

**FISCAL YEAR 2013
MONITORING REPORT
ON THE
DELAWARE DIVISION OF
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	1
Section 2: Performance Analysis	4
Section 3: Emerging Practices	9
Section 4: Results of Prior Monitoring Activities.....	11
Section 5: Focus Areas.....	17
Section 6: Compliance Findings and Corrective Actions	23
Appendix A: Agency Response	28
Appendix B: Legal Requirements.....	31

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 Delaware Division of Vocational Rehabilitation (DVR) 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 April 17, 2013, through April 19, 2013, is described in detail in the FY 2013 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program located at: <http://www.ed.gov/rschstat/eval/rehab/107-reports/2013/vr/monitoring-and-technical-assistance-guide.doc> or <http://www.ed.gov/rschstat/eval/rehab/107-reports/2013/vr/monitoring-and-technical-assistance-guide.pdf>

Emerging Practices

Through the course of its review, RSA collaborated with DVR, the State Rehabilitation Council (SRC), the Mid-Atlantic Technical Assistance and Continuing Education (M-A TACE) center

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

- **Transition:** DVR's Team Approach to Reaching Goals through Education and Training (TARGET) program focuses on at-risk youth with disabilities who are unemployed, underemployed, or recipients of Social Security benefits (SSI/SSDI), and youth who may be coming out of correctional institutions with disabilities to provide services including weekly job seeking skills training and placement services, including self-employment, internship and mentoring opportunities, applying for public assistance and other information and referral services.
- **Program Evaluation and Quality Assurance:** DVR established a vendor specialist position that coordinates the agency's policies, procedures, and contract monitoring processes to assure that purchased services meet appropriate standards while the needs of DVR and its consumers are met. The vendor specialist, in collaboration with providers, develops outcome based performance measures to be included in the purchase of service agreements and further measures vendor performance through satisfaction surveys completed by VR counselors and the individuals served. This information is then used for vendor improvement as well as for past performance criteria in awarding of future contracts.

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

Summary of Observations

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

Summary of Compliance Findings

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

- DVR does not disburse program income prior to requesting additional cash drawdowns from its federal VR award.
- DVR does not maintain personnel activity reports or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee, in order to determine the amount of expenses to be allocated to the VR award.
- DVR did not report accurately the amount of the federal share of unliquidated obligations and unobligated funds qualifying for carryover on its federal financial reports (FFRs) during the five-year period reviewed, FY 2008 to FY 2012.
- DVR is not in compliance with federal requirements for the interagency agreement with the state educational agency because its current agreement with the Delaware Department of Education, dated April, 2005, does not include the financial responsibilities of each agency.
- DVR is not meeting its established 90-day time standard for the development of IPE.

Development of the Technical Assistance Plan

RSA will collaborate closely with DVR and the M-A TACE to develop a plan to address the technical assistance needs identified by DVR in Appendix A of this report. RSA, DVR and M-A 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, DVR and M-A TACE will participate in teleconferences at least semi-annually to gauge progress and revise the plan as necessary.

Review Team Participants

Members of the RSA review team included Melissa Diehl, Larry Vrooman and David Wachter (Vocational Rehabilitation Unit); Joe Pepin (representing Fiscal Unit); Suzanne Mitchell and Janette Shell (Technical Assistance Unit); and Yann-Yann Shieh (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

Acknowledgements

RSA wishes to express appreciation to the representatives of DVR for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of the SRC 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 DVR. 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 2007 through 2011. Consequently, the table and accompanying analysis do not provide information derived from DVR open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. DVR may wish to conduct its own analysis, incorporating internal open caseload data, to substantiate or confirm any trends identified in the analysis.

Performance Analysis

**Table 2.1
DVR Program Performance Data for FY 2007 through FY 2011**

All Individual Cases Closed	Number, Percent, or Average	2007	2008	2009	2010	2011	Change from 2007 to 2011	Agency Type 2011
TOTAL CASES CLOSED	Number	2,206	2,237	2,677	2,262	2,911	705	301,985
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	32.0%	100.0%
Exited as an applicant	Number	248	257	414	274	265	17	45,137
	Percent	11.2%	11.5%	15.5%	12.1%	9.1%	6.9%	14.9%
Exited from trial work/ext. evaluation	Number	138	6	0	0	0	-138	2,889
	Percent	6.3%	0.3%	0.0%	0.0%	0.0%	-100.0%	1.0%
TOTAL NOT ELIGIBLE	Number	386	263	414	274	265	-121	48,026
	Percent	17.5%	11.8%	15.5%	12.1%	9.1%	-31.3%	15.9%
Exited from OOS waiting list	Number	0	0	29	263	251	251	1,534
	Percent	0.0%	0.0%	1.1%	11.6%	8.6%	8.6%	0.5%
Exited after eligibility, before IPE	Number	354	426	441	366	477	123	79,337
	Percent	16.0%	19.0%	16.5%	16.2%	16.4%	34.7%	26.3%
Exited after IPE, before services	Number	164	259	381	343	524	360	4,702
	Percent	7.4%	11.6%	14.2%	15.2%	18.0%	219.5%	1.6%
TOTAL EXITED AFTER ELIGIBILITY, PRIOR TO SERVICES	Number	518	685	851	972	1,252	734	85,573
	Percent	23.5%	30.6%	31.8%	43.0%	43.0%	141.7%	28.3%
Exited with employment	Number	850	905	902	705	948	98	91,339
	Percent	38.5%	40.5%	33.7%	31.2%	32.6%	11.5%	30.2%
Exited without employment	Number	452	384	510	311	446	-6	77,047
	Percent	20.5%	17.2%	19.1%	13.7%	15.3%	-1.3%	25.5%

