD consumers, and not to divulge this information in waiting areas or the resource rooms.
- Need for Cross-Training One-Stop Career Center Partners: Related to the confidentiality issue above, both NRD and the One-Stop career center partners can benefit from regularly scheduled training sessions in order to become more familiar with each other's program, mission, and requirements.

## **B. Transition Services and Employment Outcomes for Youth with Disabilities**

The purpose of this focus area was to assess NRD's performance related to the provision of transition services to, and the employment outcomes achieved by, youth with disabilities and to determine compliance with pertinent federal statutory and regulatory requirements.

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

In the course of implementing this focus area, RSA identified and assessed the variety of transition services provided in the state, including community-based work experiences and other in-school activities, and post-secondary education and training, as well as the strategies used to provide these services. RSA utilized five-year trend data to assess the degree to which youth with disabilities achieved quality employment with competitive wages. In addition, RSA gathered information related to the coordination of state and local resources through required agreements developed pursuant to the Individuals with Disabilities Education Improvement Act of 2004 (IDEA) and the Rehabilitation Act, and communities of practice. RSA also gathered information regarding emerging practices initiated by the VR agency in the area of services to youth with disabilities, as well as TA and continuing education needs of VR agency staff.

To implement this focus area, RSA reviewed:

- formal interagency agreements between the VR agency and the state educational agency (SEA);
- transition service policies and procedures; and
- VR agency resources and collaborative efforts with other federal, state and local entities.

In support of its monitoring activities, RSA reviewed the following documents:

- the agreement between the VR agency and the SEA;
- sample agreements between the VR agency and local education agencies (LEA), if applicable;
- samples of other cooperative agreements, if applicable; and
- VR policies and procedures for the provision of transition services.

To assess the performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed NRD relevant data from FY 2006 through FY 2010, describing:

- the number and percentage of transition-age youth who exited the VR program at various stages of the process;
- the amount of time these individuals were engaged in the various stages of the VR process, including eligibility determination, development of the IPE and the provision of services;
- the number and percentage of transition-age youth receiving services, including assessment, university and vocational training, rehabilitation technology and job placement; and
- the quantity, quality and types of employment outcomes achieved by transition-age youth.

RSA also compared the performance of NRD with peer agencies during the same period, as well as with national averages for other combined VR agencies.

As part of its review activities, RSA met with the following DSA and DSU staff and stakeholders to discuss the provision of services to youth with disabilities:

- NRD administrator, deputy administrators, and chief of programs;
- NRD VR Counselors, supervisors, and transition staff;
- NRD transition coordinators serving as liaisons with the SEA and other agencies; and
- state and local school personnel, including special education teachers and guidance counselors.

RSA's review of transition services and employment outcomes achieved by youth with disabilities did not result in the identification of observations or recommendations. The compliance finding identified by RSA through the implementation of this focus area, is contained in Section 6 of this report.

## **Technical Assistance**

The RSA review team provided TA to NRD in the area of transition services and employment outcomes for youth with disabilities while on-site in Nevada.

- Supported Employment: RSA provided NRD staff with the technical assistance circular, TAC-06-01: Factors State VR Agencies Should Consider When Determining Whether a Job Position Within a CRP is Deemed to be an “Integrated Setting” for Purposes of the VR Program, and emphasized that the determination as to whether a specific employment outcome is in an integrated setting must be made by the DSU on a case-by-case basis.

## **C. Fiscal Integrity of the Vocational Rehabilitation Program**

The purpose of this focus area was to assess fiscal performance related to the VR program and to determine compliance with pertinent federal statutory and regulatory requirements, including OMB circulars. For purposes of the VR program, fiscal integrity is broadly defined as the proper and effective management of VR program funds to ensure that they are spent solely on allowable expenditures and activities. Through the implementation of this focus area, RSA reviewed: VR agency resource management; the management of match and MOE; internal and external monitoring and oversight; and allowable and allocable costs.

