

**FISCAL YEAR 2012
MONITORING REPORT
ON THE
KANSAS VOCATIONAL REHABILITATION
PROGRAM**



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

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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 Kansas Rehabilitation Services (KRS) in federal fiscal year (FY) 2012, RSA:

- reviewed the VR agency's progress toward implementing goals and strategies 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, when applicable, 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 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 May 14 through 18, 2012, is described in detail in the FY 2012 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program or a PDF version.

Emerging Practices

Through the course of its review, RSA collaborated with KRS, the State Rehabilitation Council (SRC), and other stakeholders to identify the emerging practices below implemented by the agency to improve the performance and administration of the VR program.

Outreach to Unserved and Underserved Individuals

- **Great Expectations Initiative:** The Great Expectations Initiative (GEI) is designed to promote competitive, integrated employment for people with the most significant intellectual disabilities. GEI encourages employment as an alternative to sheltered work, non-work day services or waiting lists for Home and Community-Based (waiver services (HBCS). The initiative is a collaborative effort between KRS and the Community Developmental Disability Organizations (CDDOs) in the state.

Transition

- **Soaring to New Heights:** The Soaring to New Heights Program is a collaborative program between KRS and Kansas high schools designed to inspire, prepare and support transition-age youth with disabilities for successful employment, whether it be through direct entry into the labor market or through post-secondary education focused on career development.

Program Evaluation and Quality Assurance Practices

- **Caseload/Expenditure Projection and Monitoring:** KRS has developed a method to project caseload size and expenditures within a 90 to 95 percent accuracy rate. The method analyzes expenditure trends by month, using historical transaction data since July 2004, to identify cyclical patterns. Expenditures are also analyzed by case status. The method projects the number of VR program participants each month by status and the related expenditures.

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

Summary of Observations

RSA's review of KRS did not result in the identification of observations and recommendations.

Summary of Compliance Findings

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

- KRS has not implemented fiscal controls related to the provision of maintenance payments directly to individuals, such as the collection and review of receipts or other supporting documentation, that enable it to account for funds to such a degree that it can ensure the funds were expended in accordance with federal requirements.

Development of the Technical Assistance Plan

RSA will collaborate closely with KRS to develop a plan to address the technical assistance needs identified by KRS in Appendix A of this report. RSA and KRS will conduct a teleconference within 60 calendar days following the publication of this report to discuss the details of the technical assistance needs, identify and assign specific responsibilities for implementing technical assistance and establish initial timeframes for the provision of the assistance. RSA and KRS 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 Brian Miller, Carol Dobak and Corinna Stiles (VR Program Unit); Sean Barrett, David Steele and Katherine Courtnage-Clay (Fiscal Unit); Fred Isbister (Technical Assistance Unit); and Steven Zwillinger (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

Acknowledgements

RSA wishes to express appreciation to the representatives of the Department for Children and Families (DCF) and KRS for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of 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 and fiscal data contained in Tables 2.1 and 2.2 below and is intended to serve as a broad overview of the VR program administered by KRS. 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 or fiscal trends. In addition, the data in Table 2.1 measure performance based on individuals who exited the VR program during federal fiscal years 2006 through 2011. Consequently, the table and accompanying analysis do not provide information derived from KRS open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. KRS 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
KRS Program Performance Data for FY 2006 through FY 2011**

		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Change from FY 2006 to FY 2011	Agency Type 2011
All Individual Cases Closed									
TOTAL CASES CLOSED	Number	6,069	6,249	7,050	6,357	8,662	7,650	1,581	273,950
	Percent	100%	100%	100%	100%	100%	100.0%	26.1%	100.0%
Exited as an applicant	Number	1,121	1,143	1,239	1,477	1,870	1,816	695	45,694
	Percent	18.5%	18.3%	17.6%	23.2%	21.6%	23.7%	62.0%	16.7%
Exited during or after trial work experience/extended employment	Number	32	23	35	29	35	25	-7	1,910
	Percent	0.5%	0.4%	0.5%	0.5%	0.4%	0.3%	-21.9%	0.7%
TOTAL NOT DETERMINED ELIGIBLE	Number	1,153	1,166	1,274	1,506	1,905	1,841	688	47,604
	Percent	19.0%	18.7%	18.1%	23.7%	22.0%	24.1%	59.7%	17.4%
Exited without employment outcome after signed IPE	Number	55	111	166	189	308	223	168	8,173
	Percent	0.9%	1.8%	2.4%	3.0%	3.6%	2.9%	305.5%	3.0%
Exited from order of selection waiting list	Number	422	313	51	0	0	0	-422	2,978
	Percent	7.0%	5.0%	0.7%	0.0%	0.0%	0.0%	-100.0%	1.1%
Exited without employment after eligibility	Number	1,283	1,621	2,258	2,089	2,373	2,234	951	62,559
	Percent	21.1%	25.9%	32.0%	32.9%	27.4%	29.2%	74.1%	22.8%