All Individual Cases Closed	Number, Percent, or Average	2007	2008	2009	2010	2011	Change from 2007 to 2011	Agency Type 2011
TOTAL RECEIVED SERVICES	Number	1,302	1,289	1,412	1,016	1,394	92	168,386
	Percent	59.0%	57.6%	52.7%	44.9%	47.9%	7.1%	55.8%
EMPLOYMENT RATE	Percent	65.28%	70.21%	63.88%	69.39%	68.01%	4.17%	54.24%
Transition age youth	Number	825	859	1,011	967	1,224	399	103,112
	Percent	37.4%	38.4%	37.8%	42.7%	42.0%	48.4%	34.1%
Transition aged youth employment outcomes	Number	399	421	403	379	415	16	29,468
	Percent	46.9%	46.5%	44.7%	53.8%	43.8%	4.0%	32.3%
Competitive employment outcomes	Number	842	894	885	703	948	106	89,811
	Percent	99.1%	98.8%	98.1%	99.7%	100.0%	12.6%	98.3%
Supported employment outcomes	Number	35	64	144	97	139	104	11,621
	Percent	4.1%	7.1%	16.0%	13.8%	14.7%	297.1%	12.7%
Average hourly wage for competitive employment outcomes	Average	\$9.64	\$9.92	\$9.93	\$9.78	\$10.05	\$0.41	\$11.21
Average hours worked for competitive employment outcomes	Average	33.3	32.8	31.7	31.1	31.2	-2.1	31.0
Competitive employment outcomes at 35 or more hours per week	Number	519	513	489	349	481	-38	45,423
	Percent	61.1%	56.7%	54.2%	49.5%	50.7%	-7.3%	49.7%
Employment outcomes meeting SGA	Number	645	683	602	460	626	-19	56,039
	Percent	75.9%	75.5%	66.7%	65.2%	66.0%	-2.9%	61.4%
Employment outcomes with employer-provided medical insurance	Number	222	244	211	123	156	-66	19,815
	Percent	26.1%	27.0%	23.4%	17.4%	16.5%	-29.7%	21.7%

VR Performance Trends

Positive Trends

As shown in Table 2.1, DVR demonstrated positive trends in several areas of program performance. The percentage of individuals who received VR services from DVR under an individualized plan for employment (IPE) but exited without employment outcomes decreased from 19.1 percent in FY 2009, to 15.3 percent in FY 2011, lower than the national average for general VR agencies of 25.5 percent. The employment rate varied between 63.88 percent and 70.21 percent over the review period, well above the national average of 54.24 percent in FY 2011. DVR has been reporting cases closed after IPE with no purchased service costs as “closed prior to service delivery,” despite substantial time in plan status in about 80 percent of those cases. Consequently, the performance on the above-mentioned data elements is better than it

would be if the unsuccessful closures had been properly reported, making it difficult to determine the true performance of the agency.

The employment outcomes achieved by transition-age youth varied between 43.8 percent and 53.8 percent, well above the national average of 32.3 percent in FY 2011, suggesting a strong transition-age youth program. In addition, the percentage of individuals who achieved Supported Employment outcomes increased from 4.1 percent in FY 2007 to 14.7 percent in FY 2011, slightly higher than the national general agency average of 12.7 percent in FY 2011.

Trends Indicating Potential Risk to the Performance of the VR Program

During the five-year period between FY 2007 and FY 2011, DVR also experienced trends that indicate potential risk to VR program performance. The percentage of individuals determined eligible who exited the VR program after IPE prior to receiving services increased from 7.4 percent in FY 2007 to 18 percent in FY 2011, substantially higher than the national general agency average of 1.6 percent in FY 2011. Overall, the percent of individuals who exited after eligibility but prior to receiving services increased from 23.5 percent in FY 2007 to 43 percent in FY 2011, much higher than the national general agency average of 28.3 percent in FY 2011. The percent of individuals who received VR services from DVR under an IPE decreased from 59 percent in FY 2007 to 47.9 percent in FY 2011, lower than the national general agency average of 55.8 percent in FY 2011. As noted in the previous section, DVR closes cases with an IPE but without purchased services as “closed prior to service delivery.” This has had the effect of increasing the negative impact on the data elements discussed above.

The percent of individuals that exited with employment outcomes decreased from 40.5 percent in FY 2008 to 32.6 percent in FY 2011, slightly higher than the national general agency average of 30.2 percent in FY 2011. The percentage of individuals whose earnings were above the threshold of substantial gainful activity as defined by the Social Security Administration decreased from 75.9 percent in FY 2007 to 66 percent in FY 2011, although it remains higher than the national general agency average of 61.4 percent in FY 2011. The percentage of individuals with competitive employment outcomes working 35 hours or more decreased from 61.1 in FY 2007 to 50.7 percent in FY 2011, about the same as the national average of general agencies of 49.7 percent. Similarly, a decrease occurred in the percentage of individuals who received employer-provided medical benefits from 27 percent in FY 2008, to 16.5 percent in FY 2011, below the national general agency average of 21.7 percent.

Throughout the course of the review, RSA discussed with DVR both the positive performance trends and those that posed a potential risk to the VR program. DVR showed significant interest in the performance analysis and indicated its intent to conduct further analyses to determine the factors contributing to its performance, particularly as it relates to the individuals that exited without employment outcomes after IPE before services, the effects of its inaccurate reporting of cases closed from IPE without purchased service costs, and the quality of services and employment outcomes for transition-age youth. DVR cited several possible factors that might be contributing to the performance trends including: its focus on serving individuals with significant disabilities to achieve Supported Employment outcomes; its participation in a collaborative effort to serve students with significant emotional and behavioral disabilities; and its closure practices from IPE with no purchased service costs.

RSA and DVR were in agreement that continued analysis of data may assist in identifying variables and practices in the service delivery process that can lead to improved VR program performance and employment outcomes for transition-age youth.