RSA used a variety of resources and documents in the course of this monitoring, including data maintained on RSA’s MIS generated from reports submitted by the VR agency, e.g., Financial Status Report (SF-269/SF-425) and the Annual VR Program/Cost Report (RSA-2). The review covered fiscal data from FY 2006 thru FY 2010, along with other fiscal reports as necessary, to identify areas for improvement and potential areas of noncompliance.

Specifically, RSA engaged in the review of the following to ensure compliance with federal requirements:

- the FY 2008 monitoring report issued pursuant to Section 107 of the Rehabilitation Act (see Section 4 above for a report of the agency’s progress toward implementation of recommendations and resolution of findings);
- A-133 audit findings and corrective actions;
- state/agency allotment/budget documents and annual fiscal reports; and
- grant award, match, MOE, and program income documentation.

In addition RSA reviewed the following as part of the monitoring process to ensure compliance:

- service provider contracts;
- VR agency policies, procedures, and forms (e.g., monitoring, personnel certifications and personnel activity reports), as needed;
- internal agency fiscal reports and other fiscal supporting documentation; and
- VR agency cost-benefit analysis reports.

RSA’s review of the fiscal integrity of the VR Program administered by NRD resulted in the identification of the observations and recommendations below. The TA requested by NRD to enable it to carry out these recommendations is contained in Appendix A to this report titled “Agency Response.” In addition, the compliance findings identified by RSA through the implementation of this focus area are contained in Section 6 of this report.

## **Observations and Recommendation**

### **5.C.1 Performance Monitoring and Resource Allocation**

**Observation:** Although NRD has implemented a quality assurance (QA) system to review its internal service delivery system, the agency does not evaluate the quality of services provided by external community rehabilitation providers (CRPs) and other public or private individual vendors. As a result, NRD cannot effectively evaluate the financial and programmatic performance of services provided through external entities on an ongoing basis.

- NRD implemented a QA system that utilizes service record reviews to assess the quality of services provided internally by NRD staff. The QA staff do not review any of the services provided externally through either CRPs or individual vendors.
- In FY 2010, NRD spent approximately 42 percent of total expenditures on services purchased from CRPs and individual vendors.
- A review of service coordination contracts revealed that NRD has not established performance goals for the services provided through the CRPs.
- Discussions with agency staff indicate NRD has not established performance goals for the public and private individual vendors with whom it procures services.

As a result, NRD has not established a mechanism to monitor quality performance indicators for CRPs or private vendors. Without the inclusion of performance-related goals for all external service providers, NRD cannot effectively monitor its programs and adjust to inefficiencies in service delivery.

**Recommendation:** RSA recommends that NRD:

- 5.C.1.1 establish monitoring processes within NRD to evaluate the quality of services provided externally through CRPs and individual vendors, and establish quantitative and qualitative performance goals that are measureable; and
- 5.C.1.2 integrate agency performance and financial systems so that NRD can effectively and consistently evaluate, and compare, the quality of its internal service delivery system to the external services provided by CRPs and individual vendors.

### **5.C.2 NRD Review of Financial Reports**

**Observation:** NRD’s financial reports, including the SF-269 and SF-425, are prepared and submitted to RSA by DETR staff without the review of NRD staff. During the on-site visit, discussions with NRD staff and DETR staff indicated that checks and balances have been

established to ensure that financial reports are reviewed in their entirety by NRD for accuracy prior to submission. The accurate reporting of financial data is not only a requirement of the VR implementing regulations and EDGAR, but RSA utilizes this data to establish national trends and analyze agency performance. Therefore, it is important that the data are reliable and valid, and that NRD as the DSU has an opportunity to review this information prior to submission to RSA.

**Recommendation:** RSA recommends that NRD take the necessary steps to ensure it reviews the financial data on the SF-269 and SF-425 reports for accuracy prior to submission of the reports to RSA.

## **Technical Assistance**

RSA provided TA below to NRD related to the fiscal integrity of the VR program while on-site in Nevada.

