

**FISCAL YEAR 2013
MONITORING REPORT
ON THE
CONNECTICUT BUREAU OF
REHABILITATION SERVICES
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 the Connecticut Bureau of Rehabilitation Services (BRS) in federal fiscal year (FY) 2013, 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 June 24 through 28, 2013, is described in detail in the [FY 2013 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program](#).

Emerging Practices

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

Improvement of Employment Outcomes, Including Supported Employment and Self-Employment

- Industry Specific Training and Placement Program: BRS created this employer-driven initiative, Industry Specific Training and Placement Program (ISTPP), to provide industry specific job skills training and job placement to individuals with disabilities and to build better relationship with employers.

Human Resource Development

- BRS uses online learning modules developed through a Medicaid Infrastructure Grant to provide free training opportunities ranging from basic disability concepts and knowledge building for staff to job readiness skills training for targeted individuals with disabilities.

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

Summary of Observations

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

Summary of Compliance Findings

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

- BRS is not meeting its established 90-day time line when developing IPEs for transition-age youth.
- BRS's representation on the state workforce investment board is not consistent with Workforce Investment Act requirements that the mandatory federal partners be represented.
- BRS did not have an indirect cost rate approved by its cognizant federal agency and under-reported its expenditures from non-federal sources under the State Plan, including non-federal expenditures used to support indirect costs assigned to the VR program.
- BRS does not expend program income before drawing down federal funds.
- BRS lacks sufficient record-keeping and internal controls to permit the tracing of funds to a level of expenditures adequate to establish that funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- BRS lacks adequate contract language and monitoring procedures to consistently ensure that VR funds are used in compliance with federal statutes and only for allowable VR program expenditures.

Development of the Technical Assistance Plan

RSA will collaborate closely with BRS and the New England TACE (NE TACE) to develop a plan to address the technical assistance needs identified by BRS in Appendix A of this report. RSA, BRS and NE 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, BRS and NE 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 David Steele and Adrienne Grierson (Fiscal Unit); Joe Doney (Technical Assistance Unit); Joan Ward (Data Collection and Analysis Unit); and Sandy DeRobertis, Zera Hoosier and Ed West (Vocational Rehabilitation 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 BRS 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 BRS. 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 2008 through 2012. Consequently, the table and accompanying analysis do not provide information derived from BRS open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. BRS 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
BRS Program Performance Data for FY 2008 through FY 2012**

All Individual Cases Closed	Number, Percent, or Average	2008	2009	2010	2011	2012	Change from 2008 to 2012	Agency Type 2012
TOTAL CASES CLOSED	Number	3,614	3,913	3,195	3,347	3,732	118	295,436
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	3.3%	100.0%
Exited as an applicant	Number	309	476	389	413	502	193	42,446
	Percent	8.6%	12.2%	12.2%	12.3%	13.5%	62.5%	14.4%
Exited during or after trial work experience/extended evaluation	Number	52	60	53	49	70	18	2,805
	Percent	1.4%	1.5%	1.7%	1.5%	1.9%	34.6%	0.9%
TOTAL NOT DETERMINED ELIGIBLE	Number	361	536	442	462	572	211	45,251
	Percent	10.0%	13.7%	13.8%	13.8%	15.3%	58.4%	15.3%
Exited without employment after IPE, before services	Number	0	0	37	99	195	195	4,654
	Percent	0.0%	0.0%	1.2%	3.0%	5.2%		1.6%
Exited from order of selection waiting list	Number	0	12	22	11	13	13	4,295
	Percent	0.0%	0.3%	0.7%	0.3%	0.3%		1.5%
Exited without employment after eligibility, before IPE	Number	997	932	907	845	904	-93	75,982
	Percent	27.6%	23.8%	28.4%	25.2%	24.2%	-9.3%	25.7%

All Individual Cases Closed	Number, Percent, or Average	2008	2009	2010	2011	2012	Change from 2008 to 2012	Agency Type 2012
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	997	944	966	955	1,112	115	84,931
	Percent	27.6%	24.1%	30.2%	28.5%	29.8%	11.5%	28.7%
Exited with employment	Number	1,445	1,420	922	1,171	1,236	-209	90,938
	Percent	40.0%	36.3%	28.9%	35.0%	33.1%	-14.5%	30.8%
Exited without employment	Number	811	1,013	865	759	812	1	74,316
	Percent	22.4%	25.9%	27.1%	22.7%	21.8%	0.1%	25.2%
TOTAL RECEIVED SERVICES	Number	2,256	2,433	1,787	1,930	2,048	-208	165,254
	Percent	62.4%	62.2%	55.9%	57.7%	54.9%	-9.2%	55.9%
EMPLOYMENT RATE	Percent	64.05%	58.36%	51.59%	60.67%	60.35%	-5.78%	55.03%
Transition age youth	Number	884	1,042	934	966	1,136	252	101,127
	Percent	24.5%	26.6%	29.2%	28.9%	30.4%	28.5%	34.2%
Transition aged youth employment outcomes	Number	214	270	181	286	304	90	30,112
	Percent	14.8%	19.0%	19.6%	24.4%	24.6%	42.1%	33.1%
Competitive employment outcomes	Number	1,437	1,413	919	1,171	1,236	-201	89,406
	Percent	99.4%	99.5%	99.7%	100.0%	100.0%	-14.0%	98.3%
Supported employment outcomes	Number	33	34	40	83	108	75	11,523
	Percent	2.3%	2.4%	4.3%	7.1%	8.7%	227.3%	12.7%
Average hourly wage for competitive employment outcomes	Average	\$18.63	\$18.26	\$16.98	\$16.21	\$17.64	-\$0.99	\$11.38
Average hours worked for competitive employment outcomes	Average	32.2	31.2	31.8	30.9	30.2	-1.9	30.8
Competitive employment outcomes at 35 or more hours per week	Number	825	773	496	572	601	-224	44,438
	Percent	57.1%	54.4%	53.8%	48.8%	48.6%	-27.2%	48.9%
Employment outcomes meeting SGA	Number	1,114	1,013	674	789	835	-279	56,039
	Percent	77.1%	71.3%	73.1%	67.4%	67.6%	-25.0%	61.6%
Employment outcomes with employer-provided medical insurance	Number	738	647	426	462	438	-300	18,983
	Percent	51.1%	45.6%	46.2%	39.5%	35.4%	-40.7%	20.9%

VR Performance Trends

Positive Trends

BRS' performance on some quality indicators for employment outcomes exceeded that of other combined agencies during the period reviewed (FY 2008 through FY 2012). First, the average hourly wage earned by individuals who achieved competitive employment outcomes ranged between a high of \$18.63 in FY 2008 to a low of \$16.21 in FY 2011, increasing to \$17.64 in FY 2012. This compares to the average hourly wage of \$11.38 for individuals served by all general agencies in FY 2012. In addition, the percentage of individuals who achieved employment outcomes with employer-provided medical insurance, though declining during the period, remained significantly above the percentage for all general agencies of 20.9 percent. Also, the percentage of individuals who achieved employment outcomes with earnings meeting or exceeding the level of substantial gainful activity, as defined by the Social Security Administration, was consistently higher than that for all general agencies throughout the review period and, in FY 2012, remained six percentage points above the national percentage (67.6 percent and 61.6 percent, respectively).

Furthermore, all individuals who achieved an employment outcome in FY 2011 and FY 2012 were placed in competitive employment, exceeding the average of 98.3 percent in FY 2012 for all similar type agencies. During the review period, the number of individuals who achieved a supported employment outcome increased from 2.3 percent in FY 2008 to 8.7 percent in FY 2012; however, this remains below the national average of 12.7 percent. The agency experienced a 42.1 percent increase in the number of transition-age youth who exited the VR program with an employment outcome from 214 individuals in FY 2008 to 304 individuals in FY 2012. Finally, at 60.35 percent, the employment rate for BRS in FY 2012 was more than five percentage points above the national percentage for general agencies of 55.03 percent.

Trends Indicating Potential Risk to the Performance of the VR Program

While BRS' performance on the quality indicators for employment outcomes described above has continued to exceed that for general agencies despite an overall decline, the agency's performance on other quality indicators has declined over the review period to performance levels below that for all similar type agencies. The average hours worked by individuals who achieved competitive employment outcomes decreased from 32.2 in FY 2008 to 30.2 in FY 2012, below the average for all similar type agencies of 30.8 hours. Additionally, the percentage of individuals working in competitive employment for 35 or more hours per week decreased from 57.1 percent in FY 2008 to 48.6 percent in FY 2012, below the average of 48.9 percent for all similar type agencies.

Additional trend data from FY 2008 through FY 2012 indicate that the number of individuals whose cases were closed after receiving services declined by 9.2 percent, from 62.4 percent in FY 2008 to 54.9 percent in FY 2012. Additionally, the number of individuals who exited the VR program without employment after the development of the IPE, but before receiving services, increased from zero in FY 2008 to 195, or 5.2 percent, in FY 2012. This compares to 1.6 percent for all general agencies.