All Individual Cases Closed		FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	Change from FY 2006 to FY 2011	Agency Type 2011
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	1,760	2,045	2,475	2,278	2,681	2,457	697	73,710
	Percent	29.0%	32.7%	35.1%	35.8%	31.0%	32.1%	39.6%	26.9%
Exited with employment	Number	1,746	1,853	1,645	1,426	1,452	1,624	-122	80,711
	Percent	28.8%	29.7%	23.3%	22.4%	16.8%	21.2%	-7.0%	29.5%
Exited without employment	Number	1,410	1,185	1,656	1,147	2,624	1,728	318	71,925
	Percent	23.2%	19.0%	23.5%	18.0%	30.3%	22.6%	22.6%	26.3%
TOTAL RECEIVING SERVICES	Number	3,156	3,038	3,301	2,573	4,076	3,352	196	152,636
	Percent	52.0%	48.6%	46.8%	40.5%	47.1%	43.8%	6.2%	55.7%
EMPLOYMENT RATE		55.32%	60.99%	49.83%	55.42%	35.62%	48.45%	-12.42%	52.88%
Transition aged youth	Number	1,805	1,858	2,156	2,010	2,718	2,229	424	97,282
	Percent	29.7%	29.7%	30.6%	31.6%	31.4%	29.1%	23.5%	35.5%
Transition aged youth employment outcomes	Number	510	575	493	383	439	450	-60	29,062
	Percent	29.2%	31.0%	30.0%	26.9%	30.2%	27.7%	-11.8%	36.0%
Competitive employment outcomes	Number	1,694	1,808	1,557	1,385	1,407	1,607	-87	76,087
	Percent	97.0%	97.6%	94.7%	97.1%	96.9%	99.0%	-5.1%	94.3%
Supported employment outcomes	Number	157	158	119	82	48	148	-9	10,480
	Percent	9.0%	8.5%	7.2%	5.8%	3.3%	9.1%	-5.7%	13.0%
Average hourly wage for competitive employment outcomes	Average	\$8.77	\$8.96	\$9.34	\$9.69	\$10.00	\$9.83	\$1.06	\$11.22
	Average	30.8	30.9	31.1	30.3	30.1	29.9	-0.9	31.4
Competitive employment outcomes at 35 or more hours per week	Number	871	931	815	672	675	723	-148	39,622
	Percent	49.9%	50.2%	49.5%	47.1%	46.5%	44.5%	-17.0%	49.1%
Employment outcomes meeting SGA	Number	1,029	1,085	934	820	829	936	-93	48,900
	Percent	58.9%	58.6%	56.8%	57.5%	57.1%	57.6%	-9.0%	60.6%
Employment outcomes with employer-provided medical insurance	Number	501	548	508	410	368	367	-134	19,640
	Percent	28.7%	29.6%	30.9%	28.8%	25.3%	22.6%	-26.7%	24.3%

VR Performance Trends

Positive Trends

As shown in Table 2.1, the performance of the KRS VR program improved in a number of areas during FY 2011, when compared to that for FY 2010. With respect to the number of individuals entering the program, the number of individuals who exited the program after applying for services, but before being determined eligible, decreased from 1,770 to 1,716 and the number of individuals who were determined not to be eligible for VR services decreased from 1,905 to 1,841. Once eligibility was determined, the number of individuals who exited the program before the development of an individualized plan for employment (IPE) decreased from 2,373 to 2,234 and those who exited the program after developing IPEs, but prior to receiving services, also decreased from 308 to 223.

Of those individuals who received services in FYs 2010 and 2011, the number who achieved employment increased from 1,452 to 1,624, or 16.8 percent, to 21.2 percent of all individuals whose cases were closed. At the same time, the number of individuals who exited the VR program without employment after receiving services decreased from 2,624 to 1,728 or from 30.3 percent to 22.6 percent of all individuals whose cases were closed, comparing favorably to the performance of all combined agencies of 26.3 percent in FY 2011. Consequently, the employment rate (the percentage of individuals who achieved employment of all those who received services) increased from 35.6 percent to 48.4 percent. In addition, of those individuals who achieved employment, only 48 (3.3 percent) achieved supported employment (SE) outcomes in FY 2010, a figure that increased substantially to 148 (9.1 percent) in FY 2011, returning to the approximate level of SE outcomes achieved in FY 2006.

KRS also exhibited improvement in the quality of its outcomes, either over the entire period under review or between FYs 2010 and 2011. For example, the average hourly wage for individuals who achieved employment increased from \$8.77 in FY 2006 to \$ 9.83 in FY 2011, an increase of \$1.06 or 12 percent. The average hours worked per week by individuals who achieved employment remained constant, varying only slightly from 30.8 hours per week in FY 2006, to 29.9 hours in FY 2011. Between FYs 2010 and 2011, of the number of individuals who achieved employment, those who worked 35 or more hours per week increased from 675 to 723 and those who earned wages equivalent to or greater than the level of substantial gainful activity as defined by the Social Security Administration increased from 829 to 936. Although the improvement in the numbers of individuals participating in the VR program and their ability to achieve employment described in the preceding paragraphs, as well as the quality of the employment outcomes achieved, demonstrated between FYs 2010 and 2011 may not appear significant when viewed alone, it is noteworthy when considered in light of the declines in these areas from 2006 to 2010 discussed in the following section.

Trends Indicating Potential Risk to the Performance of the VR Program

During the six year period from FY 2006 to FY 2011, KRS experienced an overall decline in several areas of program performance, despite those instances of improvement described above from FY 2010 to FY 2011. The data contained in Table 2.1 show a number of downward trends for individuals who exited the VR program without employment. For example, the number of individuals who applied for services and exited the program prior to the determination of

eligibility increased from 1,126, or 18.5 percent in 2006, to 1,816, or 23.7 percent in FY 2011, compared to the performance of all combined agencies of 16.7 percent. The number of individuals who exited the program after they were determined eligible for services, but before they developed IPEs, increased from 1,283, or 21.1 percent, in FY 2006, to 2,234, or 29.2 percent, in FY 2011, compared to the percentage of all combined agencies of 22.8 percent. Likewise, the number of individuals who exited the program after developing IPEs, but before receiving services, increased from 55, or less than one percent of the total number of individuals whose cases were closed in FY 2006, to 223, or 2.9 percent, in FY 2011. Finally, the total number of individuals who exited the VR program after the determination of eligibility, but prior to receiving services, increased from 1,760 in FY 2006, to 2,547 in FY 2011, an increase of 40 percent.