- Sources of Match: RSA conducted a TA presentation on sources of match, illustrating the specific fiscal and programmatic requirements of each match source, including an opportunity to answer the agency's questions.
- Personnel Cost Allocation: RSA provided TA regarding the requirement of VR agency staff who split time across multiple cost objectives to develop and maintain documentation supporting the time charged to each cost objective, that staff must sign the personnel activity reports (PARs), and that direct and indirect costs represent separate cost objectives.
- Program Income: RSA instructed NRD to disburse program income prior to requesting additional cash payments from its federal award, the procedure for SF-425 reporting of program income, including the process for reporting SSA program income transfers from the VR program to other eligible programs.
- Procurement: RSA provided the technical assistance circular and guidance regarding the requirement of informed choice as it relates to procurement activities for client services.
- Allowable VR Services: RSA instructed NRD that using federal VR funds to pay employers to hire or retain NRD consumer job placements, as part of the Silver State Works initiative, is not an allowable activity under the VR program.

## **SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS**

---

RSA identified the following compliance findings and corrective actions that NRD is required to undertake. The TA requested by the agency to enable it to carry out the corrective actions is contained in Appendix A to this report titled “Agency Response.” The full text of the legal requirements pertaining to each finding is contained in Appendix B.

NRD must develop a CAP 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 CAP can be developed within 45 days from the issuance of this report and RSA is available to provide TA to assist NRD to develop the plan and undertake the corrective actions.

RSA reserves the right to pursue enforcement action related to these findings as it deems appropriate, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

### **1. Individualized Plan for Employment (IPE)**

#### **Legal Requirements:**

- VR Program Regulations - 34 CFR 361.22(a)

#### **Finding:**

NRD is not in compliance with 34 CFR 361.22(a)(2), which requires NRD to develop and approve an IPE for a student in transition, who has been determined eligible for the VR program, prior to the student exiting school. During the on-site monitoring process, RSA interviewed NRD staff responsible for the provision of transition services to eligible students with disabilities. As part of those interviews, NRD staff informed RSA that it was their estimation that the agency was developing and approving IPEs for less than half of the transition-age students determined eligible for VR services prior to the students leaving the school setting. This would mean that about half of the students determined eligible for the VR program were exiting school without an IPE being developed and approved, which is not in accordance with the requirements of 34 CFR 361.22(a).

Also, as part of those interviews with NRD staff responsible for the provision of transition services to eligible students with disabilities, NRD informed RSA staff that it does not have plans, policies, and procedures for coordination between the DSA and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational services in school to the receipt of VR services under the responsibility of the designated State agency, as required by 34 CFR 361.22(a)(1). The lack of these plans, policies, and procedures contributes to a lack of

coordination between the schools and NRD that further results in decreased service delivery and employment outcomes for students in transition, as illustrated in the Section 2 Performance Analysis portion of this report. Although NRD recently hired two QA specialists to conduct case record reviews, they informed RSA that they do not currently review the timeliness of IPE development, or the rate of IPE completion, for students served prior to exiting the school setting.

**Corrective Action:** NRD must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will develop and approve IPEs for eligible students with disabilities as early as possible during the transition planning process but, at the latest, by the time each student determined to be eligible for VR services leaves the school setting, as required by 34 CFR 361.22(a)(2); and
- 1.3 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will develop and implement plans, policies, and procedures for coordination between the DSA and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under the responsibility of the designated State agency, as required by 34 CFR 361.22(a)(1).

## **2. DSU Representation on the LWIB**

**Legal Requirement:**

- VR Program Regulations – 34 CFR 361.13(c)(1)(v) and (2) and 34 CFR 361.23(a)(5)
- Workforce Investment Act of 1998 – Sections 117(b)(2)(A)(vi) and 121(b)(1)(B)(iv)

**Finding:**

In Nevada, the One-Stop service delivery system is known as JobConnect. JobConnect has two LWIBs in the state, Workforce Connections and Nevadaworks. Pursuant to section 121(b)(1)(A)(iv) of the Workforce Investment Act of 1998 (WIA), the VR program is a required partner in the One-Stop delivery system. As a required partner, the VR program must be a member of the LWIBs in accordance with section 117(b)(2)(A)(vi) of WIA.

