

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



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

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TABLE OF CONTENTS

	Page
Section 1: Executive Summary	1
Section 2: Performance Analysis	4
Section 3: Emerging Practices	9
Section 4: Results of Prior Monitoring Activities.....	10
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	19
Section 6: Compliance Findings and Corrective Actions	21
Appendix A: MVR Response	26
Appendix B: Legal Requirements	29

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 Montana Disability Employment and Transitions Division (also known as Montana Vocational Rehabilitation (MVR)) in federal fiscal year (FY) 2012, 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 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, 2012, through May 17, 2012, is described in detail in the FY 2012 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program or, PDF version.

Emerging Practices

Through the course of its review, RSA collaborated with MVR, the State Rehabilitation Council (SRC), the Region 8 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 Services and Employment Outcomes for Youth with Disabilities

- To encourage and increase the number of transition-age youth that apply for transition services, MVR produced a multimedia campaign that includes *Educated, Connected, Ready*, a 15 minute video featuring consumers who have successfully achieved their chosen careers with the support of MVR.

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

Summary of Observations

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

Transition Services and Employment Outcomes for Youth with Disabilities

- RSA observed significant rates of attrition in transition-age youth prior to the development of the individualized plan for employment (IPE), which may have a negative impact on MVR's employment rate.

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 MVR must undertake to bring itself into compliance with pertinent legal requirements are contained in Section 6 of this report.

- MVR is not meeting its established 120-day time standard for the development of IPEs.
- The current interagency agreement on transition services does not meet all federal requirements.
- MVR has not disbursed available program income prior to drawing down federal VR funds.

Development of the Technical Assistance Plan

RSA will collaborate closely with MVR and the Region 8 TACE 8 to develop a plan to address the technical assistance needs identified by MVR in Appendix A of this report. RSA, MVR and the Region 8 TACE 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, MVR and the Region 8 TACE 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 Melissa Diehl, Larry Vrooman, and David Wachter, (Vocational Rehabilitation Unit); James Billy, Suzanne Mitchell, and Janette Shell (Technical Assistance Unit); Elizabeth Akinola (Independent Living Unit); Tanielle Chandler (Fiscal Unit); and Yann-Yann Shieh, (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 MVR 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 VR programmatic 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 MVR. 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 federal fiscal year 2006 through 2011. Consequently, the table and accompanying analysis do not provide information derived from MVR open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. MVR 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
MVR Program Performance Data for Federal FY 2006 through Federal FY 2011

All Individual Cases Closed	Number, Percent, or Average	2006	2007	2008	2009	2010	2011	Change from 2006 to 2011	Agency Type 2011
TOTAL CASES CLOSED	Number	3,670	3,369	3,364	3,364	4,014	3,635	-35	273,950
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-1.0%	100.0%
Exited as an applicant	Number	449	376	465	614	693	589	140	45,694
	Percent	12.2%	11.2%	13.8%	18.3%	17.3%	16.2%	31.2%	16.7%
Exited during or after trial work experience/extended evaluation	Number	0	0	0	0	0	0	0	1,910
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%
TOTAL NOT DETERMINED ELIGIBLE	Number	449	376	465	614	693	589	140	47,604
	Percent	12.2%	11.2%	13.8%	18.3%	17.3%	16.2%	31.2%	17.4%
Exited without employment after IPE, before services	Number	4	2	0	0	0	0	-4	8,173
	Percent	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	-100.0%	3.0%
Exited from order of selection waiting list	Number	0	0	0	0	0	0	0	2,978
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
Exited without employment after eligibility, before IPE	Number	1,635	1,415	1,292	1,335	1,612	1,423	-212	62,559
	Percent	44.6%	42.0%	38.4%	39.7%	40.2%	39.1%	-13.0%	22.8%

All Individual Cases Closed	Number, Percent, or Average	2006	2007	2008	2009	2010	2011	Change from 2006 to 2011	Agency Type 2011
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	1,639	1,417	1,292	1,335	1,612	1,423	-216	73,710
	Percent	44.7%	42.1%	38.4%	39.7%	40.2%	39.1%	-13.2%	26.9%
Exited with employment	Number	909	912	913	799	716	776	-133	80,711
	Percent	24.8%	27.1%	27.1%	23.8%	17.8%	21.3%	-14.6%	29.5%
Exited without employment	Number	673	664	694	616	993	847	174	71,925
	Percent	18.3%	19.7%	20.6%	18.3%	24.7%	23.3%	25.9%	26.3%
TOTAL RECEIVED SERVICES	Number	1,582	1,576	1,607	1,415	1,709	1,623	41	152,636
	Percent	43.1%	46.8%	47.8%	42.1%	42.6%	44.6%	2.6%	55.7%
EMPLOYMENT RATE	Percent	57.46%	57.87%	56.81%	56.47%	41.90%	47.81%	-16.79%	52.88%
Transition age youth	Number	806	740	764	778	910	784	-22	97,282
	Percent	22.0%	22.0%	22.7%	23.1%	22.7%	21.6%	-2.7%	35.5%
Transition aged youth employment outcomes	Number	175	202	193	171	161	148	-27	29,062
	Percent	19.3%	22.1%	21.1%	21.4%	22.5%	19.1%	-15.4%	36.0%
Competitive employment outcomes	Number	886	847	858	762	677	741	-145	76,087
	Percent	97.5%	92.9%	94.0%	95.4%	94.6%	95.5%	-16.4%	94.3%
Supported employment outcomes	Number	99	66	90	45	53	81	-18	10,480
	Percent	10.9%	7.2%	9.9%	5.6%	7.4%	10.4%	-18.2%	13.0%
Average hourly wage for competitive employment outcomes	Average	\$9.39	\$9.87	\$10.42	\$10.65	\$10.84	\$10.88	\$1.49	\$11.22
Average hours worked for competitive employment outcomes	Average	29.8	31.2	29.1	29.2	28.5	27.9	-1.9	31.4
Competitive employment outcomes at 35 or more hours per week	Number	421	459	406	363	285	311	-110	39,622
	Percent	46.3%	50.3%	44.5%	45.4%	39.8%	40.1%	-26.1%	49.1%
Employment outcomes meeting SGA	Number	507	548	483	441	370	398	-109	48,900
	Percent	55.8%	60.1%	52.9%	55.2%	51.7%	51.3%	-21.5%	60.6%
Employment outcomes with employer-provided medical insurance	Number	237	239	231	195	160	177	-60	19,640
	Percent	26.2%	26.2%	25.3%	24.4%	22.3%	22.8%	-25.3%	24.3%

Trends

As shown in Table 2.1, during the six-year period between FY 2006 and FY 2011, MVR demonstrated a positive trend in performance related to increases in the average hourly wage for competitive employment outcomes from \$9.39 in FY 2006 to \$10.88 in FY 2011.