Similarly, KRS experienced a decline in performance during the period under review with respect to those individuals who exited the VR program after receiving services. For example, the number of individuals who achieved employment decreased from 1,746 (28.8 percent of all individuals whose cases were closed) in FY 2006, to 1,624 (21.2 percent) in FY 2011, compared to the FY 2011 percentage for all combined agencies of 28.0 percent. In addition, the number of individuals who exited the program without achieving employment after receiving services increased from 1,410 (23.2 percent of all those whose cases were closed) in 2006, to 1,728 (22.6 percent) in FY 2011, compared to the percentage for all combined agencies of 26.3 percent. As a result, the employment rate declined from 55.3 percent to 48.4 percent from FYs 2006 to 2011, the year during which the percentage for all combined agencies was 50.4 percent.

A decline in the quality of the employment outcomes achieved occurred most significantly with respect to those individuals who obtained employment and received employer-provided medical insurance. This number decreased from 501 in FY 2006, to 367 in FY 2011, representing a decrease in the percentage of closures from 28.7 percent in FY 2006, to 22.6 percent in FY 2011.

RSA discussed these data with KRS management to determine the factors that may have had an impact on the performance of the VR program during the period under review. KRS informed RSA that in FY 2010 the agency undertook a review of its open cases and closed a substantial number belonging to individuals who were no longer actively seeking employment through the VR program. Although this effort provided KRS with a clearer understanding of the number of individuals engaged in its VR program and the demands they placed on the agency's fiscal and staff resources, the data for that year reflected a substantial decrease in the numbers of individuals participating in all stages of the program, resulting, in part, in the decline in measures related to the quantity and quality of employment outcomes. While the performance of the VR program improved from FY 2010 to FY 2011, it is likely that the purging of inactive cases from the program in FY 2010 will continue to affect the overall performance of the program in future years until the number of active program participants becomes stable.

RSA and KRS discussed other factors that may have affected the performance of the VR program, such as the overall economic climate of the state. Beginning in FY 2008, Kansas experienced a serious economic downturn, resulting in significantly fewer job opportunities and a high level of unemployment in the state throughout most of the period under review. These economic conditions also may have contributed to the reduced ability of KRS to assist

individuals with disabilities to obtain employment and the quality of those outcomes that were achieved.

KRS indicated its intent to conduct further analyses to determine the degree to which the factors described in the above paragraphs and others affected its performance related to the number of individuals engaged in the various stages of the VR process, as well as the quantity and quality of employment outcomes they achieve. This analysis will enable KRS to more effectively modify and enhance its goals by which it assesses the performance of the program and the strategies used to attain these goals, mitigating against the negative effects of the purging of inactive cases, the Kansas economy and other factors, and reversing the decline in performance.

Fiscal Analysis

Table 2.2
KRS Fiscal Performance Data for FY 2006 through FY 2010

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Grant amount per MIS	4 th	27,641,991	26,929,144	27,795,281	29,188,253	29,103,545
	Latest/ Final*	27,641,991	26,929,144	27,795,281	29,188,253	29,103,545
Total outlays	4 th	31,116,413	30,622,868	31,308,686	30,868,681	24,188,442
	Latest/ Final*	35,185,638	34,217,464	35,388,794	37,087,996	24,188,442
Total unliquidated obligations	4 th	4,198,207	3,594,596	1,361,472	1,360,964	1,253,089
	Latest/ Final*	0	0	0	0	1,253,089
Federal Share of Total Outlays	4 th	24,338,002	24,100,197	23,715,172	22,968,938	16,311,625
	Latest/ Final*	27,641,991	26,929,144	27,795,281	29,188,253	16,311,625
Federal share of unliquidated obligations	4 th	3,303,989	2,828,947	1,361,472	1,071,079	986,181
	Latest/ Final*	0	0	0	0	986,181
Total federal share	4 th	27,641,991	26,929,144	23,715,172	24,040,017	17,297,806
	Latest/ Final*	27,641,991	26,929,144	27,795,281	29,188,253	17,297,806
Recipient funds	4 th	6,778,411	6,522,671	7,522,738	7,899,743	7,876,817
	Latest/ Final*	7,481,392	7,288,320	7,522,738	7,899,743	7,876,817
Recipient share of unliquidated obligations	4 th	894,218	765,649	0	289,885	266,908
	Latest/ Final*	0	0	0	0	266,908
Agency actual match (total recipient share)	4 th	7,672,629	7,288,320	7,522,738	7,899,743	7,876,817
	Latest/ Final*	7,481,392	7,288,320	7,522,738	7,899,743	7,876,817
Agency required match	4 th	6,587,032	6,522,671	6,418,465	6,216,498	4,598,340
	Latest/ Final*	7,481,250	7,288,320	7,522,738	7,899,743	4,598,340
Over/under match	4 th	-1,085,597	-765,649	-1,104,273	-1,683,245	-3,278,477
	Latest/ Final*	-142	0	0	0	-3,278,477