During the on-site monitoring process, RSA reviewed NRD's membership on the two LWIBs in Nevada. According to the information RSA learned while on-site, the NRD administrator was appointed to the Nevadaworks LWIB in July, 2011. However, NRD is not a member of the Workforce Connections LWIB. Instead, the DETR director – not the administrator of NRD – is appointed to that particular LWIB. At the time of the on-site review, the DETR deputy director served in this capacity. The VR regulations at 34 CFR 361.23(a)(5) require the DSU – not the DSA – to be represented on the LWIBs in the state in accordance with the requirements for such membership in section 117 of WIA. Furthermore, the DSU's participation as a one-stop partner is one of the functions of the DSU that may not be delegated to another agency or individual (34

CFR 361.13(c)(1)(v) and (2)). Therefore, DETR, the DSA in Nevada, may not represent NRD on the Workforce Connections LWIB. Given NRD's lack of participation on the Workforce Connections LWIB, NRD is not in compliance with federal regulations at 34 CFR 361.23(a)(5).

**Corrective Action:** NRD must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will make arrangements for the representation of the DSU on the Workforce Connections LWIB to comply with 34 CFR 361.23(a)(5); and
- 2.2 provide RSA with the name and title of the DSU staff member appointed to represent the DSU on the Workforce Connections LWIB in order to show completion of this corrective action.

### **3. DSU Participation in Entering Into Memoranda of Understanding with the LWIBs**

**Legal Requirements:**

- VR Program Regulations – 34 CFR 361.13(c)(1)(v) and (2) and 34 CFR 361.23(a)

**Finding:**

NRD is not in compliance with federal VR regulations at 34 CFR 361.23(a)(3) because NRD -- the DSU for the VR program in Nevada -- is not involved in the development or review of the MOUs between NRD and the LWIBs. The DSU is required to develop the MOUs with the LWIBs to describe the services, how the cost of those services and the operating costs of the one-stop system will be funded, and the methods for referrals (*Id.*).

While on-site, RSA learned that the MOUs for NV's two LWIBs, Nevadaworks and Workforce Connections, were signed by the former DETR director -- not the NRD administrator. The VR regulations at 34 CFR 361.23(a)(3) make it clear that the DSU -- not the DSA -- is responsible for developing the MOUs with the LWIBs. As stated in Finding 2 above, NRD's participation as a one-stop partner in the JobConnect Centers is one of the DSU's specific functions and may not be delegated to another agency or individual (34 CFR 361.13(c)(1)(v) and (2)). Therefore, DETR -- the DSA in Nevada -- may not take on this role on behalf of NRD.

Furthermore, the MOUs that RSA reviewed did not describe how the operating costs will be shared among the One-Stop partners, including NRD, as required by 34 CFR 361.23(a)(3). Instead, the MOUs that RSA reviewed contained the statement that, "General and administrative operating costs of the Reno JobConnect Center will be the responsibility of DETR." During on-site interviews on this portion of the monitoring review process, DETR personnel informed RSA that they do not specify how costs are shared among One-Stop partners because the only occupants of the One-Stop centers are staff members from DETR divisions. Regardless of whether DETR divisions are the only occupants of the JobConnect Centers, federal cost principles require that costs be allocated appropriately in accordance with the benefit received by each program (2 CFR 225, Appendix A, paragraph C). Therefore, it is essential that the MOUs developed by NRD with the LWIBs specify how the costs will be shared among NRD and the

other One-Stop partners to ensure that each partner is paying only its fair and allocable portion of the costs. The fiscal aspects of this finding will be handled separately in this report at Finding 5 below, Monitoring Grant Activities.

**Corrective Action:** NRD must:

3.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that NRD, as the DSU, will enter into MOUs with both JobConnect LWIBs that meet the requirements of 34 CFR 361.23(a)(3), section 121(c) of the Workforce Investment Act, and 20 CFR 662.300, including a description of services, how the cost of the identified services and operating costs of the system will be funded, and methods for referrals.

#### **4. Program Income**

**Legal Requirement:**

- EDGAR - 34 CFR 80.21(f)

**Finding:**

NRD is not in compliance with federal regulations at 34 CFR 80.21(f)(2) because it is not disbursing available program income prior to drawing down federal VR funds.