During the six-year period between FY 2006 and FY 2011, MVR experienced several trends that indicate potential risk to VR program performance. In several instances, MVR's performance remained stable across the six-year period. However, it did not meet the average performance of combined agencies nationally. The percentage of individuals who exited after eligibility but prior to receiving services remained relatively stable around 40 percent, ranging from 44.7 percent in FY 06 and 39.1 percent in FY 2011, much higher than the national combined agency average of 22.8 percent in FY 2011. The percentage of individuals who received VR services from MVR under an IPE remained relatively stable with 43.1 percent in FY 2006 and 44.6 percent in FY 2011, consistently below the national average for combined VR agencies of 55.7 percent in FY 2011.

Among all case closures, the percentage of transition-age youth whose cases were closed remained relatively stable around 22 percent during the review period, much lower than the national combined agency average of 35.5 percent in FY 2011, indicating that MVR may be serving fewer transition-age youth than other combined agencies nationally. Similarly, the percentage of transition-age youth who achieved employment outcomes consistently remained around 21 percent, much lower than the national combined agency average of 36 percent in FY 2011.

The employment rate decreased substantially from 57.5 percent in FY 2006 to 47.8 percent in FY 2011 falling below the national combined agency average of 52.9 percent in FY 2011. The average hours worked for individuals who achieved competitive employment outcomes decreased from 29.8 in FY 2006 to 27.9 in FY 2011, lower than the national combined agency average in FY 2011 of 31.4 hours worked. The percentage of individuals who achieved competitive employment outcomes working at 35 or more hours per week decreased from a high of 50.3 percent in FY 2007 to 40.1 percent in FY 2011 compared to the national combined agency average of 49.1 percent in FY 2011. Additionally, the percentage of individuals whose earnings were above the threshold of substantial gainful activity as defined by the Social Security Administration decreased from 60.1 percent in FY 2007 to 51.3 percent in FY 2011, below the national average of 60.6 percent in FY 2011. Similarly, the percentage of individuals who received employer-provided medical benefits decreased from 26.2 percent in FY 2006 to 22.8 percent in FY 2011, slightly lower than the national combined agency average of 24.3 percent in FY 2011. MVR experienced a significant overall decline in the percentage of individuals who achieved an employment outcome in FY 2010 as indicated in Table 2.1. Total employment outcomes decreased from 27.1 percent in FY 2007 to 17.8 percent in FY 2010.

Throughout the course of the review, RSA discussed with MVR both the positive performance trends and those that posed potential risk to the VR program. MVR indicated its intent to conduct further analyses to determine the factors contributing to its performance. MVR cited several possible explanations below for the performance trends.

- Counselors are challenged to cover large geographic areas with caseloads of approximately 120 individuals, including those who are transition-age youth who are scattered across 179 schools, requiring extensive travel time between schools to meet with two or three students.
- There have been significant changes in MVR staff following the FY 2008 review due to retirements, job changes and promotions causing:
 - the loss of momentum and disruptions in established counseling relationships; and
 - the loss of experienced counselors well-versed in timely management of the VR process and IPE development and the infusion of new, less experienced counselors, many of whom delayed IPE development and services pending a well-documented rationale for supporting the IPE goal.
- Some LEAs made the decision not to work with MVR.
- Counselors experienced challenges in finding appropriate job placements that do not require extended supports due to a significant waiting list for funded extended supports (as long as three years).
- Factors related to the recent recession impacted MVR’s ability to assist consumers in obtaining higher paying competitive employment with more hours and benefits.

RSA and MVR agreed that continued analyses of factors that contribute to individuals exiting the VR program at various points in the service delivery process can assist the agency in developing strategies to serve more individuals effectively, improve its employment rate, and increase quality employment outcomes.

Fiscal Analysis

Table 2.2
MVR Fiscal Performance Data for Federal FY 2007 through Federal FY 2011

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Grant amount per MIS	4 th	11,147,011	11,071,300	11,750,000	12,087,792	11,750,000
	Latest/ Final*	11,147,011	11,071,300	11,750,000	12,087,792	
Total outlays	4 th	12,061,328	12,362,255	12,391,607	13,332,054	11,333,195
	Latest/ Final*	14,165,728	14,381,178	14,390,114	15,397,670	
Total unliquidated obligations	4 th	2,102,600	1,705,471	2,538,507	2,663,012	2,806,228
	Latest/ Final*	0	0	0	0	
Federal share of total outlays	4 th	9,941,606	9,738,266	9,758,293	10,022,176	8,153,081
	Latest/ Final*	11,147,011	11,071,300	11,750,000	12,087,792	
Federal share of unliquidated obligations	4 th	1,655,405	1,333,035	1,991,707	2,065,616	2,313,954