Fiscal Analysis

Table 2.2
Delaware DVR Fiscal Performance Data for Federal FY 2008 through Federal FY 2012

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
Grant amount	4 th	8,055,322	9,559,490	8,933,866	8,933,866	9,237,473
	Latest/ Final*	8,055,322	9,559,490	8,933,866	8,933,866	9,237,473
Total outlays	4 th	10,277,375	10,630,700	8,571,263	8,497,442	10,527,695
	Latest/ Final*	10,286,693	12,146,748	11,351,799	11,521,124	11,737,577
Total unliquidated obligations	4 th	4,109	1,516,047	2,984,068	3,023,682	536,535
	Latest/ Final*	0	0	0	0	0
Federal share of expenditures	4 th	8,055,322	8,363,385	6,153,330	5,910,184	8,700,938
	Latest/ Final*	8,055,322	9,559,490	8,933,866	8,933,866	9,237,473
Federal share of unliquidated obligations	4 th	0	1,196,105	2,780,536	3,023,682	536,535
	Latest/ Final*	0	0	0	0	0
Total federal share	4 th	8,055,322	9,559,490	8,933,866	8,933,866	9,237,473
	Latest/ Final*	8,055,322	9,559,490	8,933,866	8,933,866	9,237,473
Recipient share of expenditures	4 th	2,222,053	2,267,315	2,417,933	2,587,258	2,500,103
	Latest/ Final*	2,226,899	2,587,258	2,417,933	2,587,258	2,500,104
Recipient share of unliquidated obligations	4 th	4,109	319,942	203,532	0	0
	Latest/ Final*	0	0	0	0	0
Agency actual match (total recipient share)	4 th	2,226,162	2,587,257	2,417,933	2,587,258	2,500,103
	Latest/ Final*	2,226,899	2,587,258	2,417,933	2,587,258	2,500,104
Agency required match (total recipient share required)	4 th	2,180,157	2,263,534	1,665,387	1,599,580	2,172,652
	Latest/ Final*	2,180,157	2,587,257	2,417,933	2,417,933	2,500,104
Over/under match (remaining recipient share)	4 th	-46,005	-323,723	-752,546	-987,678	-327,451
	Latest/ Final*	-46,742	-1	0	-169,325	0
MOE **	4 th					

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
	Latest/ Final*		2,587,258	2,417,933	2,587,258	2,500,104
Unobligated funds qualifying for carryover	4 th	0	0	0	0	25,000
	Latest/ Final*	0	0	0	0	0
Total federal program income earned	4 th	396,422	160,220	42,283	89,527	230,643
	Latest/ Final*	462,595	160,220	42,283	89,527	230,643
Total indirect costs	4 th	478,451	609,700	456,645	283,824	301,307
	Latest/ Final*	478,451	576,800	620,967	362,985	332,596

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

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

Data in Table 2.2 were obtained from fiscal reports submitted by DVR.

RSA reviewed fiscal performance data from federal FY 2008 through federal FY 2012. Based on the data in the table above, the agency exceeded the required level of match in each fiscal year reviewed. The entire recipient non-federal share was provided through state appropriations. Unobligated funds were not reported for carryover until FY 2012 when \$25,000 was reported as a result of an incorrect grant amount in RSA's website at <http://rsa.ed.gov>. The agency met its maintenance of effort requirements, both as an agency and on a state basis for each fiscal year reviewed.

The U. S. Department of Labor is the cognizant agency for DVR and is responsible for approving its cost allocation plans. Indirect costs were reported as charged against each of the award years included in the above table.

The agency may be required to amend fiscal reports based on findings contained in Section 6 of this report. If fiscal reports are amended, RSA will recalculate data pertaining to the agency's match and maintenance of effort requirements as well as other line items of the table affected by any changes.

SECTION 3: EMERGING PRACTICES

While conducting the monitoring of the VR program, the review team collaborated with the DVR, the SRC, the M-A 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.

1. Transition – Team Approach to Reaching Goals through Education and Training

DVR administers the Team Approach to Reaching Goals through Education and Training (TARGET) program, a component of the Disability Employment Initiative, jointly funded by the U.S. Department of Labor and Employment and Training Administration and the Office of Disability Employment Policy. The TARGET program builds upon the Disability Program Navigator grant initiative, developing an integrated resource team to partner with VR in meeting the demand for services. DVR's TARGET program focuses on at-risk youth with disabilities who are unemployed, underemployed, or recipients of Social Security benefits (SSI/SSDI), and youth who may be coming out of correctional institutions with disabilities. Using the *Guideposts for Success* model, services are provided through disability resource coordinators including weekly job seeking skills training, placement services including self-employment, internship and mentoring opportunities applying for public assistance and other information and referral services. DVR utilizes the TARGET program as both a comparable benefit for VR eligible individuals, conserving VR program funds, and as a means for waitlisted and non-VR eligible individuals with disabilities to receive employment related services, increasing employment services to persons with disabilities. In FY 2013, DVR entered into the third year of its five-year grant cycle of its TARGET project, and the Delaware's Employment and Training Division has been set up as an Employment Network with the Social Security Administration to receive

program income for ticket holders as a means of developing sustainability for the program after the grant expires.

2. Quality Assurance Practices - Vendor Specialist

DVR has established a vendor specialist position that coordinates the agency's policies, procedures, and contract monitoring processes to assure that purchased services meet appropriate standards while the needs of DVR and its consumers are met. The vendor specialist, in collaboration with providers, develops outcome-based performance measures to be included in the purchase of service agreements and further measures vendor performance through satisfaction surveys completed by VR counselors and the individuals served. This information is then used for vendor improvement as well as for past performance criteria in awarding of future contracts. Consumer satisfaction is one of the primary measures of quality for contracted services and assessment of consumer satisfaction is a shared priority of DVR and the SRC.

Quality assurance performance and survey data are assembled and presented to VR consumers in the *DVR Choices* book. Additionally, DVR internally monitors data on the services purchased from each provider and the outcomes associated with those services to determine the benefit to the program over the course of the fiscal year. The results of this analysis are shared with each facility to verify accuracy of the information, provide feedback and foster vendor improvement. VR services that are rated "below expectations" as a result of the quality assurance review process results in a required service enhancement plan that consists of specific, measurable steps the provider is going to take to improve their services in order to be considered for future contract renewal. Services rated as "meets or exceeds," are considered for renewal under the RFP process. Finally, DVR vendors participate in a vendor summit each year to share best practices, lessons learned, and develop a report with recommendations for improving services provided to individuals in Delaware. This information is then used in the next year's RFP process.