Throughout the course of the review RSA discussed both the positive trends and those indicating potential risk with BRS.

Fiscal Analysis

The Agency Fiscal Profile data are based on the SF-269 and SF-425 reports submitted by the agency.

Table 2.2
BRS Fiscal Performance Data for FY 2008 through FY 2012

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
Grant amount	4 th	16,955,048	20,062,903	27,847,199	20,789,029	26,626,124
	Latest/ Final*	17,164,145	20,062,903	27,847,199	20,789,029	26,600,063
Total outlays	4 th	20,960,061	20,722,692	15,297,506	7,628,883	8,313,275
	Latest/ Final*	25,041,575	27,665,567	35,754,978	28,433,208	19,669,437
Total unliquidated obligations	4 th	0	500,000	544,652	0	798,489
	Latest/ Final*	0	0	0	0	39,927
Federal share of expenditures	4 th	13,144,497	13,640,526	7,391,611	0	424,121
	Latest/ Final*	17,160,679	20,062,903	27,846,057	20,789,029	11,721,675
Federal share of unliquidated obligations	4 th	0	0	0	0	798,489
	Latest/ Final*	0	0	0	0	39,927
Total federal share	4 th	13,144,497	13,640,526	7,391,611	0	1,222,610
	Latest/ Final*	17,160,679	20,062,903	27,846,057	20,789,029	11,761,602
Recipient share of expenditures	4 th	7,815,564	7,082,166	7,905,895	7,628,883	7,889,154
	Latest/ Final*	7,880,896	7,602,664	7,908,921	7,644,179	7,947,762
Recipient share of unliquidated obligations	4 th	0	500,000	544,652	0	0
	Latest/ Final*	0	0	0	0	0
Agency actual match (total recipient share)	4 th	7,815,564	7,582,166	7,905,895	7,628,883	7,889,154
	Latest/ Final*	7,880,896	7,602,664	7,908,921	7,644,179	7,947,762
Agency required match (total recipient share required)	4 th	3,557,532	3,691,781	2,000,525	0	114,788
	Latest/ Final*	4,644,504	5,429,985	7,536,480	5,626,510	3,172,448
Over/under match (remaining recipient share)	4 th	-4,258,032	-3,890,385	-5,905,370	-7,628,883	-7,774,366
	Latest/ Final*	-3,236,392	-2,172,679	-372,441	-2,017,669	-4,775,314
MOE **	4 th					
	Latest/ Final*		7,602,664	7,908,921	7,644,179	7,947,762
Unobligated funds qualifying for carryover	4 th	3,810,551	6,422,377	20,455,588	20,789,029	25,403,514
	Latest/ Final*	3,466	0	1,142	0	14,838,461
Total federal program income earned	4 th	1,886,423	2,147,241	1,558,119	1,207,537	988,819

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
	Latest/ Final*	1,886,033	2,113,832	1,491,566	1,207,537	988,819
Total indirect costs	4 th	1,833,057	2,436,076			
	Latest/ Final*	2,466,943	1,988,401		2,590,556	450,000

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

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

RSA reviewed BRS' fiscal performance data from FY 2008 through FY 2012.

BRS' non-federal share for each year of the review period was composed entirely of state appropriated funds. BRS does not use third-party cooperative arrangements (TPCAs) or other sources of match. The state incurred no maintenance of effort (MOE) shortfalls during the review period.

In each of the five years covered by the review, the state provided non-federal funds in excess of the 21.3 percent required matching level for the VR program. The federal VR award to BRS is approximately \$16.5 million, which requires non-federal matching funds of approximately \$4.4 million. State appropriations for the VR program have averaged \$7.8 million, enabling BRS to request and receive reallocated funds as listed below.

**Table 2.3
BRS Reallotment Funds Received from FY 2008 to FY 2012**

Year	Amount
2008	\$209,097
2009	\$2,889,411
2010	\$10,000,000
2011	\$3,000,000
2012	\$8,500,000

Federal funds not expended during the first year of the grant period may be carried over for a second year, if the agency has provided the non-federal share, or match for those funds. Carryover allows an agency to expend funds over the course of two fiscal years, instead of one, and can be used to supplement current year funds for services, administration or to fund a project in a year when current-year VR funds are committed. Based on data gleaned from the federal financial reports (FFRs), BRS had unexpended federal funds available for carryover in the amounts and percentages of federal award, shown below.

**Table 2.4
BRS Carryover Funds from FY 2008 to FY 2012**

Year	Amount	Percent of Federal Award
2008	\$ 3,810,551	22.2%
2009	\$ 6,422,377	32.0%

2010	\$20,455,588	73.5%
2011	\$20,789,029	100.0%
2012	\$25,403,514	95.5%

BRS has historically maintained high carryover balances. The FY 2008 monitoring report listed carryover balances for FY 2006 and FY 2007. In that same report, BRS management stated that it believed federal fund excesses would be eliminated by FY 2010 if expenditures for purchased services continued to escalate at the then-current rate. During the current review, BRS management again stated that the excess in federal funds would be eliminated when expenditures for purchased services and administrative costs continue escalation at the current rate. The eventuality in which excesses would be eliminated did not occur in FY 2010, and in fact, the agency's carryover has increased since FY 2010. The percentage of the federal award carried over suggests that the agency has the financial wherewithal to relax its cost containment policies in order to provide more or better quality services to consumers. Expansion of services is discussed in Section 5. B. - Transition Services and Employment Outcomes for Youth with Disabilities.

Total federal program income for this agency includes the Social Security Administration's VR cost reimbursement program. Data reported in the agency's FFRs indicate that BRS accumulates program income from year to year. Regulatory requirements related to the expenditure of program income before the drawdown of federal funds are discussed in Section 6 -- Compliance Findings and Corrective Actions.

SECTION 3: EMERGING PRACTICES

While conducting the monitoring of the VR program, the review team collaborated with the BRS, the SRC, the NE 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 practices below.

Improvement of Employment Outcomes, including Supported Employment and Self-Employment

- **Industry Specific Training and Placement Program (ISTPP):** In FY 2010, using funds made available under the American Recovery and Reinvestment Act (ARRA), BRS created an employer-driven initiative to provide industry specific job skills training and placement to individuals with disabilities. This initiative was developed through a request for proposal competition that identified five Industry Specific Training and Placement Programs (ISTPPs) in such areas as customer service and warehouse distribution center material handling.

ISTPPs are tuition based fee-for-service training programs conducted at employer sites and run by a contracted training entity. Trainings are universally designed, with the majority of placements being with the host employer. Over 150 permanent placements have been developed.

Human Resource Development

- **Connect-ability Distance Learning Initiative (DLI):** BRS uses online accessible learning modules developed through a Medicaid Infrastructure Grant (MIG) to provide free training opportunities, from basic disability concepts and knowledge building for staff to job readiness skills training for targeted individuals with disabilities. DLI was launched in January 2012. There are over 600 registered users and 40 training modules.

This learning management system allows for administration, documentation, tracking and reporting of training course modules, events and e-learning.

DLI was created as a multi-purpose e-learning site that:

- provides the general public and job seekers access to training to assist with eliminating barriers to employment;
- provides employers access to training that will assist with recruiting, hiring and retaining employees with disabilities; and
- provides state employees access to cross-agency training regarding state services and employment of people with disabilities.

A complete description of the practices described above can be found on the RSA website at [RSA website](#).

SECTION 4: RESULTS OF PRIOR MONITORING ACTIVITIES

During its review of the VR and SE programs in federal FY 2013, RSA assessed progress toward the implementation of recommendations accepted by BRS resulting from the prior monitoring review in FY 2008. BRS reported during the course of this review its continuing efforts toward addressing recommendations made by RSA.

Recommendations

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

1. Employment Rate Impacted by Cases Employed at Application

RSA recommended that BRS conduct a needs assessment to determine the extent to which individuals who are not employed at application are underserved by the agency and their VR service needs. Additional recommendations were made to develop goals and strategies based on this analysis to increase the number of individuals served that are not employed at application.

Status: BRS completed a comprehensive needs assessment in 2010. As a result, BRS reported that it assessed and changed some of its policies related to the provision of the types of services that individuals who are employed with earnings at application might be seeking. In FY 2007, 43 percent of the individuals served by BRS were employed with earnings at application. BRS' data from FY 2008 through FY 2012 showed a decline in individuals reported as employed at application, from over 49 percent in FY 2008 to 36.8 percent in FY 2012. While the agency experienced a downward trend in this area from FY 2008 to FY 2012, its performance continued to exceed performance of all other general agencies by at least a 17 percent difference for each respective federal fiscal year.