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
	Latest/ Final*	0	0	0	0	
Total federal share	4 th	11,147,011	11,071,300	11,750,000	12,087,792	10,467,035
	Latest/ Final*	11,147,011	11,071,300	11,750,000	12,087,792	
VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Recipient funds	4 th	2,569,722	2,623,989	,633,314	3,309,878	3,180,114
	Latest/ Final*	3,018,717	3,309,878	3,180,114	3,309,878	
Recipient share of unliquidated obligations	4 th	447,195	2,996,426	546,800	597,396	492,274
	Latest/ Final*	0	3,309,878	0	0	
Agency actual match (total recipient share)	4 th	3,016,917	2,635,643	3,180,114	3,309,878	3,180,114
	Latest/ Final*	3,018,717	2,996,426	3,180,114	3,309,878	
Agency required match	4 th	2,568,884	2,635,643	2,641,063	2,712,482	2,206,615
	Latest/ Final*	3,016,917	2,996,426	3,180,114	3,271,537	
Over/under match	4 th	-448,033	-360,783	-539,051	-597,396	-973,499
	Latest/ Final*	-1,800	-313,452	0	-38,341	
MOE**	4 th					
	Latest/ Final*			3,180,114	3,309,878	
Unobligated funds qualifying for carryover	4 th	0	-1	0	0	1,282,965
	Latest/ Final*	0	0	0	0	
Total program income realized	4 th	460,515	858,038	407,015	790,807	451,957
	Latest/ Final*	460,515	852,332	407,015	790,807	
Total indirect costs	4 th	701,618	755,147	743,715	871,799	999,028
	Latest/ Final*	698,562	764,179	774,212	871,799	

*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 FY 2007 through FY 2011. Based on the data in the table above, the agency matched its grant award through state appropriations in each fiscal year reviewed. With the exception of FY 2008, the agency reported \$0 in carryover after the fourth quarter for FY 2007 through FY 2010. In FY 2008, the agency reported \$1 in carryover after the fourth quarter.

Program income earned varied annually, from a low of \$407,015 in FY 2009 to a high of \$790,807 in FY 2010, representing an increase from 3.5 percent to 6.5 percent of the total federal award. Program income generated from Social Security reimbursement funds was transferred from the VR program to the IL Part B program. The agency met its maintenance of effort requirements, both as an agency and on a state-wide basis. The U.S. Department of Health and Human Services is the cognizant agency and approved the cost allocation plan.

SECTION 3: EMERGING PRACTICES

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

- strategic planning;
- program evaluation and quality assurance practices;
- financial management;
- 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 practice below.

Transition Services and Employment Outcomes for Youth with Disabilities

Educated, Connected, Ready is a 15 minute video featuring former VR consumers who have successfully achieved their chosen careers with the support of MVR. Produced by MVR to encourage transitioning youth to apply for services, the video, with its companion posters and brochures, creates a multimedia approach designed to provide outreach to transition-age youth with disabilities.

The purpose of the multimedia campaign is to increase the number of students with disabilities to apply to MVR for transition services. To attain this goal, the video features speakers whose inspirational messages de-stigmatize disability and highlight self-determination while promoting the benefits of a collaborative relationship with MVR as a resource to obtain career goals. This approach was brought together through the partnership of MVR and Montana Youth Transitions using funds under the American Recovery and Reinvestment Act of 2009 administered by the U. S. Department of Education.

A complete description of the practice described above can be found on the RSA website.

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 recommendations accepted by MVR resulting from the prior monitoring review in FY 2008 and the resolution of compliance findings from that review.

Recommendations

In response to RSA's monitoring report dated September 12, 2008, MVR accepted the recommendations listed in the following section, including a brief summary of the agency's progress toward implementation of each recommendation.

1. Dropout Rate Between Eligibility and IPE Development

Recommendation 1: RSA recommends that MVR follow up on the program assessment done during the summer of 2006 by:

- 1.1 identifying the factors that are causing the high dropout rate between eligibility and signing an IPE, including whether delays in the development of the IPE are contributing significantly to the dropout rate;
- 1.2 developing performance goals for lowering the dropout rate and strategies to achieve those goals; and
- 1.3 evaluating the extent to which the goals have been achieved using the strategies that were implemented.

Status 1:

MVR acknowledges the length of time between eligibility and the development of an IPE is a probable factor in high rates of attrition. Another identified factor is individuals' perceptions of the impact of work on benefits.

MVR is reviewing closures after eligibility but before receiving services to identify factors causing dropout and to implement strategies that improve retention of eligible individuals interested in VR services.

While performance has improved slightly, the agency is still losing more than half of all eligible transition-age youth prior to IPE development, impacting the employment rate. MVR implemented some strategies to address attrition, but has not yet put in place targeted goals and measures to track the agencies progress in addressing these goals.

2. Transition-Age Youth

Recommendation 2.1: RSA recommends that MVR increase the percentage of transition-age youth served by MVR, the number of employment outcomes and its employment rate for transition-age youth by developing performance goals and strategies to achieve those goals including but not limited to:

- including the state transition program coordinator as a member of the state office executive management team for purposes of planning and coordination;
- tracking additional transition data, including, but not limited to, data on outcomes, outreach strategies, types of services, service costs to analyze trends for the transition population in the state;
- collecting and compiling resources and promising practices from other states and exploring what aspect of the practice can be used in Montana; and
- collecting and analyzing data on the outcomes of the transition pilot to determine the efficacy of statewide implementation and developing an implementation plan.

Status 2.1:

MVR has a statewide transition coordinator who is an active member of the executive management team. The transition coordinator assists with planning and coordination of transition activities for MVR and provides training on transition services for staff and stakeholders. The coordinator has increased the visibility of MVR and leads its initiative to brand vocational rehabilitation transition services throughout Montana. In addition, the coordinator facilitates MVR staff training and cross-training with Montana Office of Public Instruction (OPI).

MVR is conducting a longitudinal data analysis of closures after eligibility but before receiving services. Preliminary findings of this data set indicate that many individuals exiting MVR at this stage are employed. This data analysis is designed as a comparative analysis of closed cases at five, ten, and fifteen years post-closure.

MVR created a number of public information resources for transition-age youth, families, and stakeholders including posters, fliers and two videos, one focused on outreach and the other on orientation to the VR program. Youth with disabilities were consulted and participated in the development of these multimedia tools that are currently being piloted in a few counties to improve outreach efforts, to increase understanding of the VR program and to generate well-informed referral sources.