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

SECTION 4: RESULTS OF PRIOR MONITORING ACTIVITIES

During its review of the VR and SE programs in federal FY 2013, RSA assessed progress toward the implementation of goals and strategies accepted by DVR resulting from the prior monitoring review in FY 2008 and the resolution of compliance findings from that review. Appendix A of this report indicates whether or not the agency has requested additional technical assistance to enable it to implement any outstanding goals and to resolve outstanding compliance findings.

Recommendations

In response to RSA's monitoring report dated September 12, 2008, DVR agreed to the recommendations listed below, along with a brief summary of the agency's progress toward implementation of each recommendation.

1. Low Number of Applicants

Recommendation 1: RSA recommends that DVR:

- 1.1 identify and evaluate the possible reasons for the comparatively low number of individuals who apply for VR services in Delaware; and
- 1.2 develop strategies, including increased outreach efforts, in order to increase the number of applicants, and SSI and SSDI recipients who may be able to benefit from VR services.

Status: The number of DVR applicants increased from 2,458 in FY 2007 to 2,814 in FY 2011, increasing 14.48 percent. DVR data for FY 2012 demonstrated an increase in applicants to the VR program by another 19.90 percent from the previous year. For FY2013, DVR reported the number of applicants for the first two quarters has exceeded 1,700 applicants for services. DVR is currently on an order of selection and two of its categories are closed.

2. Transition-Age Youths

Recommendation 2: RSA recommends that DVR:

- 2.1 continue to monitor the percentage of transition-age youth with significant disabilities to determine if the FY 2007 data are an indication of return to the FY 2002 level of participation of significantly disabled transition-age youths;
- 2.2 analyze the low percentage of transition-age youths with physical disabilities in order to determine whether individuals in this category are being under served or are receiving adequate services through other agencies; and
- 2.3 increase outreach efforts and partnerships with schools in Delaware to ensure that all students with physical disabilities who may benefit from VR services are referred to DVR.

Status: DVR attributes the rise in the proportion of youth with disabilities classified as having a significant, or most significant disability to the implementation of the order of selection and having a more accurate and detailed system for determining an individual's disability priority.

DVR continues to reach out to school transition and other staff to ensure that students with physical disabilities who may have a 504 plan are referred to DVR transition program.

3. Supported Employment

Recommendation 3: RSA recommends that DVR:

- 3.1 continue to collaborate with the state mental health system and Division of Developmental Disability Services (DDDS) to coordinate supported employment resources; and
- 3.2 establish goals and develop strategies to increase the number of supported employment outcomes.

Status: DVR and the Delaware Department of Health and Social Services Division of Substance Abuse and Mental Health moved from an evidence based supported employment program with four provider agencies, to the Assertive Community Treatment and Intensive Care Management model of services for individuals with psychiatric disabilities. This new model requires provider certification and has resulted in new providers, service areas, and contracts for DVR. The University of Massachusetts Institute for Community Inclusion is providing technical assistance to providers. Employment outcomes are projected to be substantially lower for FY 2013, increasing gradually as this new model is implemented.

DVR and the DDDS collaborate to provide the Early Start to Supported Employment model for transition-age youth with developmental disabilities with the goal of an employment opportunity established prior to the student exiting high school. Students and families are encouraged to apply for services and establish eligibility for VR and DDDS a year prior to the student completing high school. Prior to the beginning of their senior year, students are encouraged to select a provider and begin services including assessments and work experiences to identify strengths and areas of vocational interest. When employment is not established prior to graduation, students continue to work with providers until a satisfactory employment outcome has been achieved. Funding for extended services with the DDDS is limited to newly graduating high school students with developmental disabilities.

DVR expanded its supported employment opportunities through its Project SEARCH Program with Goodwill Industries, the DOE, and DDDS to initiate a Project SEARCH Program at the Christiana Care Hospital in Newark, Delaware. DVR is working to expand the Project SEARCH model to an additional site within the next year with the State of Delaware as the employer.

DVR has had ongoing internal conversations about how to characterize all supported employment clients in order to accurately report appropriate program participation and outcomes. DVR has a narrow interpretation of supported employment, and may be providing supported employment services to more people with significant disabilities than are actually designated as supported employment.

4. Application and Orientation

Recommendation 4: RSA recommends that DVR evaluate the current application process to determine if the current policy and procedures result in an excessive delay or an excessive number of applicants dropping out of the process prior to orientation. If the results of the evaluation indicate that the current policies and procedures are causing undesirable delays, then RSA recommends that DVR:

- 4.1 change its policy and procedures to allow for the completion of a formal application for VR services by individuals who remain interested in applying for VR services immediately following completion of the group orientation;
- 4.2 modify its policies and procedures to provide for completion of releases of information at the earliest opportunity to the extent that appropriate information and releases can be determined by non-counseling staff to speed the availability of medical records, social security records or other information needed for eligibility purposes; and
- 4.3 ensure field office staff are fully aware of and extend the opportunity for individual orientations when appropriate.

Status: DVR policy, available on the DVR website, states that individuals will be contacted within two weeks of referral. Individuals referred to DVR are sent a letter to attend orientation within a week of receipt of the referral. DVR hosts orientation sessions that are conducted weekly or every other week at each office to accommodate the increased demand for services.

At orientation, referred individuals complete and sign releases for information and a medical history worksheet to expedite the process of gathering required documentation. Additional assessment needs are identified at that time, and scheduled promptly after the intake.

An individual is not required to attend orientation, and individual intakes are offered. Applications for services are completed and received at intake for individuals who have been to orientation, or referred individuals can complete applications during their first contact with a counselor at intake.

5. Use of Trial Work Experience

Recommendation 5: RSA recommends that DVR:

- 5.1 continue to develop and implement strategies to improve the timeliness of eligibility decisions and to limit the use of trial work experience (TWE) and/or extended evaluation during eligibility to only those cases where it is required for an eligibility decision; and
- 5.2 conduct case reviews on a quarterly basis to evaluate the effectiveness of its strategies regarding eligibility, use of TWE and extended evaluation.