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
MOE **	4 th	-	-	-	-	-
	Latest/ Final*	-	-	7,522,738	7,899,743	-
Unobligated funds qualifying for carryover	4 th	0	0	2,718,637	5,148,236	11,805,739
	Latest/ Final*	0	0	0	0	11,805,739
Total program income realized	4 th	804,258	1,138,040	685,220	752,491	655,264
	Latest/ Final*	825,931	1,138,040	685,220	752,491	655,264
Total indirect costs	4 th	1,769,882	2,323,664	1,892,637	1,821,859	1,480,584
	Latest/ Final*	2,144,802	2,323,664	1,892,637	1,821,859	1,480,584

*Denotes Final or Latest SF-269 or SF-425 Submitted

**Based upon Final or Latest SF-269 or SF-425 Submitted

RSA reviewed fiscal performance data from federal FY 2007 through federal FY 2011. Based on the data in the table above, the agency matched its grant award in each fiscal year reviewed and was able to carry over unexpended federal funds in FYs 2008 through 2010 for an additional federal fiscal year. The agency receives 99 percent of the required non-federal share (match) from state appropriations, with the remainder of the match primarily from BEP set-aside funds.

The agency's carryover increased substantially from \$0 in FY 2008 to \$11,805,739 in FY 2011. The increase in carryover funds was due primarily to the awarding of VR funds under the American Reinvestment and Recovery Act (ARRA) of 2009 and the agency's intention to not incur any costs that may extend past the availability of ARRA funds. According to the data, the agency met its maintenance of effort requirements for the review period. The U.S. Department of Health and Human Services is the cognizant agency for the KRS approved cost allocation plan.

SECTION 3: EMERGING PRACTICES

While conducting the monitoring review of the VR program, the review team collaborated with KRS, the SRC, 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 supported employment 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.

Outreach to Unserved and Underserved Individuals

- **The Great Expectations Initiative:** The Great Expectations Initiative (GEI) is designed to promote competitive, integrated employment for people with the most significant intellectual disabilities. GEI encourages employment as an alternative to sheltered work, non-work day services or waiting lists for Home and Community-Based waiver services (HCBS). The initiative is a collaborative effort between the VR program and Community Developmental Disability Organizations (CDDOs). CDDO staff determine eligibility for waiver services and help consumers and their families access services from a variety of providers including targeted case managers.

As a result of GEI, targeted case managers who work with consumers through the waiver system are now encouraging the inclusion of employment goals into person-centered plans. The entry into the VR system has been expedited through the sharing of consumer information and a team approach to service delivery with the CDDO system. The discovery assessment model has been implemented to more effectively identify an individual's interests, skills, and key themes to help shape a vocational profile and IPE. Building on information learned during the discovery phase, customized employment approaches are used to carve or create good employment matches.

Significant training and technical assistance was provided to CDDO partners and targeted case managers through the University of Kansas Center for Developmental Disabilities and Virginia Commonwealth University, site of a national research and training center on employment for people with significant disabilities.

Transition

- **Soaring To New Heights:** The Soaring to New Heights program is a collaborative initiative between the VR program and Kansas high schools. It is designed to inspire, prepare and support transition-age youth with disabilities for employment success, whether it be through direct entry into the labor market or through post-secondary education focused on career development. The project recognizes that economic empowerment through employment is the cornerstone to achieving self-sufficiency, independence, inclusion, and full citizenship.

Soaring is based on the premise that early exposure to the workplace will improve employment opportunities for youth by helping them develop work-related skills and to make informed decisions about their employment goals. Outcomes can be further improved when work experiences are integrated into and supported by the school curriculum. Therefore, Soaring is unique in that it couples a specifically designed curriculum for high school juniors with early linkages to the VR system.

The Soaring curriculum, developed in partnership with the University of Kansas Center for Research on Learning, engages students with disabilities to fully understand their strengths, interests, abilities and disabilities. Students learn essential employability and life skills, such as how to set goals and advocate for themselves, as well as to communicate well with employers and others. The curriculum features a universal design, with various levels of instructional tools that can be chosen by teachers based on the needs of a class or individual student. The Soaring curriculum uses the Strategic Instructional Method developed at the University of Kansas. This validated and nationally recognized method uses teacher-modeling and opportunities for students to practice skills in small groups. Therefore, skills are not taught in the abstract. Students learn through observation of the teacher as well as through their own practice experiences.

For each Soaring class, a VR counselor is assigned to facilitate opportunities for students to gain real-life work experience through competitive, integrated employment in summer jobs, after-school jobs, or weekend employment. These work experiences empower students to make informed decisions about their adult options for employment and, as appropriate, for additional post-secondary education. The early linkages to VR developed through Soaring help facilitate a smooth transition from special education or Section 504 services to the adult service delivery system.

Program Evaluation and Quality Assurance Practices

- **Caseload/Expenditure Projection and Monitoring:** KRS developed a method that results in projections of caseload size and expenditures with a 90 to 95 percent accuracy rate. The method analyzes expenditure trends by month, using historical transaction data since July 2004, to identify cyclical patterns. Expenditures are also analyzed by case status. The method projects the number of VR program participants each month by status and the related expenditures. Managers are able to analyze case status movement and costs and compare actual versus anticipated activity. Additionally, monthly projections assist managers to forecast the effects of policy changes before they are made. Changes in data are routinely investigated to determine if revisions to the projection model are required.