MVR is in the process of collecting and analyzing data on the outcomes of its transition pilot in Missoula to determine the efficacy of statewide implementation and to develop an implementation plan. The Missoula program includes outreach through the “Adopt a School” program, an initiative to create a greater VR counselor presence in the schools and to schedule regular times to meet with students, families and educators. The Goal Positioning System, a web-based tool, is used for vocational exploration and labor market analysis, to coordinate individualized education program targeted activities, and to identify adult service providers and agencies that provide services the student may need. The pilot is in the process of being implemented in other urban areas of the state.

Recommendation 2.2: RSA recommends that MVR take the following actions to revise the MOU on transition services with OPI in accordance with 34 CFR 361.22(b):

- the description of procedures for outreach and identification of students and families in need of transition services should include actions being taken to engage those who are not aware of VR services, including how the agency will identify and work with transition-age youth who are in alternative high school settings or are incarcerated; and
- the description of the financial responsibilities of each agency. The MOU should include a statement that the school is financially responsible for the cost of services it is mandated to provide under IDEA and that MVR is responsible for the cost of the services it is mandated to provide under the Rehabilitation Act. Ideally, the MOU should also include how the parties will handle paying for a service either party is mandated to provide. If negotiations are needed, a statement should be included that payment will be based on the needs of the student and which agency is best positioned to provide that service at that time.

Status 2.2:

MVR and OPI are currently in the process of revising their MOU on transition services. MVR indicates that the revised agreement will describe each agency's procedures for outreach and identification of students and families in need of transition services and will describe the financial responsibilities of each agency.

3. RSA-2 Reporting

Recommendation 3: RSA recommends that MVR revise its RSA-2 reports submitted for FY 2003 to FY 2007, to include all unreported costs incurred under the State Vocational Rehabilitation Services Program including unliquidated obligations that were not reported for fringe benefits.

Status 3:

Unliquidated obligations related to fringe benefits are not reported on the RSA-2. Fringe benefits are related to payroll and are posted within ten business days following the end of the pay period in accordance with state law. All payroll costs are reported by the RSA-2 due date.

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 MVR with the federal requirements related to its organization within the Department of Public Health and Human Services (DPHHS) and the ability of the MVR 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 DPHHS and MVR under 34 CFR 361.13(b);
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which MVR 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 MVR 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:

- DPHHS and MVR directors and senior managers;
- DPHHS and MVR staff members responsible for the fiscal management of the VR program;
- SRC Chairperson and members;
- Client Assistance Program staff members; and
- TACE center representatives.

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 full-time equivalent (FTE) staff working on each program;
- the number of 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 working on the rehabilitation work of MVR;

- individuals who work on the MVR program and one or more additional programs/cost objectives (e.g., one-stop career centers); and
- individuals under MVR 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 Montana procurement requirements and processes.

Overview

The Montana Department of Public Health and Human Services (DPHHS) is the DSA in Montana and contains three branches, the Operations Services Branch (OSB), the Medicaid and Health Services Branch and the Economic Security Services Branch (ESSB). Each branch is roughly equal in size and is administered by a branch manager who oversees a portfolio consisting of a portion of the 12 divisions located in the DPHHS.

The ESSB consists of the Disability Employment and Transitions Division, also known as the Montana Vocational Rehabilitation (MVR); the Child and Family Services Division; the Child Support Enforcement Division; and the Human and Community Services Division.

The Disability Employment and Transitions Division is the DSU for the Montana vocational rehabilitation program and is headed by a division administrator who oversees the three bureaus in the DSU: the Field Services Bureau, Disability Determination Services Bureau and the Program Support Bureau. The division administrator also supervises three employees who are not part of the bureaus: the financial manager, the office manager, and the coordinator of the Medicaid Infrastructure Grant (MIG), all of whom are assigned to work solely with the DSU.

The DSU has 158 authorized positions (149.9 FTE) of which ten positions (8.5 FTE) are currently vacant. The Field Services Bureau has a total of 90 positions with only one rehabilitation counselor vacancy and a program manager for deaf services vacancy currently. The Disability Determination Services Bureau has 46 positions (44.5 FTE) of which seven positions (5.5 FTE) are currently vacant. The Program Support Bureau has a total of ten positions. All of the bureaus in the DSU are involved in the vocational rehabilitation or other rehabilitation work of the DSU. Of the 158 total positions in the DSU, 156 are engaged full time in the vocational rehabilitation or other rehabilitation work of the DSU, meeting the requirements that no more than 10 percent of the DSU employees are engaged in other work, and that the DSU has a full-time director.

The DSU maintains a status that is comparable to other divisions of similar size and scope within the department and has equal access to resources. The DSU also shares a similar high level of autonomy in terms of strategic planning and policy development and has a high level of involvement in legislative input provided directly to the department director.

The division administrator is responsible for the development of the Disability Employment and Transitions Division (or MVR) budget. This budget is submitted to the branch manager for submission with the full branch budget to the department director and subsequently to the governor's planning office for submission to the legislature.

The DSU administrator has access to the DPHHS director through the ESSB branch manager. The ESSB branch manager provides administrative supervision of the DSU administrator, serves as a conduit for the communication of issues between the department director and the divisions within the ESSB, as well as coordinates communication and services across the divisions in the DPHHS and in other departments. In addition to communication within this chain of command, the department director seeks direct input from the DSU administrator as needed to address VR program specific issues, legislative agendas and budget issues.

Human resources, fiscal and IT functions are located at the department level in the OSB. However, as noted above, the DSU administrator retains supervision of the support staff working with the Disability and Employment Transitions Division or MVR as it is also known.

RSA's review of the organizational structure of MVR did not result in the identification of observations or findings.

B. Transition Services and Employment Outcomes for Youth with Disabilities

The purpose of this focus area was to assess MVR'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 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 technical assistance and continuing education needs of VR agency staff.