Status: DVR eliminated extended evaluation status (status 06). DVR's monitoring of cases in status 06 revealed that not all these cases were appropriate for extended evaluation and some counselors were misunderstanding or not using status 06 appropriately. DVR determined that eliminating the status would allow for more appropriate determinations of eligibility. If

eligibility cannot be completed within 60 days due to unforeseen circumstances or the need for an extended evaluation, individuals are requested to sign a waiver of an appropriate duration. DVR discouraged the use of extended evaluation in most circumstances because, in many instances, DVR found the need for more time was not based on the issue of eligibility but assessment to determine the most appropriate employment outcome and service plan.

6. Self-Employment

Recommendation 6: RSA recommends that DVR:

- 6.1 review and revise its self-employment policy to ensure it allows for full participation by individuals utilizing reasonable accommodations; and
- 6.2 conduct staff training to ensure staff are aware of the policy, philosophy and the resources that can be used to make small business outcomes a viable outcome for a greater number of individuals.

Status: DVR revised its self-employment policy and practice, to make the process accessible to eligible individuals, including individuals with significant disabilities. DVR uses several vendors who provide technical assistance and training to prospective self-employment clients to develop self-employment proposals. DVR self-employment consultants evaluate the feasibility of proposals, and assist the individual to shape his or her business idea, and develop a feasibility report identifying the individual's capabilities, the product, and the market.

DVR data demonstrated that from October 2011 through April 2013, the number of consumers pursuing self-employment goals substantially increased with eighty-nine authorizations for self-employment consultant services issued in the eighteen month period. This increase in individuals pursuing self-employment as an employment goal is projected to lead to increased employment outcomes over time.

7. Engagement of the Statewide Rehabilitation Council

Recommendation 7: RSA recommends that DVR:

- 7.1 expand its efforts to recruit new qualified SRC members
- 7.2 participate in technical assistance and training opportunities to enable the SRC to fulfill its statutory obligations as effectively as possible. This should include RSA's new State Rehabilitation Council (SRC) Training. The link to the training is <http://www.erehab.org>
- 7.3 develop strategies to improve and support the work of the SRC and enhance its independence.

Status: To recruit qualified SRC members, the SRC exhibits and makes presentations at most statewide conferences that address disability issues. DVR contacts organizations to generate participation in the SRC, including the Parent Information Center, the Workforce Investment Board, Centers for Independent Living, and the Delaware Association of Rehabilitation Facilities. DVR has invited successfully employed clients with disabilities and individuals and employers recognized by the Governor's Committee on Employment of People with Disabilities

to participate on the State Rehabilitation Council. DVR VR counselors act as referral sources for clients who might be interested in participating, and members of the SRC are encouraged to recruit new members, and invite interested people to attend SRC meetings.

At SRC meetings:

- members of the SRC viewed the training series at erehab.org;
- the M-A TACE provided technical assistance and training on the Rehabilitation Act and the SRC;
- the chair of the SRC attended Region III Community of Practice for SRC's meetings along with the DVR SRC liaison staff;
- the DVR director continued to share information about the VR Program, national and state legislative, budget and, policy issues; and
- SRC members attended administrative and legislative budget hearings and spoke on behalf of funding for DVR.

DVR assisted the SRC in the development and approval of a resource plan. In addition, the SRC collaborates with DVR in the State Plan and Public Meeting Process. Last year the SRC took the lead in deciding whether or not to conduct public meetings, including when and where to hold them and continues as an active partner in developing goals and priorities. The SRC actively participates in DVR committees including the Effectiveness and Evaluation Committee and the Policy Committee. The SRC is encouraged to provide input at every opportunity.

8. Contracts with Community Rehabilitation Programs

Recommendation 8: RSA recommends that DVR:

- 8.1 adopt strategies for improving the performance of its providers, such as the development of performance-based contracts, benchmarks that promote quality employment outcomes, and incentives for providers to assist individuals to achieve high quality outcomes;
- 8.2 evaluate whether DVR employment specialists or CRPs are more cost effective or differ in quality of placements and utilize the results of the evaluation in job placement service decisions; and
- 8.3 develop contracts with CRPs that are designed to strengthen communication between DVR and its providers, and to ensure individuals obtain meaningful employment outcomes in a cost effective, timely and efficient manner reflecting individual choice.

Status: DVR evaluates the quality of services provided by vendors annually and information is shared with vendors and counselors. The information is used to improve quality of services where needed, assist counselors and individuals to exercise informed choice, and is used as one of the selection criteria in the request for proposal process for vendor contracts every other year. Quality is measured using performance data, DVR counselor surveys, and vendor customer satisfaction data.

DVR uses performance based contracting for services such as placement or 90 day retention where payment is triggered by and conditioned upon achieving the outcome. Retention bonuses

are also used in some cases to enhance job stability. Some services are purchased on a time basis, such as job coaching, and thus are paid hourly, or daily. In these cases, performance and documentation expectations are written into the contract, and counselors insist that performance expectations are met before approving payment for services.

DVR evaluates internal and external job placement resources, in an effort to maintain cost-efficiency and performance capability. DVR believes that both internal and vendor-based job placement resources have a place in a vocational rehabilitation service delivery model. This creates multiple choice options, expands outcome capabilities, and enables DVR to have more outcomes.

Fiscal Management Observations and Recommendations

1. Fiscal Review: Performance and Internal Controls.

Recommendation 1: Develop a checks and balance system, for the process of billing for purchased services, to ensure that more than one person is involved in ordering the services to be provided and approving the expenditures for those services.

Status: Under the authorization system counselors have the responsibility to ensure that necessary services are authorized, and that authorized services are provided to individuals. Counselors verify with the individual that services have indeed been provided. VR counselors and administration staff are both involved in documentation of purchases however, the VR counselor has oversight authority regarding services. Fiscal staff reviews each authorization before it is paid to ensure that services are within the authorized and appropriate category of services.