NRD's social security reimbursement VR program income is received through a state treasury account from which the agency accesses the funds. The agency operates under a cost allocation plan that allocates program income across multiple budget categories, including agency personnel, thus preventing these funds from being spent first. A review of employee roster documentation identified several NRD staff whose salaries included an allocation of social security reimbursement VR program income ranging from two to six percent of total salaries.

Regulations at 34 CFR 80.21(f)(2) require grantees to disburse program income prior to requesting additional cash payments. This means that NRD must disburse all program income prior to requesting a drawdown of additional VR funds from its federal award. Since the program income is allocated across multiple expenditure categories, NRD is unable to ensure that the program income is disbursed prior to requesting additional cash payments, pursuant to 34 CFR 80.21(f)(2).

**Corrective Action 4:** NRD must:

4.1 cease requesting additional federal VR funds before disbursing program income; and  
4.2 provide a written assurance to RSA within 10 days of the issuance of the final monitoring report to ensure that it will disburse program income before requesting additional cash payments, to comply with 34 CFR 80.21(f)(2).

## 5. Monitoring Grant Activities

### Legal Requirements:

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

### Finding:

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

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

Overall, NRD does not have procedures in place to monitor the services provided: 1) through the CRP contracts that provide services to NRD's consumers, 2) individual vendors, or 3) JobConnects to ensure that funds expended were for allowable services to eligible consumers of the VR program. As a result, NRD has not monitored the activities under the contracts, individual vendors, or JobConnects as required by 34 CFR 80.40(a), to ensure that grant-supported activities comply with applicable federal requirements, and that performance goals are achieved. The program aspects of this finding will be handled separately in this report at Finding 3 above, DSU Participation in Entering Into Memoranda of Understanding with the LWIBs.

**Corrective Action 5:** NRD must:

- 5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 80.40(a), to ensure that it will monitor all grant supported activities to assure compliance with applicable federal requirements and that performance goals are achieved; and
- 5.2 develop and implement policies and procedures to monitor the activities and service contracts of all CRPs, services provided through individual vendors, or costs associated with JobConnects to ensure that: 1) the services provided are allowable under the VR program and provided only to eligible VR consumers; and 2) performance goals are achieved.

**6. Assigning Personnel Costs – VR Program**

**Legal Requirements:**

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

**Finding:**

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

To constitute an administrative cost under the VR program, expenditures must be incurred in the performance of administrative functions of the VR program (34 CFR 361.5(b)(2)). Administrative salaries, including those for clerical and other support staff who work under the VR program, constitute a VR-related administrative cost (34 CFR 361.5(b)(2)(xi)). Personnel costs of non-VR programs (i.e. the OIB and Welfare programs) do not constitute VR administrative costs because they do not arise from the performance of administrative functions for the VR program. Therefore, non-VR related expenditures are not allowable under the VR program, pursuant to 34 CFR 361.3, and may not be paid for with VR funds.

RSA requested documentation to support the costs of a sample of staff splitting time across multiple cost objectives. NRD provided timesheets for all the staff in the sample indicating the amount of time charged to each cost objective, but only one PAR for one individual. A review of the documentation and further discussion with agency staff revealed not all staff utilize PARs to track their time spent working on each cost objective, especially in the northern section of the

state, as required in 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5. Their personnel costs do not reflect an after-the-fact distribution of the actual activity of each employee. The practice of charging non-VR personnel costs to the VR program is not in accordance with the cost principles outlined in 2 CFR 225, 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a).

**Corrective Action 6:** NRD must:

- 6.1 cease using Title I funds for personnel costs that are incurred in the administration of other programs, such as the OIB and Welfare programs;
- 6.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 361.3, 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5; and
- 6.3 submit a plan, including timelines, describing the corrective actions that will be taken, as required by 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5, to ensure:
  - a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and
  - b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by NRD pursuant to federal program requirements.