The agency continues to maintain an employment rate above the national level, despite having decreased the percentage of individuals with employment at application it serves. The employment rate remained virtually unchanged from FY 2007 in both FY 2011 and FY 2012 (60.67 and 60.35, respectively).

2. Services for Individuals with Communicative Impairments

RSA recommended that BRS conduct an analysis of, and identify factors related to, the significant number of individuals with communicative impairments seeking restoration services and the extent to which the availability of comparable benefits may or may not be a possible causation. In addition, RSA recommended that BRS conduct a needs assessment to determine the extent to which individuals with mental illness are underserved by the agency and to identify their VR service needs. To that end, recommendations were made to develop goals and strategies to increase the number of individuals served with a diagnosis of mental illness, as well as the number of employment outcomes among this population.

Status: BRS reported that it works closely with the Department of Mental Health and Addiction Services (DMHAS) to provide coordinated services to individuals with mental illness, and has continued to co-fund a central office position shared by the two agencies to focus on collaborative service provision, and cross-training of staff from both agencies. RSA noted that of the 2,048 individuals whose cases were closed in FY 2012, after receiving services, 1,107 of those individuals, or 54.05 percent, had mental health impairments. As noted in the prior monitoring report in FY 2007, the agency served 980 individuals, or 45.45 percent, with mental health impairments. While decreasing to 41.67 percent in FY 2008, the percentage has been trending upward since FY 2009.

BRS has engaged in a review and revision of its policies and procedures for the provision of services such as hearing aids. One of the outcomes of the agency's review and revision was a requirement that all consumers seeking this type of restoration service provide written documentation of their available insurance coverage for hearing aids. Although BRS has engaged in a reported paradigm shift as to how it addresses comparable benefits in its approach to serving individuals with communication impairments, of the 2,048 individuals whose cases were closed in FY 2012 after receiving services, 605 of those individuals, or 29.54 percent, had communication impairments. This remains at more than two times the national average for all general agencies at a reported 10.16 percent.

3. Decrease in Applicants

RSA recommended that BRS continue to review and adjust counselor capacity in rural areas where applicants had declined, and institute service delivery adjustments. It was also suggested that strategies be developed to expand outreach in the Norwalk, Willimantic, and Bristol communities, locations where offices had been closed in FY 2002 and FY 2003.

Status: BRS is actively pursuing the procurement of office space in Willimantic with the Connecticut Department of Public Works and the Connecticut Department of Administrative Services. Additional strategies have included providing BRS counselors with lap tops and air cards to allow for travel to areas of the state where there is no physical presence.

4. Long Term Supports (Supported Employment)

RSA recommended that BRS develop goals, including annual and long-term targets to measure the increase in SE outcomes and strategies to achieve the goals. Recommendations were made to continue to investigate additional funding sources for long-term supports and resources for the individuals with the most significant disabilities.

Status: BRS reported continued focus within its State Plan to set goals of increasing the number of consumers able to access SE services and the expansion of the agency's SE allotted funding. The agency continues to co-fund an employment consultant position with the Department of Mental Health and Addiction Services that focuses efforts toward SE training and work incentive initiatives as well as utilization of the Ticket to Work Partnership Plus model. As noted in the prior monitoring report, in FY 2007, the agency assisted 30 individuals to achieve a SE outcome, or 2.2 percent of all individuals who achieved an employment outcome. While the total number

of SE outcomes achieved by the agency increased substantially from FY 2008 to FY 2012, from 33 to 108 individuals, the percentage of SE outcomes at 8.7 percent for FY 2012 is still 4 percentage points below the national average for general agencies.

5. Monitoring of CRPs

RSA recommended that BRS develop mechanisms, including measurable goals with annual and long-term targets, by which the agency can measure the performance of community rehabilitation programs (CRP), as a group and individually, in terms of the number and quality of SE outcomes achieved. Routine monitoring of CRP performance was recommended as well as communicating this information to agency management, field staff, CRPs, and individual consumers to enhance the basis of informed choice and increased accountability.

Status: The agency reported the development of a set of distance learning modules on CRP services for consumers, providers and staff to access as referenced in Section 3--Emerging Practices. The purpose of these modules is to provide comprehensive service delivery to BRS consumers by providers. Additionally, BRS revised the scope of service for the CRP contracts and further defined the provisional provider review process to include an ongoing provider review process with both qualitative and quantitative measurements. This process for ongoing review of CRPs began in FY 2013.

6. Contracts with CRPs

RSA recommended that BRS develop strategies to improve the accountability of CRPs for the number and quality of SE outcomes achieved. Strategies recommended included the implementation of a performance-based contracting system.

Status: The agency reported that it has implemented a hybrid model under which some of the services provided are part of a performance-based structure. The four services reported as performance-based are assessment services, site development, placement services and on-job-training opportunity development. The agency also reported that it is currently working on benchmarking hourly performance to create reasonable expectations for future contracts. Additionally, as noted in the previous recommendation and status update, BRS has implemented a process for ongoing review of CRPs.

7. BRS' MIS/Case Management System

RSA recommended that BRS complete the purchase of and fully deploy the agency's new case management system to increase efficiency.

Status: The case management system has been fully deployed.

8. Carryover Balances and Future Deficits

RSA recommended that BRS continue the financial planning activities currently undertaken by program and financial staff to prepare for shortfalls anticipated in FY 2010 and 2011. It was also

recommended that the agency develop strategies for increasing program revenues and review contract administration policies and procedures to determine actions to be taken to reverse the increasing cost of purchased services, ensuring the quality and quantity of those services.

Status: While the agency feels this recommendation has been fully implemented and further reports the continuance of future financial planning activities, a review of the fiscal data tables contained in Section 2 of this report and the information set forth in Section 6, Finding 4 demonstrate the need for continued evaluation of financial planning as it relates to the fiscal integrity and accountability efforts of the agency. Additionally as referenced in Section 2, future financial planning activities as reported in the FY 2008 monitoring report meant to offset the projected shortfalls in the expected loss of excess federal funding did not materialize in FY 2010 and the agency continued to experience an increase in carryover since that time.

9. Cost Allocation/Indirect Costs

RSA recommended that BRS prepare an analysis showing the impact of reducing previously reported non-federal expenditures in each of the fiscal years in which indirect costs were overcharged and adjusting expenditures which were not included, since non-federal expenditures reported by BRS are significantly higher than the 21.3 percent statutory matching requirement. RSA also recommended that BRS initiate a request to re-open financial reports to make any required adjustments in the affected fiscal years if it is determined that the penalties imposed for not meeting the maintenance of effort (MOE) requirement are less than the lump-sum repayment of the cost allocation overcharges and unreported adjustments.

Status: This recommendation was implemented. The analysis was completed and changes were made in the applicable RSA financial reports. However, as noted in Section 5C and Section 6 (Finding 3A), BRS continues to experience difficulty with obtaining an accurate indirect cost rate that is approvable by its cognizant federal agency. Additional technical assistance was provided.

10. RSA-2 Report Inaccuracies

RSA recommended that BRS take the appropriate action to ensure that information reported on the RSA-2 for FY 2008 and future fiscal years, accurately reflects the performance of the agency in each category; and that BRS review all expenditures reported for the administration of the VR and SE programs to ensure they are reported in the correct category on the RSA-2. It was recommended the agency move expenditures associated with the staff person responsible for policy development to the appropriate category of administration. Recommendations for the development of methodologies to allocate cost to appropriate field offices related to assessment, counseling, guidance, and placement services performed by staff were made. It was also recommended that the agency continue working with RSA to improve the accuracy of the RSA-2, including allowing staff to attend the RSA National Fiscal/Data Conference for training on the preparation of this report.

Status: This recommendation has been implemented. Changes were made to the RSA-2, staff attended the FY 2008 RSA National Fiscal/Data Conference and developed a methodology to

allocate the cost to appropriate field offices related to assessment, counseling and guidance, and placement.

Compliance Findings and Corrective Actions

There were no compliance findings as a result of the FY 2008 review.

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

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

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

- diagrams, organizational charts and other 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, tables, charts 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 full-time employees (FTEs) in each program, identifying the specific programs on which they work and the individuals to whom they report, specifically including:
 - individuals who spend 100 percent of their time working on the rehabilitation work of BRS;

- individuals who work on rehabilitation work of the BRS and one or more additional programs/cost objectives (e.g., one-stop career centers); and
- individuals under BRS 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 Connecticut's procurement requirements and processes.