Expenditures over \$5,000 are required to be implemented by Central Office fiscal staff. Expenditures over \$25,000 must use the state bidding procedures. Electronic equipment purchases are coordinated with DVR's IT manager. Quality assurance case reviews and client satisfaction surveys serve as checks to ensure that services are provided appropriately.

Compliance Findings and Corrective Actions

The monitoring review conducted during FY 2008 did not result in the identification of compliance findings.

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

- DOL and DVR directors and senior managers;
- DOL and DVR staff members responsible for the fiscal management of the VR program;
- SRC Chairpersons; and
- M-A 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 DVR;
 - individuals who work on rehabilitation work of the DVR and one or more additional programs/cost objectives; and

- individuals under DVR 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 Delaware procurement requirements and processes.

Overview

DOL, the DSA for the VR program, contains four divisions and two offices including: the Division of Employment and Training; the Division of Unemployment Insurance; the Division of Industrial Affairs; the Division of Vocational Rehabilitation; the Office of Administration; and the Office of Occupational and Labor Market Information. The secretary of DOL oversees the divisions and offices within DOL. The DVR director reports to the secretary of DOL as do the other division directors. DVR is located at a level, and has a status, comparable to the other divisions and program offices located within DOL.

Delaware has centralized some administrative functions, such as human resources and information technology, and DVR receives these administrative supports in the same manner as other divisions in DOL, although DVR has its own case management system.

DVR is composed of four vocational rehabilitation service districts, the program development and monitoring unit, the fiscal unit, a program specialist for vendor relations and an independent living program specialist, all of which, report to the DVR deputy director. In addition, DVR contains the Employment Services unit, the Disability Determination Services unit (DDS), the Computer Application and Support unit, and Transition and Human Resources program specialists that report to the DVR director.

At the time of the review, there were 141 full-time and 23 part-time positions within DVR. The vocational rehabilitation program contains 77 full-time and 17 part-time positions, while DDS contains 54 full-time and one part-time position. The other remaining programs: the Benefits Counseling program; the TARGET program; the Advancement through Pardons and Expungement Program (APEX); the Stand by Me program (a financial literacy program); and the Central School project, contain a total of ten full-time and five part-time staff. The single full-time and single part-time staff in the APEX program; the single full-time staff in the Central School project; and the director, deputy director and fiscal administrative officer are engaged for a portion of time in work other than the VR or other rehabilitation work of the agency. This comprises a total of six persons (3.7 percent of the DSU staff). The remaining staff (96.4 percent) is engaged full-time in the VR or other rehabilitation work of the agency.

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

B. Transition Services and Employment Outcomes for Youth with Disabilities

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

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

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

To implement this focus area, RSA reviewed:

- the progress toward the implementation of recommendations accepted by DVR and the resolution of findings related to the provision of transition services identified in the prior monitoring report from FY 2008 (see Section 4 above);
- formal interagency agreements between the VR agency and the state educational agency (SEA);
- transition-related VR service policies and procedures;
- VR agency resources and collaborative efforts with other federal, state and local entities; and
- sample agreements between the VR agency and local education agencies.

To assess the performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed DVR relevant data from FY 2007 through FY 2011, 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 DVR 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:

- DVR director;
- DVR administrative staff
- DVR VR counselors, employment specialists, and transition staff, serving as liaisons with the SEA; and
- state school personnel.

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

Technical Assistance

RSA provided technical assistance to DVR related to this focus area while onsite in Delaware regarding:

- federal requirements related to the interagency agreement with the Delaware Department of Education;
- the requirement that IPEs for transition-age youth be developed within the agency's established 90 day time standard and before the student exits the school setting;
- clarification that all services provided under an IPE must be considered, including "no cost" services, prior to closing cases in "after development of the IPE and prior to service delivery" to avoid inaccurate reporting of closures (DVR data demonstrated that during the FY 2007 to FY 2011 review period, between 79 percent and 84 percent of the cases

closed after development of the IPE and before service delivery in this status were closed after an IPE had been implemented for more than 120 days. DVR was using an incorrect interpretation that a case could be closed as “after IPE but prior to service delivery,” if no purchased services were reported);

- clarification that an unsuccessful closure must be taken if substantial services had been provided (including substantial guidance and counseling or in-house job development or placement services that were not “purchased”) after the development of the IPE; and
- the need to report fully all services provided under an IPE including “no cost” services such as vocational guidance and counseling, job search assistance, and information and referral services.

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

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

- the federal FY 2008 monitoring report issued pursuant to Section 107 of the Rehabilitation Act (see Section 4 above for a report of the agency’s progress toward implementation of recommendations 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 DVR did not result in the identification of observations and recommendations.

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

Technical Assistance

RSA provided technical assistance to DVR related to the fiscal integrity of the VR and SE programs in general while on-site. In particular, RSA provided technical assistance to DVR staff regarding the need to use program income prior to drawing down grant funds for the VR program. Technical assistance was provided on the completion of the federal financial reports with respect to reporting federal unliquidated obligations and the unobligated balance of federal funds. RSA also provided technical assistance to ensure that personnel activity reports satisfy federal requirements and that they adequately reflect after-the-fact distributions of the actual activity of each employee.

SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

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

DVR 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 <http://rsa.ed.gov> within 45 days from the issuance of this report and RSA is available to provide technical assistance to enable DVR 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. Program Income

Legal Requirements:

- VR Program Regulations—34 CFR 361.12
- EDGAR—34 CFR 80.20(a); 34 CFR 80.21(f)(2)

Finding: DVR is not in compliance with 34 CFR 80.21(f) (2) because it does not disburse program income prior to requesting additional cash drawdowns from its federal VR award.

Federal regulations require DVR 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). DVR 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)). DVR is required under 34 CFR 80.21(f)(2) to disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

DVR reported a balance of \$73,932 on its SF 425 for the FY 2012 VR grant on September 30, 2012. There would have been no balance had it used program income prior to drawing down VR grant funds. The agency stated that the balance was an oversight and that it normally expends program income before drawing down federal funds.