To implement this focus area, RSA reviewed:

- the progress toward the implementation of recommendations accepted by MVR and the resolution of findings related to the provision of transition services identified in the prior monitoring report from FY 2008 (see Section 4 above);
- 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 state education agency (SEA);
- sample agreements between the VR agency and local education agencies (LEA);
- samples of other cooperative agreements; 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 MVR relevant data from FY 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 MVR with the national average of all combined state 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:

- MVR administrator/director;
- MVR VR counselors and transition staff;
- MVR transition coordinators serving as liaisons with the SEA and other agencies;
- state and local school personnel, including special education teachers and guidance counselors; and
- youth with disabilities receiving or applying for VR services.

RSA's review of transition services and employment outcomes achieved by youth with disabilities resulted in the identification of the following observations and recommendations. Appendix A of this report indicates whether or not the agency has requested technical assistance to enable it to implement any of the below recommendations.

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 Recommendations

5.B.1 High Attrition Rates may Impact Employment Outcomes for Transition-Age Youth

Observation: RSA observed significant rates of attrition in transition-age youth prior to the development of the IPE. This dropout rate may be related to the delay in IPE development as noted in section six of this report. The number of transition-age youth leaving the program negatively impacts MVR's employment rate and may be impacting quality outcomes as MVR loses motivated consumers during the IPE development process who might otherwise remain in the program and obtain a successful employment outcome.

In FY 2011, the most recent closed case data available, 672 transition-age youth were determined eligible for services. Three hundred and twenty eight (328) of those students, 48.8 percent, left the program prior to receiving services, compared to 27.1 percent nationally for combined agencies in FY 2011.

During the on-site portion of the review, RSA examined MVR's referral and eligibility practices as well as the impact of timeliness in the development of the IPE on attrition rates of transition-age youth and their engagement in the VR process. MVR suggested factors that may be contributing to high attrition rates including: the extended length of time to develop an IPE due to additional assessments to support suitable goals for transition-age youth; low frequency of contact with students due to counselors' coverage of widespread remote areas; a high percentage of closures of SSA recipients (34 percent) between eligibility and IPE development; and the number of transition-age students placed on the Vocational Rehabilitation Extended Employment (VREE) waiting list.

In addition to higher rates of attrition, RSA observed that MVR has lower than average transition-age youth employment outcomes. As shown in Table 5.B.1, the employment rate was 43.02 percent in FY 2011 compared to the FY 2011 national average for combined agencies of 52.82 percent. According to FY 2011 RSA-911 data, 71.6 percent of the transition-age youth obtain employment that pays less than \$10.00 per hour, with the top three occupations being food preparation, janitorial and administrative support. Nevertheless, MVR's average hourly wage for transition-age youth remained consistently above the national average for combined agencies. Hours worked per week for competitive employment outcomes decreased from 28.12 in FY 2008 to 26.61 in FY 2011 compared to the FY 2011 national average of 30.52 hours per week.

**Table 5.B.1
MVR Transition-Age Youth
Employment Rate, Hourly Wage, and Hours Worked Per Week**

FY	2008	2009	2010	2011
MVR Employment Rate	54.67%	53.77%	42.26%	43.02%
National Combined Employment Rate	56.11%	58.36%	48.71%	52.82%
MVR Average Hourly Wage	\$9.99	\$10.09	\$9.69	\$10.11
National Combined Average Hourly Wage	\$9.59	\$9.62	\$9.88	\$9.79
MVR Average Hours Worked per Week	28.12	28.49	27.92	26.61
National Combined Average Hours Worked per Week	32.19	30.91	30.57	30.52

Recommendations: RSA recommends that MVR:

- 5.B.1.1 review its practices and policies related to referral and IPE development to consider revisions and strategies to maximize retention and motivation of transition-age youth to explore employment potential and goals;
- 5.B.1.2 review policies and expedite counselor practices related to providing sufficient rationale for supporting the feasibility of student-identified goals and continuing engagement in the VR process;
- 5.B.1.3 encourage counselors to consider the use of plan amendments as a means to address changes or refinements in an evolving IPE goal rather than delaying the development of the initial IPE;
- 5.B.1.4 review caseload distribution, workload and travel times for VR counselors serving remote locations to assess whether changes in case assignment and case load would enable more frequent contact with students and school transition staff in outlying areas;
- 5.B.1.5 use its data collection and quality assurance system to identify and quantify the factors resulting in an increase in the number and percent of transition-age youth exiting the VR program prior to plan development; and
- 5.B.1.6 explore the option of assessing and placing individuals on the VREE waiting list earlier, allowing the provision of IPE transition services during the waiting period for extended supports rather than closing cases while transition-age youth are on the VREE waiting list.

Technical Assistance

The RSA review team provided technical assistance (TA) to MVR in the area of transition services and employment outcomes for youth with disabilities while on-site in Montana.

- RSA described and encouraged the use of data as a quality assurance method to improve service delivery and to monitor progress on MVR's goals, objectives and performance measures for services to transition-age youth.
- TA was provided on the identification of bottlenecks in the service delivery system with respect to transition-age youth, particularly the delay in IPE development. RSA also discussed methods to identify and serve transition-age youth earlier, while in school, so that they are at the top of the MVR extended employment wait list (VREE wait list) when they are ready for employment and need supports at graduation.
- RSA discussed strategies and policies for IPE development that align with the developmental stages of transition-age youth. TA focused on revision of policy and practice about the rationale for the selection of an IPE goal to incorporate and encourage the use of IPE amendments as transition-age youth learn, develop and change or refine their goal.
- RSA also provided TA on the need for the interagency agreement between MVR and OPI to include specific roles and responsibilities of MVR and OPI as well as suggested language for those descriptions.

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 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);
- 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:

- if appropriate, third-party cooperative arrangements;
- internal agency fiscal reports and other fiscal supporting documentation, as needed; and
- VR agency cost benefit analysis reports.

RSA's review of the fiscal integrity of the VR Program administered by MVR 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.