Overview

Effective July 1, 2011, Connecticut Public Act No. 11-44 created the Bureau of Rehabilitative Services that brought together the Bureau of Rehabilitation Services, the Board of Education and Services for the Blind, the Commission on the Deaf and Hearing Impaired, the Workers' Rehabilitation Program, and the Driver Training Program for People with Disabilities. Effective July 1, 2012, the Department of Rehabilitation Services (DORS) was created by Connecticut Public Act No. 12-1 as the DSA that provides VR services through BRS and the Bureau of Education and Services for the Blind (BESB). The DORS commissioner reports to the Governor of Connecticut and is considered a cabinet level position within Connecticut state government. DORS is comprised of BRS, BESB and the Bureau of Organizational Services (BOS).

BRS is the DSU within DORS that provides VR and SE services in Connecticut. BRS is comprised of VR, Rehabilitation Support Programs, Disability Determination Services, Independent Living Program, Assistive Technology Program, Driver's Training Program for Individuals with Disabilities, and the Counseling Unit for Individuals who are Deaf or Hard of Hearing. The BRS director reports to the DORS commissioner and has equal job status and classification with the other units within DORS.

BRS employs 156 staff to administer and operate its VR program, 144 (92.3 percent) of whom devote 100 percent of their time to this program. BRS operates three regional and 12 local field offices that provide vocational assessments, counseling, job training, assistive technology, and job-placement assistance to adults and transition-age youth.

RSA's review of the organizational structure of BRS did not result in the identification of observations and recommendations. The compliance finding identified by RSA through the implementation of this focus area is contained in Section 6 of this report.

Technical Assistance

RSA provided technical assistance to BRS related to this focus area during the course of its monitoring activities. It was evident that the commissioner of DORS was functioning as both the DSA commissioner and DSU director. DORS and BRS staff reported that this began in July, 2012, as a result of Public Act No. 12-1, mandating a change in organizational structure. This remained unchanged until the Connecticut legislature added a separate full-time BRS director position in the state appropriations bill, and BRS staff confirmed approval within the legislative and budgetary processes to initiate recruitment efforts. Additional follow-up confirmed that a national recruitment was initiated on July 13, 2013, with an expected completion date prior to

October, 2013. RSA's technical assistance involved a review of the duties of the DORS commissioner and anticipated duties of the BRS director with RSA's emphasis placed on completing the recruitment process expeditiously.

Additional technical assistance was provided to DORS and BRS staff in the area of involvement on the Connecticut State Workforce Investment Board (SWIB). Participation on the SWIB ceased with the organizational changes of July, 2012, and DORS management believed this was an oversight of the Connecticut legislature. Technical assistance was provided to DORS and BRS in reference to the Connecticut state workforce investment plan and DORS was strongly encouraged to review this plan and insure DORS and/or BRS were active participants in the Connecticut workforce plan.

B. Transition Services and Employment Outcomes for Youth with Disabilities

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

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

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

To implement this focus area, RSA reviewed:

- formal interagency agreements between the VR agency and the state educational agency (SEA);
- transition-related VR 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 BRS relevant data from FY 2008 through FY 2012, describing:

- the number and percentage of youth with disabilities who exited the VR program at various stages of the process;
- the amount of time spent in key phases of the VR process, including eligibility determination, development of the individualized plan for employment (IPE) and the achievement of a vocational goal;
- the number and percentage of youth with disabilities receiving various VR services, including, among others, assessment, university and vocational training, transportation, rehabilitation technology and job placement; and
- the quantity, quality and types of employment outcomes achieved by youth with disabilities.

To provide context for the agency's performance in the area of transition, RSA also compared the performance of BRS with the national average of all combined, general, or blind state agencies as appropriate.

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:

- BRS administrator/director;
- BRS VR counselors and transition staff;
- BRS transition coordinators serving as liaisons with the SEA and other agencies; and
- state and local school personnel, including special education teachers and guidance counselors.

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

Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to BRS related to transition services and employment outcomes for youth with disabilities as described below.

Interagency Agreement with the State Education Agency

Section 101(a)(11)(D) of the Rehabilitation Act addresses the responsibility of the VR agency to plan and coordinate transition services for students with disabilities who are eligible for VR services through a formal interagency agreement with the SEA. According to the Memorandum of Agreement, developed with the Connecticut Department of Education – Bureau of Special Education and Pupil Services (SDE/BSEPS) pursuant to this requirement in September 1999, this agreement is to be reviewed annually to assess progress on activities identified in the agreement. During the review, BRS management informed RSA that the agreement had not been reviewed or updated recently. In addition, the signatories to the agreement no longer are employed by either the VR agency or the SEA.

Through its efforts to provide technical assistance on the SEA agreement, RSA met with staff providing transition services from the three geographic subdivisions in BRS, including VR counselors, and personnel of SDE/BSEPS, discussing the required components of a SEA agreement, the specific provisions of the Connecticut Memorandum of Agreement, as well as their relationships with each other and with the LEAs. As a result of these discussions, RSA and BRS identified the need to update the Memorandum of Agreement not only to reflect the current parties, but most importantly to strengthen collaboration with the SDE/BSEPS and to facilitate the coordination of activities between BRS staff and the LEAs. RSA also discussed with BRS management the potential of developing written agreements with the LEAs to provide consistency and accountability with respect to the provision of transition services to youth served by BRS.

Vocational Assessments

RSA provided technical assistance to BRS staff regarding the requirements of 34 CFR 361.45(b) concerning the conduct of vocational assessments in connection with the development of IPEs for transition-age youth, particularly when education records contain insufficient information to determine the employment outcome and the nature and scope of VR services.

Employment Outcomes

RSA provided technical assistance to BRS through discussions of the agency's performance on measures assessing the quantity and quality of employment outcomes achieved by transition-age youth during the review period beginning in FY 2008 and ending in FY 2012. Although the percentage of employment outcomes achieved by youth, out of the total outcomes achieved by all individuals served, increased during the period from 14.81 percent to 24.60 percent, this percentage remained below that for all general agencies of 33.11 percent in FY 2012. In addition, the performance of BRS on quality-related measures generally declined during the period as described below.

- The average hourly wages for youth who achieved competitive employment outcomes decreased from \$11.04 to \$10.10, significantly below that for the general public of \$29.61 in FY 2012.
- The percentage of youth who achieved competitive employment and worked 35 or more hours per week declined from 40.19 percent to 34.21 percent.

- The percentage of youth who achieved employment and earned wages equal to or exceeding the level of SGA decreased from 60.28 percent to 48.03 percent.
- The percentage of youth who achieved employment with employer-provided medical insurance decreased from 30.73 percent to 19.08.

RSA discussed with BRS the effect that college and occupational training can have on the quality of employment, noting that, of all youth served, the percentage who received college or university training decreased from 13.04 percent to 5.81 percent. In comparison, 19.87 percent of youth served by all general agencies received this form of training. Also, the percentage of youth who received occupational training decreased slightly from 6.83 percent to 6.06 percent from FY 2008 to FY 2012. However, 11.78 percent of youth served by all general agencies received this form of training in FY 2012. At the same time, the percentage of youth who received On-the-Job training increased from 2.48 percent to 11.80 percent.

RSA discussed with BRS the possible factors that may have contributed to these performance trends, including the agency's higher education policies concerning cost-containment measures and the focus of performance goals for VR counselors on the quantity of employment outcomes. In addition, RSA noted that the agency had retired its order of selection and carried over 95.5 percent of its FY 2012 grant award, suggesting that the agency possessed sufficient funds to provide training services to transition-age youth. As indicated by RSA during the review, the provision of these services, as well as the conduct of appropriate vocational assessments mentioned above, may assist BRS to improve the quality of employment outcomes achieved by the youth it serves.

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 three components of review: financial resources, match and maintenance of effort (MOE), and internal controls.

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 2008 thru FY 2012, 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 and resolution of findings);
- 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;
- documentation of expenditures including contracts, purchase orders and invoices;
- 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 BRS did not result in the identification of observations and recommendations. The compliance findings identified as a result of its implementation are contained in Section 6 of this report.

Technical Assistance

RSA provided technical assistance to BRS during and subsequent to the on-site visit regarding its Indirect Cost Rate. At the time of the review, the agency did not have an approved Indirect Cost Rate. It submitted a proposal to the Department in July 2013 and received approval of a provisional rate for the 1-year period beginning July 1, 2013. RSA recommended that BRS work closely with its contractor to ensure that costs of services provided by the Connecticut Bureau of Operational Support (BOS) be divided between BRS and the Bureau of Education and Services for the Blind, which is also served by BOS, according to benefit received. Shared indirect costs would include items such as salaries for administrative staff at BOS. Subsequent to the onsite review, RSA worked with BRS to provide information and assist the Department's Indirect Cost Group.

SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

RSA identified the following compliance findings and corrective actions that BRS 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.

BRS 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 and submitted online using the RSA website at [RSA Website](#) within 45 days from the issuance of this report and RSA is available to provide technical assistance to enable BRS to develop the plan and undertake the corrective actions.