Corrective Action 1: DVR must:

- 1.1 cease drawing down federal VR funds prior to disbursing available program income; and
- 1.2 submit a written assurance to RSA within 10 days of the final monitoring report that it will disburse all program income before requesting additional drawdowns from its federal VR award, as required by 34 CFR 80.21(f)(2).

2. Documentation of Personnel Costs

Legal Requirements:

- VR Program Regulations—34 CFR 361.3; 34 CFR 361.12
- EDGAR—34 CFR 80.20(a)
- Cost Principles—2 CFR 225, Appendix A, paragraphs C.1.b and C.3.a; 2 CFR 225, Appendix B, paragraphs 8.h.4, and 8.h.5

Finding: DVR is not in compliance with regulations at 2 CFR 225 Appendix B, paragraphs 8.h.4 and 8.h.5 because it is not correctly maintaining personal activity reports or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee in order to determine the amount of expense to be allocated to the VR award.

Federal cost principles at 2 CFR 225 Appendix B, paragraph 8.h.4, and 8.h.5 require employees who work on multiple cost objectives to maintain personnel activity reports (PARs) or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee. The PARs must account for the total activities for which the employees are compensated, be prepared monthly, coincide with one or more pay periods, and be signed by each employee. The VR program regulations at 34 CFR 361.3 and 34 CFR 361.12 require that the DVR 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. The regulations at 34 CFR 80.20(a) state that DVR must expend and account for grant funds in a manner that permits 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.

RSA reviewed monthly PARs from April through September, 2012, for three of the seven DVR staff working on more than one cost objective. An analysis of the three employees' PARs revealed that for the seven cost objectives listed on the PARs the percentage breakdown of time spent by each employee was exactly the same for each month's PAR, which does not indicate an after-the-fact distribution of the actual activity of each employee as required by 2CFR 225 Appendix B, 8.h.5.(a).

In the absence of correct PARs or documentation that reflect an after-the-fact distribution of the actual activity of each employee in order to determine the amount of expenses to be allocated to the VR award, RSA cannot determine the proper allocation of the personnel costs of employees to the VR program or other programs or federal awards. To the extent that costs may have been charged inaccurately to the VR program, these costs would be unallowable program expenditures, pursuant to 34 CFR 361.3 and federal cost principles at 2 CFR 225, Appendix A,

paragraphs C.1.b and C.3.a. The purpose of completing PARs is to ensure the proper allocation of personnel costs of employees to various cost objectives including federal awards.

Corrective Action 2: DVR must develop and implement procedures to ensure that personnel activity reports, or equivalent documentation, are prepared and maintained for DVR staff that work on more than one cost objective to support the allocation of an equitable portion of personnel costs, and that reflect an after-the-fact distribution of the actual activity for which each employee is compensated in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5.

3. Federal Reporting

Legal Requirements:

- VR Program Regulations—34 CFR 361.12; 34 CFR 361.40(b)
- EDGAR—34 CFR 80.20(a)

Finding: DVR is not in compliance with 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a)(1) because it did not report accurately the amount of the federal share of unliquidated obligations and unobligated funds qualifying for carryover on its federal financial reports (FFRs) during the five-year period reviewed, FY 2008 to FY 2012.

Federal regulations require DVR 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; 34 CFR 361.40(b)). DVR 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)).

When reviewing the supporting documentation for each line item of DVR's FFRs, RSA discovered that there was no supporting documentation for the line item for federal share of unliquidated obligations. DVR fiscal staff informed RSA that the figure reported on the FFRs was the difference between the outlays reported and the total amount of the grant awards. DVR did not identify and report those federal obligations that had not yet been paid as unliquidated for each of the appropriate respective fiscal years on the FFRs. As a result, the amount of unobligated funds qualifying for carryover was incorrectly reported as being zero. The difference between the total outlays and the unliquidated obligations would have yielded an undetermined amount, which would not have been zero.

Corrective Action 3: DVR must cease submitting inaccurate SF-425 reports and develop procedures to ensure the accurate and timely submission of federal financial reports to RSA in accordance with regulations at 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a).

4. Interagency Agreement with the Delaware Department of Education

Legal Requirements:

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

Finding: DVR is not in compliance with federal requirements at Section 101(a)(11)(D) of the Rehabilitation Act and regulations at 34 CFR 361.22(b) because its current agreement with the Delaware Department of Education dated April, 2005, does not include the required provision relating to the financial responsibilities of each agency.

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

The current state interagency agreement entitled the “*Interagency Agreement between the Division of Vocational Rehabilitation, Department of Labor; Exceptional Children and Early Childhood Education Group, Delaware Department of Education (DDOE); Local Education Agencies; and Charter Schools Serving Children with Disabilities,*” dated in April, 2005, is not in compliance with 34 CFR 361.22 (b). This agreement meets all of the requirements set forth in 34 CFR 361.22 (b), except that it does not include the financial responsibilities of each agency related to the provision of services, including provisions for determining State lead agencies and qualified personnel responsible for transition services, as required by Section 101(a)(11)(D)(iii) and 34 CFR 361.22(b)(3). While Section V of the agreement, *Procedures to Resolve Disputes Regarding Program and Fiscal Issues*, describes the procedures for dispute resolution for each agency, the information in this section is not sufficient to address the required components at 34 CFR 361.22(b)(3).

Corrective Action 4: DVR must amend its interagency agreement with the SEA to ensure that it provides for the roles and responsibilities, including financial responsibilities of each agency related to the provision of services, including provisions for determining state lead agencies and qualified personnel responsible for transition services pursuant to Section 101(a)(11)(D) of the Rehabilitation Act and the requirements at 34 CFR 361.22(b)(3) .

5. Development of the IPE

Legal Requirements:

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

Finding: DVR is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the requirements of 34 CFR 361.45(e) because it is not meeting its established 90-day time standard for the development of the IPE for transition-age youth.