Technical Assistance

RSA provided technical assistance to MVR related to the fiscal integrity of the VR program while on-site in Montana. Specifically, RSA staff reviewed MVR's Federal Financial Reports SF-269/SF-425 and compared the submitted data with the SF-269/SF-425 and RSA-15 reporting requirements.

RSA also provided technical assistance in the following areas:

- the requirements that agency staff working in multiple programs maintain documentation supporting the time charged to each cost objective, and that personnel paid from a single award complete personnel activity reports; and
- the requirement to disburse program income prior to requesting additional cash payments from its federal award and the procedure for reporting program income on the Federal Financial Reports SF-269/SF-425.

SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

RSA identified the following compliance findings and corrective actions that MVR 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 each finding is contained in Appendix B.

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

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

Transition Services and Employment Outcomes for Youth with Disabilities

1. Development of the IPE

Legal Requirements:

- Rehabilitation Act—Section 101(a)(9)(A)
- VR Program Regulations—34 CFR 361.45(e)

Finding: MVR is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the requirements of 34 CFR 361.45(e) because it is not meeting its established 120-day time standard for the development of IPEs for transition-age youth. As required by Section 101(a)(9)(A), MVR assures in its annual State Plan that an IPE meeting federal requirements will be developed in a timely manner for each individual following the determination of eligibility. The VR program regulations at 34 CFR 361.45(e) state that the agency must establish standards including timelines that take into consideration the needs of each individual. According to the *MVR Policy and Procedure Manual, MVR Policy 3.6 Montana Vocational Rehabilitation Policy W, Core Requirements of IPE:*

An IPE shall be: ... 3. Timely, which means developed within 120 days of eligibility unless the individual and the counselor agree that a specific extension of the time standard is warranted. The case record will contain rationale for the extension of the timeliness standard.

MVR’s performance in meeting its 120-day time standard to develop IPEs for transition-age youth, as illustrated in Table 6.1a below, has ranged from 63.2 percent in FY 2008 to a high of 69.6 percent in FY 2011. MVR has slightly improved its performance in meeting the 120-day time standard over the four year period.

Table 6.1a
MVR Service Record Breakdown for Transition-Age Youth Served by Time:
Eligibility to IPE for Federal FY 2008 through Federal FY 2011

IPE Days	2008		2009		2010		2011	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
0-120 days	214	64.5%	180	63.2%	233	67.9%	213	69.6%
More than 120 days	118	35.5%	105	36.8%	110	32.1%	93	30.4%
Total	332	100.0%	285	100.0%	343	100.0%	306	100.0%

MVR provided RSA with current open case data of transition-age youth who applied for services after 10/01/2010 and whose cases were active in fiscal year 2012. Table 6.1b below indicates that 29.5 percent, or 266 of 901 cases, did not meet the MVR 120-day time standard. Of the 266 cases over the 120-day time standard, 142 cases (53.4 percent) did not have valid IPE extensions, defined as either the absence of an IPE extension in the case record, or an IPE extension that did not meet MVR’s criteria for a valid extension. MVR identified non-valid reasons for an IPE extension such as the counselor being unable to contact the client, waiting for the client to apply for Free Application for Federal Student Aid (FAFSA) and post-secondary training, waiting until fall for completion of a vocational evaluation, and no follow through by the client.

Table 6.1b
Valid verses Non-Valid Reasons for IPE Extensions for Transition-Age Youth:
Current Open Cases Federal FY 2010 to present

Cases over 120 days	Number	Percent
Valid extension reasons	124	13.8%
Non valid reasons for extensions or no extension in case record	142	15.8%
Total	266	29.5%

These data factors and a review of MVR’s IPE policy referenced above suggest that there are insufficient criteria for use of an extension in MVR policy. In addition, MVR does not demonstrate sufficient quality assurance efforts in the use of IPE extensions. MVR policy does describe that an extension of the 120-day time standard must be agreed upon by the individual and counselor and include a rationale for the extension. However, MVR neither provides criteria in its policy manual for what steps and measures of progress will occur during an IPE extension; nor does it describe possible valid reasons for an IPE extension and how long a period of time is reasonable for such an extension.

MVR counselors cited several factors that may contribute to the delay in developing timely IPEs, including: counselors serving multiple schools, thus increasing the travel distances to meet with students while decreasing the frequency of contacts with students; limited number of service

providers in rural areas that will accept the agency's reimbursement rate; and the agency's practice of requiring multiple assessments, career exploration and work experiences to demonstrate the student can achieve the selected vocational goal.

As the FY 2008 through 2011 data demonstrated, MVR failed to comply with Section 101(a)(9) of the Rehabilitation Act and the requirements of 34 CFR 361.45(e) by not developing IPEs for transition-age youth in a timely manner and within the 120-day timeline that MVR established as its standard pursuant to these federal requirements. RSA recommends that MVR amend its policy on extension of time to develop an IPE to include the criteria for use of an extension and time limits for extensions.

Corrective Action 1: MVR must:

- 1.1 cease the untimely development of IPEs;
- 1.2 provide written assurance within 10 days of receipt of the final monitoring report that the agency will ensure that all IPEs are developed within the time period that MVR has established as its state standard pursuant to 34 CFR 361.45(e); and
- 1.3 submit the actions that MVR will take, including timelines, to ensure that IPEs are developed in a timely manner and within 120 days of eligibility determination (e.g., in accordance with the agency's established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e)).

2. Interagency Agreement with the Montana Office of Public Instruction

Legal Requirements:

- Rehabilitation Act—Section 101(a)(11)(D)
- VR Program Regulations—34 CFR 361.22(b)

Finding: The current interagency agreement on transition services, termed *Memorandum of Understanding between Montana Vocational Rehabilitation (MVR) and Montana Office of Public Instruction (OPI)*, does not meet two of four federal requirements.