In addition, KRS developed an extensive online set of reports, compiled from data gathered from a variety of databases, to assist managers and counselors with the monitoring of caseloads, expenditures, employment outcomes and the performance of service providers. Reports may be sorted at the state, regional, unit or counselor level, and by expenditures, outstanding obligations, types of services, and names of service providers. Managers regularly review expenditure reports to identify outliers which warrant further review. With five years of historical data available through the reports, this system also permits trend analysis.

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 federal FY 2012, RSA assessed progress toward the implementation of the goals and strategies accepted by KRS resulting from the prior monitoring review in FY 2007.

Goals and Strategies

In response to RSA's monitoring report dated September 7, 2007, KRS and RSA agreed to the goals and strategies listed below. Included is a brief summary of the agency's implementation of each strategy and its progress toward the achievement of the goals.

Goal 1: The Quantity and Quality of Successful Employment Outcomes -- KRS will increase the number and quality of employment outcomes achieved by individuals with disabilities.

Strategy 1: Improve the effectiveness of supported employment and job placement service providers (See related information for Goal 2).

KRS implemented new payment-for-performance provider agreements as of July 1, 2008, following extensive provider and stakeholder input, a consumer needs assessment, review of typical service delivery timeframes, and cost analysis. These provider agreements establish clear expectations for achievement of milestones and outcomes. Payment is tied to successful achievement of the milestones, with the majority of the total payments earned at the point of a successful employment outcome. This is significantly different than the previous model that provided large upfront payments at the point of referral to the provider.

To focus on accountability, the provider agreements include requirements for specific, measurable action plans to be developed jointly by the provider and the consumer, and to be approved by the VR counselor. The agreements also specify requirements for periodic (typically weekly or monthly) progress reports with an analysis of whether current strategies are effective or whether new approaches need to be developed to achieve the employment outcome. Accountability benchmarks also have been established.

To support the effective implementation of the new provider agreements, KRS conducted regional training with service providers and KRS staff at the point of implementation, and periodically thereafter. Regional Program Administrators meet regularly with providers to assess current performance and address areas for improvement, if identified.

This approach has resulted in measurable improvement to provider performance. In FFY 2006, the rehabilitation rate of persons referred to placement providers was 42 percent. In FFY 2011, the rate increased to 62 percent. At the same time performance improved significantly, costs dramatically decreased. In FFY 2007, KRS spent just over \$6 million on the purchase of job development and placement services through provider agreements. In FFY 2011, this amount had been reduced to \$3.4 million.

Strategy 2: Emphasize full-time competitive employment as the optimal outcome following VR services.

Beginning in FY 2009 and subsequent years, KRS established in its State Plan a goal that Kansans with disabilities will achieve quality, competitive, integrated employment and *self-sufficiency*. Highlights from the related performance indicators for FY 2011 show that:

- individuals achieving employment through VR services worked an average of 30 hours per week;
- the percentage of individuals achieving employment outcomes in technical, managerial and professional occupations was 17.5 percent; and
- 332 people achieved employment after participating in post-secondary education, an increase of 47% compared to the FY 2006 baseline.

The performance evaluation system implemented in 2009 emphasizes the importance of employment outcomes and wages that lead to self-sufficiency. Counselors are expected to discuss options for maximizing employment, post-secondary education opportunities, and current labor market information with individuals prior to establishing employment goals. Performance on this expectation is measured through the case review system, and reported as an indicator in the State Plan Report of Progress.

Strategy 3: Explore the use of rehabilitation paraprofessionals working in partnership with VR counselors to maximize the quality and quantity of employment outcomes.

This strategy has been implemented to a limited degree. With reductions in available Full-Time Equivalent (FTE) positions due to appropriations and budget constraints, KRS has emphasized filling VR counselor positions as the top hiring priority.

Strategy 4: Analyze homemaker closures to identify opportunities for reduction, recognizing federal requirements for informed choice and other applicable rules/regulations.

In FY 2007, KRS reported that 38 individuals obtained an employment goal of homemaker, representing two percent of successful outcomes. In FY 2011, KRS reported 13 homemaker closures, less than one percent of successful outcomes, demonstrating a significant reduction in the total number and percentage of outcomes of this type. KRS attributes this to its on-going emphasis on competitive employment outcomes.

Goal 2: Performance of Service Providers -- KRS will improve the accountability and performance of service providers.

Strategies 1 and 2:

- Implement the revised payment-for-performance provider agreement in FY 2008, emphasizing clear expectations and performance measures; and
- Implement specific outcome benchmarks; pending further stakeholder and provider input.

See the report of progress provided under Goal 1 above.

Strategy 3: Implement a quarterly “report card” system to track the performance of individual providers. The report card will identify providers on target to achieve benchmarks, those with potential performance issues (yellow flags) and those requiring corrective action (red flags). Appropriate interventions will be implemented based on the provider’s performance.

Through use of the real-time SQL reporting system, KRS is able to track milestone payments and outcomes of individual service providers. This information is available to assist consumers in making informed choices about entities to provide services. Regional Program Administrators also have access to the information for periodic meetings with providers to discuss performance. KRS is currently pursuing an on-line referral and reporting system which will assist in capturing performance data. Preliminary discussions are underway related to modernizing the KRS legacy data system, at which time more sophisticated reporting options may be available.

Strategy 4: Evaluate the effectiveness of the new model agreement nine to twelve months following implementation and on an ongoing basis thereafter.

KRS sees this as an ongoing process. KRS believes the improved rehabilitation rate and reduced expenditures mentioned under Goal 1 are strong indicators of accountability and success.