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

1. Development of IPEs for Transition-Age Youth

Legal Requirements:

- Rehabilitation Act – Section 101(a)(9)(A)
- VR Program Regulations – 34 CFR 361.22(a)(2) and 34 CFR 361.45(e)

Finding:

BRS is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the implementing regulations at 34 CFR 361.45(e) because BRS is not meeting its established 90-day timeline when developing IPEs for transition-age youth. As required by Section 101(a)(9)(A) of the Rehabilitation Act, BRS 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 implementing 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 BRS Policy and Procedure Manual, Chapter III- Employment Plan, Section 1: Process of Development of the Employment Plan:

As a standard the Employment Plan should be developed within 90 days of determining that the individual is eligible and meets the agency's order of selection criteria. There may be circumstances where the period needed is significantly shorter or longer, depending on the nature of the individual's situation. Although the staff should make every effort to develop plans in a timely manner, it is most important that Plans be developed with care, rather than in haste.

The language of this policy statement is not inconsistent with the federal requirements. However, as illustrated in Table 6.1 below, BRS did not meet the requirements in Section 101(a)(9)(A) of the Rehabilitation Act and 34 CFR 361.45(e), because it did not develop IPEs for a significant number of transition-age youth in a timely manner and within the 90-day timeline that BRS established as its standard pursuant to the federal requirements. In FY 2010, 47.03 percent of all IPEs developed for transition-age youth were developed within 90-days, the lowest percentage of IPEs during the period under review. This percentage reached a high of 52.29 percent in FY 2012. An additional 17.43 percent of the IPEs for transition-age youth were developed within 91 - 180 days in FY 2012, for a total of 69.72 percent of IPEs developed within six months.

Table 6.1
Connecticut BRS Service Record Breakdown for Transition-Age Youth Served by Time:
Eligibility to IPE FY 2008 through FY 2012

Percent Served:	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
0 – 3 months	49.69%	51.59%	47.03%	51.99%	52.29%
4 – 6 months	18.84%	20.10%	18.43%	18.84%	17.43%
Greater than 6 months	31.47%	28.31%	34.54%	29.17%	30.28%
Total Number Served	483	597	472	552	568

Many counselors and supervisors during the on-site review were unable to identify or cite a specific timeframe for completion of IPEs for transition-age youth beyond the requirement in the agency’s policy to complete the IPE prior to a student’s exit from the school setting as stated in the BRS Policy and Procedure Manual, Chapter III - Employment Plan, Section 4: Guidance. Although this approach is consistent with the federal requirement to develop the transition student’s IPE before he or she leaves the school setting (34 CFR 361.22(a)(2)), BRS must also satisfy the requirements of Section 101(a)(9)(A) and 34 CFR 361.45(e) when developing IPEs for transition-age youth.

Corrective Action 1: BRS must take the steps necessary to ensure that the IPEs for transition-age youth are developed in a timely manner and within 90 days of eligibility determination, pursuant to Section 101(a)(9)(A) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e).

2. Representation of the VR Program on the State Workforce Investment Board

Legal Requirements:

- Workforce Investment Act Regulations - 20 CFR 661.200(i)(3)

Finding:

The VR program is not represented on the Connecticut state workforce investment board (SWIB) as required by Workforce Investment Act (WIA) program regulations at 20 CFR 661.200(i)(3). As stated in these regulations, “[i]f the director of the [DSU], as defined in section 7(8)(B) of the Rehabilitation Act, does not represent the [VR program] on the State Board, then the State must describe in its State plan how the member of the State Board representing the VR program will effectively represent the interests, needs, and priorities of the VR program and how the employment needs of individuals with disabilities in the State will be addressed.”

The acting director of BRS does not represent the VR program on the SWIB. Instead, prior to the reorganization of the Connecticut VR agencies in FY 2012, the Department of Social Services (DSS) (the former DSA for the Bureau of Rehabilitation Services (BRS)) represented the VR program for both BRS and BESB on the SWIB. According to Section II.A.iib of the state’s “Strategic Five-Year State Workforce Investment Plan for the period of July 1, 2012 to June 30, 2017,”

The Connecticut Employment and Training Commission (CETC) has two agency Commissioners representing the interests and employment needs of individuals with disabilities. Commissioner for the Department of Social Services, Roderick Bremby serves as a full CETC member and this past year, the Department of Mental Health and Addictions Commissioner Patricia Rehmer was added as an Ex-Officio member. Both commissioners, or their designees serve on the Career Advancement sub-committee where policy recommendations are being developed to address the needs of low skill, low wage workers and special populations.

In July 2012, BRS was transferred to a newly-created DSA, the Department of Rehabilitation Services (DORS). The WIA Strategic Plan has not been updated to recognize this change, though the DSS no longer represents the VR program on the SWIB. In addition, the DORS commissioner stated during the review that she does not represent either BRS or BESB on the SWIB and is not aware of provisions for any member to effectively represent the interests, needs and priorities of the VR program and individuals with disabilities as required by 20 CFR 661.200 (i)(3).

Corrective Action 2: BRS, in conjunction with DORS, must take the steps necessary to ensure that the BRS VR program is effectively represented on the SWIB and describe this representation in the WIA Strategic Plan, as required by 20 CFR 661.200(i)(3).

3. Under-Reporting of Non-Federal Expenditures Under the State Plan for Maintenance of Effort

Legal Requirements:

- Rehabilitation Act — Section 111(a)(2)(b)
- VR Program Regulations — 34 CFR 361.62
- EDGAR – 34 CFR 76.560(b)

- Federal Cost Principles – 2 CFR 225, Appendix A, paragraph H.2
- Information Memorandum - RSA IM-01-07, “Definition and Documentation of Expenditures From Non-Federal Sources Under the State Plan,” October 26, 2000

Finding:

BRS does not have an indirect cost rate approved by its cognizant federal agency. In addition, BRS is not in compliance with Section 111(a)(2)(b) of the Rehabilitation Act and regulations at 34 CFR 361.62 because it has under-reported its expenditures from non-federal sources under the state plan, including non-federal expenditures used to support indirect costs assigned to the program.

A. Lack of Approved Indirect Cost Rate

Prior to July 1, 2012, BRS, the designated state unit for that portion of the VR program serving all other individuals who are not blind and visually impaired in the state, was located in the Connecticut Department of Social Services. Subsequent to that date, the Connecticut VR program was reorganized and BRS (as well as the Board of Education and Services for the Blind, the state VR agency that serves individuals who are blind) became a component of the Department of Rehabilitation Services (DORS), the newly created designated state agency for the VR programs in the state. The U. S. Department of Education serves as the cognizant federal agency for the VR program in Connecticut.

After the reorganization, BRS could no longer use the cost allocation plan that existed prior to the reorganization, as it assigned costs to BRS based on state agencies and bureaus which no longer provided services to, or on behalf of, BRS. At the time of the review, the agency had not yet submitted an indirect cost rate proposal¹ to the Department of Education, as it was still negotiating the proposal with its consultants.

Regulations at 34 CFR 76.560(b) require a grantee to have a current indirect cost rate agreement to charge indirect costs to a grant. Federal Cost Principles at 2 CFR 225, Appendix A, paragraph H.2 state that indirect costs may be charged to an award only if such rate has been certified by the cognizant federal agency. Therefore, BRS is not in compliance with pertinent federal requirements at 34 CFR 76.560(b) and 2 CFR 225, Appendix A, paragraph H.2

B. Under-Reporting of Non-Federal Expenditures

Because the agency does not have an approved indirect cost rate, management has not charged indirect costs to the VR award since July 1, 2012, nor has it reported indirect costs on its SF-425s. Management stated that, in order to be in compliance with indirect cost requirements set forth in federal cost principles, and until such time as it has an approved indirect cost rate, it will not charge indirect costs to the federal award. Management stated further that the agency is “holding VR funds in reserve in anticipation of making indirect payments once a rate is formally established.”

¹ The agency submitted a draft proposal to the Department’s Indirect Cost Group on July 12, 2013. The Indirect Cost Group approved a 1-year provisional rate for the period beginning July 1, 2013.

Indirect costs are paid against actual expenditures for costs incurred in the administration of the award. BRS would not be able to “hold” indirect expenses until such time as an indirect cost rate was approved and then reimburse those expenditures. The expenditures against which the indirect costs were charged would have already been incurred and must have been paid. To the extent that such expenditures are not being reported as non-federal share on the SF-425, the state's total expenditures/outlays for the VR program are not being captured. The result is an understatement of the state's non-federal share of expenditures.

For example, the agency does incur and pay indirect costs, such as supplies, salary and fringe benefit costs for certain staff, including the VR Director and the Bureau Chief for the Bureau of Operational Support (BOS), which performs fiscal functions for BRS. The indirect costs paid against the indirect cost categories represent actual program costs that must be counted as non-federal share.