Section 101(a)(11)(D) of the Rehabilitation Act and 34 CFR 361.22(b) require that the State Plan for Titles I and VIB provide information on the coordination of transition services with state education officials, including information on a formal interagency agreement with the state educational agency. The agreement, at a minimum, must provide for— (1) consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services; (2) transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of the IEP; (3) the roles and responsibilities, including financial responsibilities, of each agency; and (4) procedures for outreach to and identification of students with disabilities who need transition services.

The interagency agreement between MVR and OPI includes provisions for MVR consultation with educational agencies and for transition planning by MVR and educational agency personnel that facilitates the development and completion of the IEP and the transition of students with disabilities from school to post-school activities, including VR services.

The SEA agreement does not sufficiently describe the roles and responsibilities, including financial responsibilities, for services provided by each agency pursuant to Section 101(a)(11)(D)(iii) and 34 CFR 361.22(b)(3). The agreement between MVR and OPI does not include a discussion of the financial responsibilities of each agency in providing transition services and the qualified personnel responsible for those transition services as required by the Rehabilitation Act and VR program regulations. The only reference to financial roles and responsibilities is under the heading “Payment” stating in a single sentence that no payment shall be made to either party by the other party as a result of the MOU. However, this exclusionary clause does not specifically identify the transition services to be provided by each agency and the financial responsibilities of each agency in providing such services.

The SEA agreement does not adequately include procedures for outreach to, and identification of, students with disabilities in need of transition services pursuant to Section 101(a)(11)(D)(iv) and 34 CFR 361.22(b)(4). The agreement indicates that OPI will share with MVR enrollment data that identifies students with disabilities in school and will encourage local districts to refer students with disabilities to MVR, whether receiving special education services or not. However, the agreement does not describe the procedures OPI will use for outreach to those students. In addition, the agreement does not describe MVR’s outreach procedures for students with disabilities in need of transition services who receive services under an IEP, under a 504 plan, through regular education, or for youth who are not in school. The agreement does indicate that MVR will encourage former students that are eligible for special education services to enroll again but does not mention other students with disabilities.

Corrective Action 2: MVR must:

- 2.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that MVR will ensure that the interagency agreement with OPI will be revised to describe 1) the financial roles and responsibilities of each agency in the provision of transition services and 2) the procedures to be used by each agency to identify and outreach to all students with disabilities in need of transition services to comply with requirements at Section 101(a)(11)(D) of the Rehabilitation Act and 34 CFR 361.22 (b); and
- 2.2 submit the revised draft formal interagency agreement between MVR and OPI for RSA’s review as part of MVR’s corrective actions associated with the FY 2012 Section 107 Monitoring Review.

3. Program Income Disbursement

Legal Requirement:

- EDGAR 34 CFR 80.21(f)(2)

Finding: MVR is not in compliance with 34 CFR 80.21(f)(2) that requires grantees to disburse program income prior to requesting additional cash payments. This means that MVR must disburse all program income prior to requesting a drawdown of additional federal VR funds. RSA reviewed MVR’s SF-425 reporting for FY 2010 and FY 2011 and found that the agency had unexpended program income available when additional cash payments were requested. As a result, MVR drew down additional federal VR funds to cover expenditures while program income remained available for disbursement. Table 6.2 below includes the program income data MVR reported on its FY 2010 and FY 2011 SF-425 reports for the VR program.

**Table 6.2
MVR FY 2010 and FY 2011 SF-425 Program Income Reported**

Fiscal Year	Quarter	[10l] Total Federal Program Income Earned	[10n] Federal Program Income Expended - Addition Alternative	[10o] Unexpended Federal Program Income (line l - line m or n)	[12e] Federal Program Income Transferred
2010	1	380,825	0	380,325	0
2010	2	526,513	0	526,513	0
2010	3	685,166	0	685,166	0
2010	4	790,807	0	790,807	0
2010	5	790,807	0	790,807	0
2010	6	790,807	0	790,807	0
2010	7	790,807	224	790,807	0
2010	8	790,807	790,807	790,583	0
2011	2	216,218	0	216,128	0
2011	4	451,957	20,000	431,957	20,000

The data indicate that MVR maintained a significant amount of unexpended program income between the second and seventh quarters reported for FY 2010. To verify this finding, RSA staff compared the amount of funds drawn down by MVR, according to the Department of Education’s G5 Grants Management System, with the amount of program income funds available for expenditures for FY 2010 (second – seventh quarters). The results of the comparison clearly showed that MVR drew down additional federal VR funds while there was a positive balance of undisbursed program income available.

The SF-425 reports for the fourth quarter showed the agency maintained over \$400,000 in unexpended program income during these months.

Corrective Action 3: MVR must:

- 3.1 cease drawing down federal VR funds prior to disbursing all available program income; and
- 3.2 provide a written assurance to RSA, within 10 days of the final monitoring report that it will disburse all program income before drawing down any federal VR funds as required by 34 CFR 80.21(f)(2).

APPENDIX A: AGENCY RESPONSE

Section 5: Focus Areas

Transition Services and Employment Outcomes for Youth with Disabilities

Observation: 5.B.1 High Attrition Rates May Impact Employment Outcomes for Transition-Age Youth

Recommendations: RSA recommends that MVR:

- 5.B.1.1 review its practices and policies related to referral and IPE development to consider revisions and strategies to maximize retention and motivation of transition-age youth to explore employment potential and goals;
- 5.B.1.2 review policies and expedite counselor practices related to providing sufficient rationale for supporting the feasibility of student-identified goals and continuing engagement in the VR process;
- 5.B.1.3 encourage counselors to consider the use of plan amendments as a means to address changes or refinements in an evolving IPE goal rather than delaying the development of the initial IPE;
- 5.B.1.4 review caseload distribution, workload and travel times for VR counselors serving remote locations to assess whether changes in case assignment and case load would enable more frequent contact with students and school transition staff in outlying areas;
- 5.B.1.5 use its data collection and quality assurance system to identify and quantify the factors resulting in an increase in the number and percent of transition-age youth exiting the VR program prior to plan development; and
- 5.B.1.6 explore the option of assessing and placing individuals on the VREE waiting list earlier, allowing the provision of IPE based transition services during the waiting period for extended supports rather than closing cases while transition-age youth are on the VREE waiting list.