## **7. Failure to Maintain Written Policies Governing Payment of VR Services**

### **Legal Requirements:**

- VR Program Regulations - 34 CFR 361.12
- VR Program Regulation - 34 CFR 361.50(c)(1)
- Cost Principles - 2 CFR 225, Appendix A, paragraph C

### **Finding:**

NRD is not in compliance with 34 CFR 361.12, 34 CFR 361.50(c)(1), and 2 CFR 225, Appendix A, paragraph C because NRD has not established and maintained written policies of how NRD will set fees for purchased VR services.

Federal regulations require NRD to establish procedures that enable it to administer the VR program in an efficient manner that ensures it can carry out all functions properly (34 CFR 361.12). NRD 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 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.). NRD has not complied with 34 CFR 361.12 and 34 CFR 361.50(c)(1) by not having a written policy in place for determining rates of payments for purchased VR services. By not maintaining these written policies, NRD cannot ensure that the costs of purchased services are reasonable

and necessary and, thus, allocable to the VR program. NRD, therefore, is not in compliance with the requirements set forth at 34 CFR 361.12, 34 CFR 361.50(c)(1), and the cost principles set forth in 2 CFR 225, Appendix A, paragraph C.

**Corrective Action 7:** NRD must:

- 7.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that NRD will develop written policies governing the payment of purchased VR services, as required by 34 CFR 361.50(c)(1), and that these policies will comply with 34 CFR 361.12 and 2 CFR 225, Appendix A, paragraph C;
- 7.2 establish and maintain written policies governing the rates of payment for all purchased VR services; and
- 7.3 submit copies of policies and procedures developed pursuant to this corrective action to RSA to ensure completion of that action.

## APPENDIX A: AGENCY RESPONSE

---

### Section 4: Results of Prior Monitoring Activities

NRD did not request additional TA to enable it to carry out the recommendations and corrective actions described below that were identified in the FY 2008 monitoring report.

#### Recommendations

1. New Applicants
2. Impact of VR Turnover
3. Evaluation of Internal and External Providers
4. Supported Employment
5. Fiscal - Non-Federal Resources
6. Fiscal - Report Inaccuracies

#### Corrective Actions

1. Assigning Personnel Costs
2. Periodic Certification

### Section 5: Focus Areas

#### C. Fiscal Integrity of the Vocational Rehabilitation Program

##### Observation 5.C.1: Performance Monitoring and Resource Allocation

**Recommendation:** RSA recommends that NRD:

- 5.C.1.1 establish monitoring processes within NRD to evaluate the quality of services provided externally through CRPs and individual vendors, and establish quantitative and qualitative performance goals that are measureable; and
- 5.C.1.2 integrate agency performance and financial systems so that NRD can effectively and consistently evaluate, and compare, the quality of its internal service delivery system to the external services provided by CRPs and individual vendors.

**Agency Response:** NRD concurs with these recommendations and will develop plans to address these issues.

##### Observation 5.C.2: NRD Review of Financial Reports

**Recommendation:** RSA recommends that NRD take the necessary steps to ensure it reviews the financial data on the SF-269 and SF-425 reports for accuracy prior to submission of the reports to RSA.

**Agency Response:** NRD concurs with this recommendation and will develop plans to ensure that the financial data on the SF-269 and SF-425 are accurate prior to submission of the reports to RSA.

**Technical Assistance:** NRD requests technical assistance.

## **Section 6: Compliance Findings and Corrective Actions**

### **1. Individualized Plan for Employment (IPE)**

**Corrective Action 1:** NRD must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will develop and approve IPEs for eligible students with disabilities as early as possible during the transition planning process but, at the latest, by the time each student determined to be eligible for VR services leaves the school setting, as required by 34 CFR 361.22(a)(2); and
- 1.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will develop and implement plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under the responsibility of the designated State agency, as required by 34 CFR 361.22(a)(1).

**Agency Response:** NRD concurs with these findings and will develop a corrective action plan (CAP) to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

### **2. DSU Representation on the LWIB**

**Corrective Action 2:** NRD must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that NRD will make arrangements for the representation of the DSU on the Workforce Connections LWIB to comply with 34 CFR 361.23(a)(5); and
- 2.2 provide RSA with the name and title of the DSU staff member appointed to represent the DSU on the Workforce Connections LWIB in order to show completion of this corrective action.