Section 111(a)(2)(b) of the Rehabilitation Act, its implementing regulations at 34 CFR 361.62 and related policy statements cite the phrase “expenditures from non-federal sources under the State Plan.” IM 01-07 provides clarification in that expenditures from non-federal sources under the state plan include only those expenditures that (1) are made from permissible revenue sources, (2) meet allowability requirements, and (3) are allocable to the Title I program (2 CFR 225, Appendix A, paragraphs C.1 and C.3).

Expenditures by BRS for salaries of administrative and BOS staff are expenditures made from state appropriations and thus would be a permissible source of revenue. Expenditures for staff who provide financial and administrative services to the VR program are reasonable and necessary for the proper and efficient administration of the program; therefore, they are allowable. Expenditures for salaries of staff working for the benefit of the VR program are allocable expenditures to the extent that services provided are assignable to the VR program in accordance with relative benefits received.

Any non-federal expenditure reported on the SF-425 must meet all three requirements. Conversely, any expenditure that meets all three requirements must be reported.

Because BRS has not reported these non-federal expenditures that benefit the VR program, the amount of the state’s non-federal expenditures to be counted toward maintenance of effort cannot be accurately determined.

Corrective Action 3: BRS must:

- 3.A.1 obtain and use only approved indirect cost rate or cost allocation plan in charging the grant, as required by the federal cost principles at 2 CFR 225; and
- 3.B.1 develop and implement procedures whereby all non-federal expenditures which benefit the VR program are accurately documented, recorded, and reported consistent with Maintenance of Effort Requirements in 34 CFR 361.62.

4. Program Income

Legal Requirement:

- EDGAR: 34 CFR 80.21(f)(2)

Finding:

BRS is not in compliance with federal regulations at 34 CFR 80.21. Regulations at 34 CFR 80.21(f)(2) state that grantees shall disburse program income before requesting additional cash payments. This means that BRS must disburse all program income prior to requesting a drawdown of additional VR funds from its federal award. Disbursement of program income may include the transfer of VR social security reimbursement program income to the independent living programs established under Title VII of the Rehabilitation Act.

RSA reviewed BRS' SF-269 and SF-425 reports for FY 2008 through FY 2012 and found that the agency had unexpended program income available when additional cash payments were requested. The table below compares the amount of available program income for the FY 2008 through FY 2012 period to the amount of VR drawdowns during the quarters.

**Table 6.2
Program Income Expenditures**

<i>Award Fiscal Year</i>	<i>Quarter Ending</i>	<i>Available Undisbursed Program Income</i>	<i>Cash Drawdowns During Quarter</i>
FY 2008	03/2008	\$297,935	\$5,342,458
FY 2008	06/2008	\$427,043	\$7,196,293
FY 2008	09/2008	\$1,881,941	\$6,856,696
FY 2009	03/2009	\$1,083,776	\$6,176,642
FY 2009	06/2009	\$1,785,451	\$6,176,045
FY 2009	09/2009	\$2,028,933	\$5,005,133
FY 2010	03/2010	\$602,567	\$1,060,466
FY 2010	06/2010	\$828,358	\$2,971,025
FY 2010	09/2010	\$1,444,589	\$3,360,120
FY 2012	03/2012	\$441,589	\$414,904

Corrective Action 4: BRS must:

- 4.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report stating that it will disburse program income before requesting additional cash payments, pursuant to 34 CFR 80.21(f)(2); and
- 4.2 develop written procedures that include methods for ensuring that program income is disbursed consistent with 34 CFR 80.21(f)(2).

5. Monitoring Grant Activities

Legal Requirements:

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

Finding:

BRS enters into contractual agreements with other state agencies and calls these agreements Memoranda of Agreement. Most of the Agreements are structured so that a payment of 25 to 100 percent of the contract amount is paid to the other party at signing and the remaining funds are disbursed according to a schedule included in the Agreement, usually quarterly. Payments are made based on budgets listed in the agreements. However, when asked, agency management did not provide documentation sufficient to ascertain that it monitored the activities of the co-party to the Memorandum of Agreement to determine that monies were spent for allowable VR purposes.

Federal regulations require BRS 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). BRS 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)).

In addition, regulations at 34 CFR 80.40(a) state that grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity. Without documentation, BRS cannot demonstrate that it monitors the activities of each memorandum in order to assure compliance with federal regulations.

Several memoranda were reviewed. The agreement described below, the dollar amount of which represents almost 14 percent of the agency's VR award, is a typical agency memorandum of agreement.

Memorandum of Agreement between BRS and CSBE (Agreement)

Period: June 15, 2010 through June 30, 2012, extended to September 30, 2013.

Amount: \$2,057,733

The Scope of Work for this Agreement states that the CSBE will collaborate with BRS to expand the capacity of the Regional Education Service Centers (RESCs)² and local school districts to

² “Connecticut is divided into six independent Regional Educational Service Centers. These Centers are composed of towns from within the Service Center's region. A town's choice to join the Regional Center is voluntary. Each

partner with adult service agencies while students are in school, and in alignment with priorities required under the Individuals with Disabilities Education Improvement Act. The CSBE will increase student engagement and developing and delivering technical assistance to students with disabilities.

A budget, laid out in the Agreement accounted for first-year Salaries and Fringe benefits of \$830,500; indirect costs of \$59,137; travel of \$16,000; equipment of \$12,800; travel of \$16,000; and other line items. The Payment Provisions required that upon execution of the Agreement BRS transfer to CSBE \$467,618. The remainder of the Agreement was to be paid in approximately equal quarterly installments, through June 2012.

BRS was unable to provide documentation supporting the budget line items. For example, when asked for the breakdown of salaries paid to individuals and the respective time spent on the program itself, management could produce no timesheet records or time reports. Management did not provide documentation supporting the value of the equipment purchased, nor for the travel/mileage driven. Management stated that this documentation was most likely retained by CSBE.

BRS staff had ongoing participation through meetings with the RESCs and discussions of their progress. BRS received quarterly progress reports from the RESCs through the CSBE. However, the reports that the RESCs provided were anecdotal and qualitative. The reports did not provide documentation of expenditures; nor did the reports identify which services were provided to VR applicants and consumers, or in the administration of the VR program. Without basic documentation supporting costs, management is unable to determine which and how much of the costs were expended for VR applicants and consumers, or for the administration of the VR program.

Corrective Action 5: BRS must develop and implement: 1) written procedures for the monitoring of all activities under its memoranda of Agreement, including that with CSBE, in compliance with 34 CFR 80.40(a) in such a manner as to determine compliance with applicable federal requirements and that performance goals are being achieved; and (2) fiscal control and accounting procedures, including the maintenance of supporting documentation, sufficient to 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 in accordance with 34 CFR 361.12 and 34 CFR 80.20(a).

Service Center tries to provide a variety of special services that address the educational needs of their cooperating towns. Each Educational Service Center is maintained by state and federal funds and through membership dues.”
Source: [State of Connecticut Commission on the Deaf and hearing Impaired website](#).

APPENDIX A: AGENCY RESPONSE

Section 6: Compliance Findings and Corrective Actions

1. Development of IPEs for Transition-Age Youth

Corrective Action 1: BRS must take the steps necessary to ensure that the IPEs for transition-age youth are developed in a timely manner and within 90 days of eligibility determination, pursuant to Section 101(a)(9)(A) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e).

Agency Response: BRS does not agree with this finding. BRS does agree with the intent and philosophy regarding timely implementation of the IPE for all BRS consumers. RSA states in the finding that “BRS is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the implementing regulations at 34 CFR 361.45(e) because BRS is not meeting its established 90-day timeline when developing IPEs for transition-age youth.” In fact, the BRS policy clearly states, in the BRS Policy and Procedure Manual, Chapter III- Employment Plan, Section 1: Process of Development of the Employment Plan:

As a standard the Employment Plan should be developed within 90 days of determining that the individual is eligible and meets the agency’s order of selection criteria. There may be circumstances where the period needed is significantly shorter or longer, depending on the nature of the individual’s situation. Although the staff should make every effort to develop plans in a timely manner, it is most important that Plans be developed with care, rather than in haste.” (Italics added for emphasis here)

Given this factual inaccuracy in the finding, BRS is requesting that RSA reconsider this finding.

RSA Response: As stated in the finding, Section 101(a)(9)(A) of the Rehabilitation Act and implementing regulations at 34 CFR 361.45(e) require that all state VR agencies establish standards for developing an IPE in a timely manner for an individual subsequent to the determination of eligibility, including timelines that take into consideration the needs of each individual. When reviewing compliance with this requirement during the course of the review, RSA relied upon the language of the BRS Policy and Procedure Manual, Chapter III, Section 1 cited in the agency’s response above. This policy statement requires that IPEs be developed within 90 days of the determination of eligibility, unless the needs of the individual warrant an extension of this period based on an individual’s needs as documented in the case record. This particular statement does not provide for an alternative timeline for transition-age youth. As stated in the finding, this policy statement is not inconsistent with federal requirements. However, the data used in support of the finding clearly indicate that BRS did not develop IPEs for transition-age youth within 90 days of the determination of their eligibility. In FY 2010, 47.03 percent of all IPEs developed for transition-age youth were developed within 90-days, the lowest percentage of IPEs during the period under review. This percentage reached a high of 52.29 percent in FY 2012. These data indicate that the extension of the period by which the IPEs for transition-age youth were developed was routine, rather than in regard to the needs of the individual student.