Agency Response: Disability Employment and Transitions, of which MVR is a part, does not object to the RSA recommendations and accepts them.

Technical Assistance: Disability Employment and Transitions does not request technical assistance.

Section 6: Compliance Findings and Corrective Actions

1. Development of the IPE

Corrective Action 1: MVR must:

- 1.1 cease the untimely development of IPEs;
- 1.2 provide written assurance within 10 days of receipt of the final monitoring report that the agency will ensure that all IPEs are developed within the time period that MVR has established as its state standard pursuant to 34 CFR 361.45(e); and
- 1.3 submit the actions that MVR will take, including timelines, to ensure that IPEs are developed in a timely manner and within 120 days of eligibility determination (e.g., in accordance with the agency's established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e)).

Agency Response: Disability Employment and Transitions will submit written assurances to RSA within 10 days after the final monitoring report is issued on the actions that Disability Employment and Transitions will take, including timelines, to ensure that IPEs are developed in a timely manner and within 120 days of eligibility determination for transition-age youth.

Technical Assistance: Disability Employment and Transitions does not request technical assistance.

2. Interagency Agreement with the Montana Office of Public Instruction

Corrective Action 2: MVR must:

- 2.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report that MVR will ensure that the interagency agreement with OPI will be revised to describe 1) the financial roles and responsibilities of each agency in the provision of transition services and 2) the procedures to be used by each agency to identify and outreach to all students with disabilities in need of transition services to comply with requirements at Section 101(a)(11)(D) of the Rehabilitation Act and 34 CFR 361.22 (b); and
- 2.2 submit the revised draft formal interagency agreement between MVR and OPI for RSA's review as part of MVR's corrective actions associated with the FY 2012 Section 107 Monitoring Review.

Agency Response: Disability Employment and Transitions accepts the findings and will work with OPI to enhance the formal interagency agreement.

Technical Assistance: Disability Employment and Transitions does not request technical assistance.

3. Program Income Disbursement

Corrective Action 3: MVR must:

- 3.1 cease drawing down federal VR funds prior to disbursing all available program income; and
- 3.2 provide a written assurance to RSA, within 10 days of the final monitoring report that it will disburse all program income before drawing down any federal VR funds as required by 34 CFR 80.21(f)(2).

Agency Response: Disability Employment and Transitions accepts this finding. However, RSA-PD-01-02 allows state rehabilitation agencies to hold program income for up to two years. In August 2011, RSA notified state agencies via e-mail and through its Fiscal Conference that program income must be disbursed before federal funds. Disability Employment and Transitions immediately changed its practices regarding program income to mirror the change in RSA guidance.

RSA Response: RSA acknowledges that Disability Employment and Transitions discontinued drawing down additional federal VR funds while there was a positive balance of undisbursed program income available following the FY 2011 Fiscal Conference. However, the monitoring review period included FY 2007 through FY 2011, and, therefore, RSA addressed issues of noncompliance during that period. While VR regulations at 34 CFR 361.64(a) allow for program income to be carried over to the second year of the performance period, this regulation does not supersede the EDGAR requirement that program income be disbursed first. Additionally, RSA-PD-01-02 did not exempt agencies from complying with 34 CFR 80.21(f)(2). Neither the Rehabilitation Act nor its implementing VR regulations provides an exemption from the program income requirements set forth at 34 CFR 80.21 of EDGAR. Therefore, VR agencies must comply with the requirement at 34 CFR 80.21(f)(2) which require them to expend program income prior to drawing down federal grant funds.

Technical Assistance: Disability Employment and Transitions does not request technical assistance.

APPENDIX B: LEGAL REQUIREMENTS

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

Rehabilitation Act of 1973, as amended

Section 101(a)(9)(A)—Individualized plan for employment

(A) Development and implementation.

The State plan shall include an assurance that an individualized plan for employment meeting the requirements of section 102(b) will be developed and implemented in a timely manner for an individual subsequent to the determination of the eligibility of the individual for services under this title, except that in a State operating under an order of selection described in paragraph (5), the plan will be developed and implemented only for individuals meeting the order of selection criteria of the State.

Section 101(a)(11)(D)—Coordination with education officials

The State plan shall 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 the students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under this title, including information on a formal interagency agreement with the State educational agency that, at a minimum, provides for—

- (i) consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services;
- (ii) transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of their individualized education programs under section 614(d) of the Individuals with Disabilities Education Act;
- (iii) the roles and responsibilities, including financial responsibilities, of each agency, including provisions for determining State lead agencies and qualified personnel responsible for transition services; and
- (iv) procedures for outreach to and identification of students with disabilities who need transition services.

VR Program Regulations

34 CFR 361.22—Coordination with education officials.

(b) *Formal interagency agreement.* The State plan must include information on a formal interagency agreement with the State educational agency that, at a minimum, provides for—

- (1) Consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post school activities, including vocational rehabilitation services;
- (2) Transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of their individualized education programs (IEPs) under section 614(d) of the Individuals with Disabilities Education Act; (3) The roles and responsibilities, including financial responsibilities, of each agency, including provisions for determining State lead agencies and qualified personnel responsible for transition services; and
- (4) Procedures for outreach to and identification of students with disabilities who are in need of transition services. Outreach to these students should occur as early as possible during the transition planning process and must include, at a minimum, a description of the purpose of the vocational rehabilitation program, eligibility requirements, application procedures, and scope of services that may be provided to eligible individuals.

34 CFR 361.45(e) Standards for developing the IPE.

The designated State unit must establish and implement standards for the prompt development of IPEs for the individuals identified under paragraph (a) of this section, including timelines that take into consideration the needs of the individuals.

Education Department General Administrative Regulations (EDGAR)

34 CFR 80.21(f)—Effect of Program Income, refunds, and audit recoveries on payment.

- (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.