Goal 3: Effectiveness and Independence of the SRC -- KRS will support the efforts of the SRC to improve the capacity of SRC members to carry out the mandated functions of the SRC in an effective and independent manner.

Strategy 1: Identify a pool of nominees and work with the governor’s office to ensure that appointments are current and in compliance with the composition requirements contained in Section 105 of the Act.

This is an ongoing responsibility of both KRS and the Council’s Membership Committee. Except for the periodic vacancy due to a member’s resignation, the Council composition requirements have been in compliance since November 1, 2008. An ongoing recruiting challenge is to identify representatives of business and industry with an interest and willingness to serve on this Council.

Strategy 2: The SRC will adopt a committee structure to assist it to carry out its required functions.

Beginning in FY 2008, the Council established committees to facilitate its work. The Executive Committee is comprised of the chairperson, vice chairperson and director. This committee chairs the meetings, appoints standing or special study committees, develops the Annual Report, and works in partnership to conduct Council business in between regular business meetings. The Membership Committee develops a membership needs analysis based on disability, diversity and geographic representation, as well as composition requirements; recruits individuals to fill positions on the Council consistent with the needs analysis; and assist in training new members. The Policy Committee collaborates with KRS to review existing VR policies and makes

recommendations for policy updates or changes. The Committee of the Whole assists KRS in developing, updating and evaluating the State Plan.

Strategy 3: The SRC will independently develop the content for its annual report for FY 2008 and thereafter.

The Annual Report is developed at the direction of the Executive Committee of the SRC and is independently developed and distributed. In addition, the TACE for Region VII provided in-depth training to the Council on the Rehabilitation Act and its responsibilities. This information has since been incorporated into an ongoing orientation program for new members. Two Council chairpersons and one vice chairperson have attended national conferences to increase their knowledge base and understanding of the functions and requirements of the council and its annual report.

Goal 4: Subgranting of Title I Funds -- KRS will cease all subgranting of Title I funds immediately and will develop alternate means, such as contracts or cooperative agreements, for the disbursement of funds to service providers.

Strategy 1: KRS and the Department of Social and Rehabilitation Services (SRS) will provide the RSA Fiscal Unit all executed subgrants entered into during FYs 2002 through 2007 for review.

KRS completed this activity immediately upon the request of RSA during the on-site review and subsequent to the publication of the FY 2007 monitoring report.

Strategy 2: KRS will develop new contracting documents for the expenditure and monitoring of funds according to the Act and applicable regulations.

All Title I grants ended effective July 31, 2007 and were replaced with service provider agreements or contracts. Extensive requirements for reporting, invoicing and personnel activity reports are incorporated into the contracting process. This information was reviewed by RSA during the FY 2012 on-site review, and audits are conducted by the DSA as needed.

Strategy 3: KRS will develop new contracting processes to bring the program and fiscal management of the program into compliance with the Act and applicable regulations.

See Strategies 1 and 2 discussed under this goal.

Compliance Findings and Corrective Actions

Through its monitoring of KRS in FY 2007, RSA did not identify programmatic or fiscal compliance findings and no corrective action plan was developed. However, RSA indicated in the monitoring report dated September 7, 2007, that it had concerns related to the ability of KRS to effectively exercise its non-delegable responsibility for the allocation and expenditure of VR program funds in accordance with the requirements of regulations at 34 CFR 361.13(c)(1) and (2), which require that the DSU be solely responsible for the this and other aspects of VR program administration.

Specifically, during the FY 2007 review RSA obtained information indicating that KRS may not have been able to properly exercise its responsibility for the allocation and expenditure of VR program funds due to the aggregation of the VR and other program office budgets and assigned FTE positions within the regional offices of DCF (formerly known as the Department of Social and Rehabilitation Services (SRS)) Division of Family Services (DFS; formerly known as the Integrated Service Delivery Division). See pages 18 through 21 of the FY 2007 monitoring report. Although RSA stated in that report that it required additional information and data prior to determining if KRS was not in compliance with federal requirements, KRS nonetheless took steps to address RSA's concerns following the issuance of the FY 2007 monitoring report, which were thoroughly reviewed by RSA in FY 2012 through the implementation of Focus Area 5.A covering the organizational structure of KRS within DCF. The manner in which KRS now administers the VR program and exercises its non-delegable responsibility for the allocation and expenditure of funds within the DFS regional offices as a result of these actions can be found in the overview of the DCF and KRS organizational structure on page 20 of this report.

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 KRS with the federal requirements related to its organization within DCF and the ability of KRS 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 DCF and KRS under 34 CFR 361.13(b);
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which KRS 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 KRS 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:

- DCF secretary and deputy secretary for DFS;
- KRS director and senior managers;
- Four DCF regional directors;
- KRS program managers in various field offices;
- DCF and KRS staff members responsible for the fiscal management of the VR program;
- SRC chairperson and other Council members; and
- Client Assistance Program director and staff members.

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

- diagrams and supporting documentation 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;
- diagrams and supporting documentation identifying all programs from all funding sources that fall under the administrative purview of the DSU, illustrating the number of staff working on each program;
- the number of full-time employees 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 engaging in the rehabilitation work of KRS;

- individuals who engage in the rehabilitation work of KRS and one or more additional programs/cost objectives (e.g., one-stop career centers); and
- individuals under KRS that do not work on VR or other rehabilitation within the DSU.
- sample memoranda of understanding (MOUs) and/or cost allocation plans with one-stop career centers; and
- documents describing Kansas procurement requirements and processes.