For these reasons, this finding stands as written. RSA appreciates the commitment of BRS to ensure that the IPEs for transition-age youth are developed in a prompt and timely manner, as required by Section 101(a)(9) of the Rehabilitation Act and 34 CFR 361.45(e), and is available to provide the technical assistance requested by BRS as it takes corrective action.

Technical Assistance: BRS requests technical assistance.

BRS is always open to any technical assistance RSA can provide to assist in a more expeditious implementation of the IPE in all cases, including those written with transition age students.

2. Representation of the VR Program on the State Workforce Investment Board

Corrective Action 2: BRS, in conjunction with DORS, must take the steps necessary to ensure that the BRS VR program is effectively represented on the SWIB and describe this representation in the WIA Strategic Plan, as required by 20 CFR 661.200(i)(3).

Agency Response: BRS agrees with this finding and will reach out to the State Workforce Investment Board.

Technical Assistance: BRS does not request technical assistance.

3. Under-Reporting of Non-Federal Expenditures Under the State Plan for Maintenance of Effort

Corrective Action 3: BRS must:

- 3.A.1 obtain and use only approved indirect cost rate or cost allocation plan in charging the grant, as required by the federal cost principles at 2 CFR 225; and
- 3.B.1 develop and implement procedures whereby all non-federal expenditures which benefit the VR program are accurately documented, recorded, and reported consistent with Maintenance of Effort Requirements in 34 CFR 361.62.

Agency Response: The Bureau partially agrees with this finding. The Bureau and the DSA have operated since the Department's inception on July 1, 2012 with the expectation that an Indirect Rate would be established and applied to all federal grants. To that end, the DSA has diligently worked with a contracted vendor skilled and experienced in the preparation and negotiation of Indirect Rates, with efforts dating back to prior to its establishment as an independent state department. The DSA has proceeded with the understanding that an Indirect Rate could be applied retroactively from July 1, 2012 to June 30, 2013 once it is approved by the US DOE. The DSA had been in touch with the DOE, Indirect Cost Group prior to the Monitoring Review. Although not even a provisional rate could be approved without a formal proposal offering justification, it was advised that a rate could be retroactively established and applied with both a formal proposal offering a basis for costs and the support of the Rehabilitation Services Administration program staff. With a proposal for the time period of July 1, 2012 to June 30, 2013 finalized in December 2013, we contend that the objective of gaining approval and

applying the rate retroactively can potentially be achieved with the assistance and support of RSA.

The DSA is committed to insuring that the Bureau remains continuously under an approved Indirect Rate moving forward. It should be noted that the DSA, on behalf of BRS, was able to establish a provisional rate from July 1, 2013 to June 30, 2014.

The Bureau does not dispute the finding that all non-federal contributions to the VR program must be reported on applicable financial reports. However, with the implementation of a retroactive rate, the need to amend existing federal financial reports to include the non-federal contributions mentioned in this finding would no longer be present. With an approved Indirect rate consistently established, no additional procedures to document, record or report future non-federal expenditures benefitting the VR program would need to be developed or implemented.

RSA Response: RSA appreciates BRS's efforts to establish an approved indirect cost rate and to make corrections, if required, to Federal Financial Reports identified in the finding in a timely manner. RSA strongly encourages BRS to continue to work with the Department of Education's Indirect Cost Group to establish an approved indirect cost rate. The Indirect Cost Group is responsible for the final determination of a rate, including whether a rate can be applied retroactively. Further, RSA encourages BRS to implement internal control procedures whereby all non-federal expenditures which benefit the VR program are accurately documented, recorded and reported consistent with the MOE requirements in 34 CFR 361.62. The agency is responsible for reporting all VR expenditures on the Federal Financial Reports as of the end of the reporting period. Because the Federal Financial Reports are cumulative reports, the agency can make necessary adjustments during future reporting periods. However, the agency's reports must reflect actual expenditures, not potential future adjustments. The finding remains unchanged.

Technical Assistance: BRS requests technical assistance.

4. Program Income

Corrective Action 4: BRS must:

- 4.1 submit a written assurance to RSA within 10 days of the issuance of the final monitoring report stating that it will disburse program income before requesting additional cash payments, pursuant to 34 CFR 80.21(f)(2); and
- 4.2 develop written procedures that include methods for ensuring that program income is disbursed consistent with 34 CFR 80.21(f)(2).

Agency Response: BRS agrees with this finding.

Technical Assistance: BRS requests technical assistance.

5. Monitoring Grant Activities

Corrective Action 5: BRS must develop and implement: 1) written procedures for the monitoring of all activities under its memoranda of Agreement, including that with CSBE, in compliance with 34 CFR 80.40(a) in such a manner as to determine compliance with applicable federal requirements and that performance goals are being achieved; and, (2) fiscal control and accounting procedures, including the maintenance of supporting documentation, sufficient to 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 in accordance with 34 CFR 361.12 and 34 CFR 80.20(a).

Agency Response: BRS agrees with this finding. It should be noted that the Bureau has already implemented language within recently written memoranda of agreement that requires submission of detailed reporting of actual financial expenditures as a deliverable. This requirement has been implemented to ensure the receipt of documentation necessary for consistent compliance with 34 CFR 361.12 and 34 CFR 80.20(a).

Technical Assistance: BRS 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)

(a) Plan Requirements

(9) 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 111 Payments to States

(a) 2)(A) The total of payments under paragraph (1) to a State for a fiscal year may not exceed its allotment under subsection (a) of section 110 for such year.

(B) For fiscal year 1994 and each fiscal year thereafter, the amount otherwise payable to a State for a fiscal year under this section shall be reduced by the amount by which expenditures from non-Federal sources under the State plan under this title for the previous fiscal year are less than the total of such expenditures for the second fiscal year preceding the previous fiscal year.

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.

34 CFR 361.22(a)(2) Coordination with education officials.

(a) Plans, policies, and procedures. (1)The State plan must contain plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational

services in school to the receipt of vocational rehabilitation services under the responsibility of the designated State agency.

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

34 CFR 361.45(a)(e) Development of the individualized plan for employment.

(a) *General requirements.* The State plan must assure that— (1) An individualized plan for employment (IPE) meeting the requirements of this section and § 361.46 is developed and implemented in a timely manner for each individual determined to be eligible for vocational rehabilitation services or, if the designated State unit is operating under an order of selection in accordance with § 361.36, for each eligible individual to whom the State unit is able to provide services;

(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.

34 CFR 361.62 Maintenance of effort requirements.

(a) *General requirements.* (1) The Secretary reduces the amount otherwise payable to a State for a fiscal year by the amount by which the total expenditures from non-Federal sources under the State plan for the previous fiscal year were less than the total of those expenditures for the fiscal year 2 years prior to the previous fiscal year. *Example:* For fiscal year 2001, a State's maintenance of effort level is based on the amount of its expenditures from non-Federal sources for fiscal year 1999. Thus, if the State's non-Federal expenditures in 2001 are less than they were in 1999, the State has a maintenance of effort deficit, and the Secretary reduces the State's allotment in 2002 by the amount of that deficit.

(2) If, at the time the Secretary makes a determination that a State has failed to meet its maintenance of effort requirements, it is too late for the Secretary to make a reduction in accordance with paragraph (a)(1) of this section, then the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.

(b) *Specific requirements for construction of facilities.* If the State provides for the construction of a facility for community rehabilitation program purposes, the amount of the State's share of expenditures for vocational rehabilitation services under the plan, other than for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation purposes, must be at least equal to the expenditures for those services for the second prior fiscal year. If a

State fails to meet the requirements of this paragraph, the Secretary recovers the amount of the maintenance of effort deficit through audit disallowance.