**Agency Response:** NRD concurs with these findings and will develop a CAP to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

### **3. DSU Participation in Entering Into Memoranda of Understanding with the LWIBs**

**Corrective Action 3:** NRD must:

3.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that NRD, as the DSU, will enter into MOUs with the Workforce Connections and Nevadaworks LWIBs that meet the requirements of 34 CFR 361.23(a)(3), section 121(c) of the Workforce Investment Act, and 20 CFR 662.300, including a description of services, how the cost of the identified services and operating costs of the system will be funded, and methods for referrals.

**Agency Response:** NRD concurs with this finding and will develop a CAP that will result in completed MOUs between NRD and the Workforce Connections and Nevadaworks LWIBs.

**Technical Assistance:** NRD requests technical assistance.

### **4. Program Income**

**Corrective Action 4:** NRD must:

4.1 cease requesting additional federal VR funds before disbursing program income; and  
4.2 provide a written assurance to RSA within 10 days of the issuance of the final monitoring report to ensure that it will disburse program income before requesting additional cash payments, to comply with 34 CFR 80.21(f)(2).

**Agency Response:** NRD concurs with these findings and will develop a CAP to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

### **5. Monitoring Grant Activities**

**Corrective Action 5:** NRD must:

5.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 80.40(a), to ensure that it will monitor all grant supported activities to assure compliance with applicable federal requirements and that performance goals are achieved; and  
5.2 develop and implement policies and procedures to monitor the activities and service contracts of all CRPs, services provided through individual vendors, or costs associated with JobConnects to ensure that: 1) the services provided are allowable under the VR program and provided only to eligible VR consumers; and 2) performance goals are achieved.

**Agency Response:** NRD concurs with these findings and will develop a CAP to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

## **6. Assigning Personnel Costs – VR Program**

**Corrective Action 6:** NRD must:

- 6.1 cease using Title I funds for personnel costs that are incurred in the administration of other programs, such as the OIB and Welfare programs;
- 6.2 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 361.3, 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5; and
- 6.3 submit a plan, including timelines, describing the corrective actions that will be taken, as required by 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5, to ensure:
  - a) personnel activity reports are maintained to support the allocation of an equitable portion of personnel costs for individuals, not charged indirectly, who work on more than one federal grant program or cost objective; and
  - b) personnel and administrative costs are allocated equitably, either directly or indirectly, to each program administered by NRD pursuant to federal program requirements.

**Agency Response:** NRD concurs with these findings and will develop a CAP to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

## **7. Failure to Maintain Written Policies Governing Payment of VR Services**

**Corrective Action 7:** NRD must:

- 7.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that NRD will develop written policies governing the payment of purchased VR services, as required by 34 CFR 361.50(c)(1), and that these policies will comply with 34 CFR 361.12 and 2 CFR 225, Appendix A, paragraph C;
- 7.2 establish and maintain written policies governing the rates of payment for all purchased VR services; and
- 7.3 submit copies of policies and procedures developed pursuant to this corrective action to RSA to ensure completion of that action.

**Agency Response:** NRD concurs with these findings and will develop a CAP to resolve the issues.

**Technical Assistance:** NRD requests technical assistance.

## APPENDIX B: LEGAL REQUIREMENTS

---

This Appendix contains the full text of each legal requirement cited in Section 6 of this report.

### Workforce Investment Act

#### Section 117(b)(2)(A)(vi)

(a) Membership.—

(1) State criteria.—The Governor of the State, in partnership with the State board, shall establish criteria for use by chief elected officials in the local areas for appointment of member of the local board in such local areas in accordance with the requirements of paragraph (2).

(2) Composition.—Such criteria shall require, at a minimum, that membership of each local board--

\*\*\*

(vi) representatives of each of the one-stop partners.

#### Section 121(b)(1)(B)(iv)

(b) One-Stop Partners.--

(1) Required partners.--

(A) In general.--Each entity that carries out a program or activities as described in subparagraph (B)

\*\*\*\*

(B) Programs and activities.--The programs and activities referred to in subparagraph (A) consist of--

\*\*\*\*

(iv) programs authorized under title I of the Rehabilitation Act of 1973 (29 U.S.C. 720 et seq.).