Overview

As of July 1, 2012, KRS, the DSU for the administration of the VR and SE programs, is located within DCF (formerly known as SRS), the DSA. The Office of the Secretary for DCF consists of the secretary and two deputy secretaries, one responsible for the programmatic components located within DFS and the other for the administrative functions of DCF, including information technology, audits and financial management.

In addition to KRS, DFS is comprised of Economic and Employment Support Services, Child Support Enforcement Services and Prevention and Protection Services. To assist with the administration of these programs, DFS is divided into four regions, each overseen by a regional office director. The four regional directors report to the DCF Chief of Staff and provide administrative support to the KRS regional program administrators assigned to each region with respect to the purchase of equipment, determination of office space and other logistical matters. The director of KRS, the KRS regional program administrators and other personnel consult with the DCF secretary, the deputy secretary for DFS and the DFS regional office directors, as appropriate, concerning the administration and operation of the VR program, including the development of distinct statewide and regional program budgets and the assignment of FTE positions. However, they are solely responsible for all decisions related to the provision of VR services, the development and implementation of program policies and the allocation and expenditure of funds, as required by regulations at 34 CFR 361.13(c).

KRS oversees and administers the VR program, the independent living programs, the business enterprise program and disability determination services (DDS). The Kansas Commission for the Deaf and Hard of Hearing (KCDHH) is also organized within KRS. Of the total 265.78 FTE positions assigned to KRS as of June 2012, 103.29 are assigned to the DDS program and 2 to KCDHH, with the remaining 160.49 assigned across the other program units.

RSA's review of the organizational structure of KRS did not result in the identification of observations and recommendations or compliance findings.

B. Transition Services and Employment Outcomes for Youth with Disabilities

The purpose of this focus area was to assess KRS'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 Kansas, 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 six-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 the technical assistance and continuing education needs of VR agency staff.

To implement this focus area, RSA reviewed:

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

To assess the performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed KRS data from FYs 2006 through FY 2011, 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 individualized plan for employment (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.

To provide context for the agency's performance in the area of transition, RSA also compared the performance of KRS with the national average of all combined state 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:

- KRS director;
- KRS VR counselors and transition staff;
- SEA personnel;
- SRC chair and other SRC members;
- Client Assistance Program director and staff; and
- Director of Families Together, the Kansas parent training and information center.

RSA's review of transition services and employment outcomes achieved by youth with disabilities did not result in the identification of observations or compliance findings.

Technical Assistance

The RSA review team provided technical assistance to KRS in the area of transition services and employment outcomes for youth with disabilities while on-site in Kansas. Specifically, RSA discussed with KRS recommended revisions to the formal interagency agreement with KSDE, including the inclusion of greater detail regarding outreach strategies targeted toward youth with disabilities receiving services under IDEA and those served pursuant to Section 504 of the Rehabilitation Act.

C. Fiscal Integrity of the Vocational Rehabilitation Program

For purposes of the VR program, fiscal integrity is broadly defined as the proper and legal management of VR program funds to ensure that VR agencies effectively and efficiently manage funds to maximize employment outcomes for individuals with disabilities. Through the implementation of this focus area, RSA assessed the fiscal performance of the VR and SE programs and compliance with pertinent federal statutory and regulatory requirements, including cost principles, governing four components of review: financial resources, match and maintenance of effort (MOE), internal controls, and fiscal planning.

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 2007 thru FY 2011, along with other fiscal reports as necessary, to identify areas for improvement and potential areas of noncompliance.

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

- the federal FY 2007 monitoring report (see Section 4 above for a report of the agency's progress toward implementation of fiscal goals and strategies);
- A-133 audit findings and corrective actions;
- state/agency allotment/budget documents and annual federal fiscal reports;
- grant award, match, MOE, and program income documentation;
- agency policies, procedures, and forms (e.g., monitoring, personnel certifications, procurement and personnel activity reports), as needed; and
- documentation of expenditures including contracts, purchase orders and invoices.

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

- internal agency fiscal reports and other fiscal supporting documentation, as needed; and
- VR agency cost benefit analysis reports.

RSA's review of the organizational structure of KRS did not result in the identification of observations and recommendations.

In addition, the compliance findings identified by RSA through the implementation of this focus area are contained in Section 6 of this report.

SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

RSA identified the following compliance finding and corrective actions that KRS is required to undertake. Appendix A of this report indicates whether or not the agency requests technical assistance to enable it to carry out the corrective actions. The full text of the legal requirements pertaining to the finding is contained in Appendix B.

KRS must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective actions, 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 KRS to develop the plan and undertake the corrective actions.

RSA reserves the right to pursue enforcement action related to the finding as it deems appropriate, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of the Education Department General Administrative Regulations (EDGAR).

1. Internal Controls for Maintenance Payments

Legal Requirements:

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

Finding:

KRS is not in compliance with regulations at 34 CFR 361.12 and 34 CFR 80.20(a), because it does not implement fiscal controls for maintenance payments that enable it to account for funds to such a degree that it can ensure the funds were expended in accordance with federal requirements.

Federal regulations require KRS to assure in its State Plan that it will implement policies and procedures for the efficient and effective administration of the VR program to ensure that all functions are carried out properly and financial accounting is accurate (34 CFR 361.12). KRS also is required to implement fiscal controls to ensure that VR funds are expended and accounted for accurately and that expenditures are traceable to a level sufficient to determine that such expenditures were made in accordance with applicable federal requirements (34 CFR 80.20(a)). Finally, KRS must monitor all grant-supported activities, including those carried out by its own staff (34 CFR 80.40(a)).