- (c) *Separate State agency for vocational rehabilitation services for individuals who are blind.* If there is a separate part of the State plan administered by a separate State agency to provide vocational rehabilitation services for individuals who are blind—
- (1) Satisfaction of the maintenance of effort requirements under paragraphs (a) and (b) of this section are determined based on the total amount of a State's non-Federal expenditures under both parts of the State plan; and
 - (2) If a State fails to meet any maintenance of effort requirement, the Secretary reduces the amount otherwise payable to the State for that fiscal year under each part of the plan in direct relation to the amount by which expenditures from non-Federal sources under each part of the plan in the previous fiscal year were less than they were for that part of the plan for the fiscal year 2 years prior to the previous fiscal year.
- (d) *Waiver or modification.* (1) The Secretary may waive or modify the maintenance of effort requirement in paragraph (a)(1) of this section if the Secretary determines that a waiver or modification is necessary to permit the State to respond to exceptional or uncontrollable circumstances, such as a major natural disaster or a serious economic downturn, that—
- (i) Cause significant unanticipated expenditures or reductions in revenue that result in a general reduction of programs within the State; or
 - (ii) Require the State to make substantial expenditures in the vocational rehabilitation program for long-term purposes due to the one-time costs associated with the construction of a facility for community rehabilitation program purposes, the establishment of a facility for community rehabilitation program purposes, or the acquisition of equipment.
- (2) The Secretary may waive or modify the maintenance of effort requirement in paragraph (b) of this section or the 10 percent allotment limitation in § 361.61 if the Secretary determines that a waiver or modification is necessary to permit the State to respond to exceptional or uncontrollable circumstances, such as a major natural disaster, that result in significant destruction of existing facilities and require the State to make substantial expenditures for the construction of a facility for community rehabilitation program purposes or the establishment of a facility for community rehabilitation program purposes in order to provide vocational rehabilitation services.
- (3) A written request for waiver or modification, including supporting justification, must be submitted to the Secretary as soon as the State determines that an exceptional or uncontrollable circumstance will prevent it from making its required expenditures from non-Federal sources.

Education Department General Administrative Regulations (EDGAR)

34 CFR 76.560(b) General indirect cost rates; exceptions.

- (b) A grantee must have a current indirect cost rate agreement to charge indirect costs to a grant. To obtain an indirect cost rate, a grantee must submit an indirect cost proposal to its cognizant agency and negotiate an indirect cost rate agreement.

34 CFR 80.20(a) Standards for financial management systems.

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

34 CFR 80.21(f)(2) Payment

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

34 CFR 80.24(a)(1) Matching or cost sharing.

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

34 CFR 80.40(a) 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.

Federal Cost Principles as cited in the CFR

2 CFR 225, Cost Principles
Appendix A, Paragraph H.2)

- b. All activities which benefit from the governmental unit's indirect cost, including unallowable activities and services donated to the governmental unit by third parties, will receive an appropriate allocation of indirect costs.
- c. Any cost allocable to a particular Federal award or cost objective under the principles provided for in 2 CFR part 225 may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.

(H) *Required Certifications.* Each cost allocation plan or indirect cost rate proposal required by Appendices C and E to this part must comply with the following:

1. No proposal to establish a cost allocation plan or an indirect cost rate, whether submitted to a Federal cognizant agency or maintained on file by the governmental unit, shall be acceptable unless such costs have been certified by the governmental unit using the Certificate of Cost Allocation Plan or Certificate of Indirect Costs as set forth in Appendices C and E to this part. The certificate must be signed on behalf of the governmental unit by an individual at a level no lower than chief financial officer of the governmental unit that submits the proposal or component covered by the proposal.
2. No cost allocation plan or indirect cost rate shall be approved by the Federal Government unless the plan or rate proposal has been certified. Where it is necessary to establish a cost allocation plan or an indirect cost rate and the governmental unit has not submitted a certified proposal for establishing such a plan or rate in accordance with the requirements, the Federal Government may either disallow all indirect costs or unilaterally establish such a plan or rate. Such a plan or rate may be based upon audited historical data or such other data that have been furnished to the cognizant Federal agency and for which it can be demonstrated that all unallowable costs have been excluded. When a cost allocation plan or indirect cost rate is unilaterally established by the Federal Government because of failure of the governmental unit to submit a certified proposal, the plan or rate established will be set to ensure that potentially unallowable costs will not be reimbursed.

Title I – Workforce Investment Act Regulations

20 CFR 661.200 What is the State Workforce Investment Board?

- (a) The State Board is a board established by the Governor in accordance with the requirements of WIA section 111 and this section.
- (b) The membership of the State Board must meet the requirements of WIA section 111(b). The State Board must contain two or more members representing the categories described in WIA section 111(b)(1)(C)(iii)–(v), and special consideration must be given to chief executive officers of community colleges and community based organizations in the selection of members representing the entities identified in WIA section 111(b)(1)(C)(v).
- (i) For the programs and activities carried out by One-Stop partners, as described in WIA section 121(b) and 20 CFR 662.200 and 662.210, the State Board must include:
 - (1) The lead State agency officials with responsibility for such program, or

- (2) In any case in which no lead State agency official has responsibility for such a program service, a representative in the State with expertise relating to such program, service or activity.
- (3) If the director of the designated State unit, as defined in section 7(8)(B) of the Rehabilitation Act, does not represent the State Vocational Rehabilitation Services program (VR program) on the State Board, then the State must describe in its State plan how the member of the State Board representing the VR program will effectively represent the interests, needs, and priorities of the VR program and how the employment needs of individuals with disabilities in the State will be addressed.

RSA Information Memorandum

RSA IM-01-07 – Definition and Documentation of “Expenditures From Non-Federal Sources Under the State Plan”

DATE: OCTOBER 26, 2000

BACKGROUND: The Maintenance of Effort (MOE) provision in Section 111(a)(2)(B) of the Rehabilitation Act of 1973, as amended (the Act), the implementing regulation in 34 CFR 361.62 and related policy statements, cite the phrase “expenditures from non-Federal sources under the State Plan,” with respect to the Title I VR Program. Numerous questions have arisen as to the interpretation of “expenditures from non-Federal sources under the State Plan.”

CONTENT: This Information Memorandum supersedes RSA-IM-91-15, dated April 12, 1991. “Expenditures from non-Federal sources under the State Plan” include only those expenditures that (1) are made from permissible revenue sources, (2) meet allowability requirements, and (3) are allocable to the Title I program.

An “expenditure” (outlay) is defined as an appropriate charge to the program; reported on a cash or accrual basis (EDGAR 80.3). An expenditure is determined to be made when the State agency formally obligates itself to payment and it is considered valid until the obligation is paid, amended or cancelled.

Permissible Revenue Sources

The first requirement to be met in determining whether a non-Federal expenditure must be reported is if it was made from a permissible revenue source. Section 361.60 of the implementing regulations defines the basic non-Federal revenue sources. Note that these funds are those that have been appropriated, allotted, transferred, or contributed to a State agency. The State agency is that organizational entity designated in Section 1, Item

1.2 of the approved Title I State Plan. In addition, certified expenditures from third-party cooperative arrangements meeting the requirements in 34 CFR 361.28 are a permissible source of non-Federal income, as are appropriate expenditures from Randolph-Sheppard set-aside funds (395.9). Both must be reported on the Financial Status Report (SF-269).

Program income received from the Social Security Administration for rehabilitating Social Security beneficiaries, or any other income meeting the requirements outlined in 34 CFR 80.25 or 361.63, must be reported on lines r, s, and t of the SF-269 report; cannot be used to meet the non-Federal share and will not be used in determining compliance with the maintenance of effort requirement (361.62).

Non-Federal expenditures from revenue sources other than those identified above are not to be reported as expenditures under Title I.

Allowability of Expenditures

The second requirement to be applied in determining whether an expenditure must be reported is if it is allowable under Title I of the Act. The concept of allowability includes whether the expenditure is reasonable and necessary for the proper and efficient administration of the program. In line with this, a State agency must report expenditures for the administration of the State Plan, costs in determining applicant eligibility and in providing services to eligible clients, as well as costs of other services and activities delineated under the nature and scope of services in its approved Title I State Plan.

Allocability of Expenditures

The final requirement as to whether or not an expenditure is to be reported concerns its allocability. To be reported the expenditure must benefit the Title I program and not be allocable to another title of the Act, another Federal grant, or some other non-Title I activity.

This means that State expenditures for Section 110 Federal programs must be reported on the SF-269, but any expenditure to another Federal grant, for example, the In-Service Training Grant, or charged to a State-only program, would not be reported under the Section 110 program. It is important to remember OMB Circular A-87, Section C.3.c, which states, "Any cost allocable to a particular grant or cost objective under the principles provided for in the Circular may not be shifted to other Federal grant programs to overcome fund deficiencies, avoid restrictions imposed by law or grant agreements, or for other reasons."

In summary, reporting non-Federal expenditures is restricted by statutes and implementing regulations and policies. A non-Federal expenditure, to

be reported on the SF-269 for Title I of the Act, must meet all three of the foregoing requirements and not just appear to be a Title I supported activity. Conversely, a non-Federal expenditure that meets all three of the foregoing requirements must be reported.

If a State is determined not to have met the above requirements, a liability to the U.S. Government will be incurred. Repayment will then be sought in line with appropriate procedures under the Act and Departmental regulations.