#### Section 121

(c) Memorandum of Understanding.—

(1) Development.--The local board, with the agreement of the chief elected official, shall develop and enter into a memorandum of understanding (between the local board and the one-stop partners), consistent with paragraph (2), concerning the operation of the one-stop delivery system in the local area.

(2) Contents.--Each memorandum of understanding shall contain—

(A) provisions describing—

(i) the services to be provided through the one-stop delivery system;

- (ii) how the costs of such services and the operating costs of the system will be funded;
  - (iii) methods for referral of individuals between the one-stop operator and the one-stop partners, for the appropriate services and activities; and
  - (iv) the duration of the memorandum and the procedures for amending the memorandum during the term of the memorandum; and
- (B) such other provisions, consistent with the requirements of this title, as the parties to the agreement determine to be appropriate.

## **Vocational Rehabilitation Program Regulations**

### **34 CFR 361.3**

The Secretary makes payments to a State to assist in—

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

### **34 CFR 361.12**

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 361.13**

(c) Responsibility for administration.

- (1) At a minimum, the following activities are the responsibility of the designated State unit or the sole local agency under the supervision of the State unit;

\*\*\*\*

- (v) Participation as a partner in the One-Stop service delivery system under Title I of the Workforce Investment Act of 1998, in accordance with 20 CFR part 662.
- (2) The responsibility for the functions described in paragraph (c)(1) of this section may not be delegated to any other agency or individual.

### **34 CFR 361.22**

(a) Plans, policies, and procedures.

- (1) The State plan must contain plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under the responsibility of the designated state agency states that the time-line for the development and approval of the IPE for an eligible student with a disability is as early as possible during the transition planning process but, at the latest,

by the time each student determined to be eligible for VR services leaves the school setting.

- (2) These plans, policies, and procedures in paragraph (a)(1) of this section must provide for the development and approval of an individualized plan for employment in accordance with 34 CFR 361.45 as early as possible during the transition planning process but, at the latest, by the time each student determined to be eligible for vocational rehabilitation services leaves the school setting or, if the designated State unit is operating under an order of selection, before each eligible student able to be served under the order leaves the school setting.

#### 34 CFR 361.23

- (a) Responsibilities as a partner of the One-Stop System. As a required partner in the One-Stop service delivery system (which is part of the statewide workforce investment system under Title I of the Workforce Investment Act of 1998), the designated state unit must carry out the following functions consistent with the Act, this part, Title I of the Workforce Investment Act of 1998, and the regulations in 20 CFR part 662:

\*\*\*\*

- (2) Use a portion of funds made available to the Program administered by the designated State unit under this part, consistent with the Act and this part, to—
  - (i) Create and maintain the One-Stop service delivery system; and

\*\*\*\*

- (3) Enter into a memorandum of understanding (MOU) with the Local Workforce Investment Board under section 117 of the Workforce Investment Act of 1998 relating to the operation of the One-Stop service delivery system that meets the requirements of section 121(c) of the Workforce Investment Act and 20 CFR 662.300, including a description of services, how the cost of the identified services and operating costs of the system will be funded, and methods for referrals.

\*\*\*

- (5) Provide representation on the Local Workforce Investment Board under section 117 of the Workforce Investment Act of 1998.

#### 34 CFR 361.50(c)(1)

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

## Education Department General Administrative Regulations (EDGAR)

### 34 CFR 80.20(a)

- (a) A state must expand 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 80.21(f)(2)

- (f) Effect of program income, refunds, and audit recoveries on payment. shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity.
  - (2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

### 34 CFR 80.40(a)

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 achieved. Grantee monitoring must cover each program function and activity.

## OMB circulars as cited in the CFR

2 CFR 225, Appendix A, paragraph C, in pertinent part, states:

- C.1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
  - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
  - b. Be allocable to Federal awards under the provisions of this Circular.

\*\*\*\*

- C.3. Allocable costs.
  - 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.

2 CFR part 225, Appendix B, paragraphs 8.h.4 and 8.h.5

- 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.