Pursuant to the Rehabilitation Act and implementing VR program regulations, KRS provides payments directly to individuals with disabilities to offset the costs they incur due to their participation in services received under an individualized plan for employment (IPE) (see Section 103(a)(7) of the Rehabilitation Act; and regulations at 34 CFR 361.5(b)(35) and 34 CFR

361.48(g)). In accordance with Section 3, Part 23 of the KRS VR program Policy Manual, “maintenance means monetary support provided to an eligible individual or an individual receiving extended evaluation services for those expenses, such as food, shelter, and clothing, that are in excess of the normal expenses of the individual and that are necessitated by the individual's participation in a program of vocational rehabilitation services. Maintenance is a support service and will be provided only in conjunction with other VR services.” A VR counselor completes a Maintenance Analysis Worksheet that identifies the individual’s current financial resources and the increase in expenses caused by participation in services specified on the IPE. The counselor then may authorize maintenance payments directly to the individual based upon a determination of financial need. When maintenance payments are required over several months, the counselor authorizes monthly payments that are issued to the individual automatically through the KRS payment system. The necessity for the payments is reassessed annually during the review of the IPE.

To comply with the above federal regulations, a VR agency must be able to document that maintenance payments were provided directly to individuals only for expenses incurred due to their participation in services specified on their IPEs that can be supported with receipts, bank records, lease or rental agreements or other documentation. However, KRS has not developed procedures to ensure maintenance payments are used for allowable VR services, such as the submission of receipts or other documentation by the individuals specifying the items for which the maintenance funds were used; nor is it the practice of counselors or other staff to collect this documentation based on a review of the agency’s fiscal and case records. By not obtaining documentation to verify that VR funds given directly to individuals were used solely for allowable purposes or by conducting the monitoring of these payments, as required by 34 CFR 80.40(a), KRS cannot ensure that the VR program is administered properly and efficiently and that funds are spent solely on allowable expenditures, in accordance with 34 CFR 361.12 and 34 CFR 80.20(a).

Corrective Action 1: KRS must:

- 1.1 submit a written assurance to RSA within ten days of receipt of the final monitoring report that it will ensure VR funds, including those disbursed directly to individuals in the form of maintenance payments, are used properly and efficiently and that fiscal controls enable KRS to expend and account for funds to such a degree that it can trace the funds for each activity to ensure the funds were expended in accordance with federal requirements as required by 34 CFR 361.12 and 34 CFR 80.20(a); and
- 1.2 develop and implement written processes to ensure that:
 - A. verifiable supporting documentation is available for maintenance expenditures;
 - B. VR funds are used properly and efficiently and only for allowable VR expenditures; and
 - C. fiscal controls enable KRS to expend and account for funds to such a degree that it can trace the funds for each activity to ensure the funds were expended in accordance with federal requirements.

APPENDIX A: KANSAS REHABILITATION SERVICES RESPONSE

Section 6: Compliance Findings and Corrective Actions

1. Internal Controls for Maintenance Payments

Corrective Action 1: KRS must:

- 1.1 submit a written assurance to RSA within ten days of receipt of the final monitoring report that it will ensure VR funds, including those disbursed directly to individuals in the form of maintenance payments, are used properly and efficiently and that fiscal controls enable KRS to expend and account for funds to such a degree that it can trace the funds for each activity to ensure the funds were expended in accordance with federal requirements as required by 34 CFR 361.12 and 34 CFR 80.20(a); and
- 1.2 develop and implement written processes to ensure that:
 - A. verifiable supporting documentation is available for maintenance expenditures;
 - B. VR funds are used properly and efficiently and only for allowable VR expenditures; and
 - C. fiscal controls enable KRS to expend and account for funds to such a degree that it can trace the funds for each activity to ensure the funds were expended in accordance with federal requirements.

Agency Response: KRS has a strong focus on accountability. One of its four major strategic goals, as specified in the State Plan, is to assure accountability for the achievement of employment outcomes and for the use of public funds. The State Plan Update for FFY 2013, submitted to RSA for review and approval on June 28, 2012, includes new strategies related to accountability for the use of public funds and prevention of fraud. Among these new strategies is a specified method for region-level Program Administrators and unit-level Managers to periodically review and report on whether expenditures comply with federal regulations and state policies. The focus on fiscal monitoring will be strengthened in the performance appraisal process. In addition, KRS has already established a work team to identify best practices that will result in greater accountability specifically as it pertains to the use of maintenance funds. KRS will implement the necessary fiscal controls related to the provision of maintenance payments to its clients to assure that the funds were expended in accordance with federal requirements. Policies and procedures will be updated related to the collection, review and verification of supporting documentation. The State Rehabilitation Council's Policy Committee will be consulted in policy development. Training will be provided for VR counselors on the updated policies and procedures. Supervisory oversight and case reviews will be used to evaluate compliance with the new procedures once established. In accordance with the monitoring protocol, KRS will submit a more detailed corrective action plan to RSA for review and approval within 45 days of the issuance of this final report.

Technical Assistance: KRS requests direct technical assistance from RSA to identify policies and procedures in place in other states that meet the compliance standards or that are considered best practices.

APPENDIX B: LEGAL REQUIREMENTS

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

VR program regulations

34 CFR 361.12 - Methods of administration.

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.

Education Department General Administrative Regulations (EDGAR)

34 CFR 80.20—Standards for financial management systems.

(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 80.40—Monitoring and reporting program performance.

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