As required by Section 101(a)(9)(A), DVR assures in its annual State Plan that an IPE meeting federal requirements will be developed in a timely manner for each individual following the determination of eligibility. The VR program regulations at 34 CFR 361.45(e) state that the agency must establish standards, including timelines, that take into consideration the needs of each individual. According to the *DVR Casework Manual, Chapter 10.1, "Purpose and Scope:"*

The IPE process is initiated after eligibility is determined and should be completed within ninety (90) days of the eligibility determination.

...

An eligible transition student, including students in supported employment, must have an IPE developed prior to leaving high school...

Based on data reported to RSA on transition-age youth age 14-24 at application, DVR's performance in meeting its 90-day time standard for the development of IPEs for transition-age youth declined during the period under review. The agency's performance in the development of the IPE within the established 90-day time standard steadily declined for transition-age youth from 80.83 percent in FY 2007 to 62.65 percent in FY 2011. These data demonstrate that DVR did not develop IPEs for transition-age youth in compliance with the federal requirements set forth in Section 101(a)(9) of the Rehabilitation Act and 34 CFR 361.45(e).

During on-site discussions, DVR administrators and transition counselors indicated that DVR defines transition-age youth as individuals aged 14-24 at application who are also actively attending high school. DVR indicated that for transition students it applies only the requirement that an IPE be completed before the student graduates from high school. Although this approach meets the federal requirement at 34 CFR 361.22(a)(2) to develop a transition student's IPE before he or she leaves school, it does not meet the requirement to develop the IPE within a specific timeline established by the agency. The time standard established by the agency for development of the IPE must be a specific number of days from the date that eligibility is determined. The IPE for a transition-age youth must meet the agency's established time standard for the development of the IPE and be developed prior to the student leaving school.

Corrective Action 5: DVR must submit the actions that it will take, including timelines, to ensure that IPEs for transition-age youth are developed in a timely manner and within 90 days of eligibility determination (i.e., in accordance with the agency's established time standard developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e)).

APPENDIX A: AGENCY RESPONSE

Section 4: Results of Prior Monitoring Activities

DVR does not request additional technical assistance to enable it to implement outstanding goals and strategies identified in the FY 2008 monitoring report.

Section 6: Compliance Findings and Corrective Actions

1. Program Income

Corrective Action 1: DVR must:

- 1.1 cease drawing down federal VR funds prior to disbursing available program income; and
- 1.2 submit a written assurance to RSA within 10 days of the final monitoring report that it will disburse all program income before requesting additional drawdowns from its federal VR award, as required by 34 CFR 80.21(f)(2).

Agency Response: DVR understands the requirement to disburse program income prior to requesting additional drawdowns from our federal VR award. DVR staff responsible for drawdowns is aware of the requirement and DVR assures RSA that in the future, it will disburse all program income before requesting additional drawdowns from our federal award.

Technical Assistance: DVR does not request technical assistance.

2. Documentation of Personnel Costs

Corrective Action: DVR must develop and implement procedures to ensure that personnel activity reports, or equivalent documentation, are prepared and maintained for DVR staff that work on more than one cost objective to support the allocation of an equitable portion of personnel costs, and that reflect an after-the-fact distribution of the actual activity for which each employee is compensated in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5.

Agency Response: DVR understands the requirement to maintain personnel activity reports that accurately reflect the activity of each employee to determine the amount of employees expense to be allocated to the VR award. DVR will develop and implement procedures to ensure that personnel activity reports are prepared and maintained for DVR staff that work on more than one cost objective to support the allocation of an equitable portion of personnel costs, which reports reflect an after-the-fact distribution of the actual activity.

Technical Assistance: RSA provided several appropriate forms to appropriately document and report personnel activity. DVR does not request or require any additional technical assistance to implement this change.

3. Federal Reporting

Corrective Action 3: DVR must cease submitting inaccurate SF-425 reports and develop procedures to ensure the accurate and timely submission of federal financial reports to RSA in accordance with regulations at 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a).

Agency Response: DVR will correctly document the amount identified as federal share of unliquidated obligations on all Federal financial reports, beginning immediately. DVR has a report of outstanding authorizations (issued and not yet paid) in the DVR case management system (DELRIS), which it will run and use as documentation for the purpose of completing Federal financial reports.

Technical Assistance: DVR does not request technical assistance.

4. Interagency Agreement with the Delaware Department of Education

Corrective Action 4: DVR must amend its interagency agreement with the SEA to ensure that it provides for the roles and responsibilities, including financial responsibilities of each agency related to the provision of services, including provisions for determining State lead agencies and qualified personnel responsible for transition services pursuant to Section 101(a)(11)(D) of the Rehabilitation Act and the requirements at 34 CFR 361.22(b)(3) .

Agency Response: DVR is in the process of revising the 2005 Interagency agreement between DVR, the Department of Education, and LEAs. DVR will ensure that the revised agreement will include a provision of the financial responsibilities of each party related to the provision of services, including provisions for determining state lead agencies and qualified personnel responsible for transition services.

Technical Assistance: DVR does not request technical assistance

5. Development of the IPE

Corrective Action 5: DVR must submit the actions that it will take, including timelines, to ensure that IPEs for transition-age youth are developed in a timely manner and within 90 days of eligibility determination (i.e., in accordance with the agency's established time standard developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e)).

Agency Response: DVR understands RSA's interpretation of the federal requirement for DVR to have a policy which provides for timely development of an IPE after determining eligibility. DVR has relied upon 34 CFR 361.22(a)(2) which requires an agency to develop a transition student's IPE before he or she leaves school as establishing a timely development standard for transition students who were still in school. DVR will amend its policy for development of IPE to provide that IPEs will be developed within 90 days of eligibility for all DVR clients, including transition students still in high school.

Technical Assistance: DVR does not request technical assistance

APPENDIX B: LEGAL REQUIREMENTS

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

Rehabilitation Act of 1973, as amended

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

Development and implementation.

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

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

The State plan shall contain plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities, that are designed to facilitate the transition of the students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under this title, including information on a formal interagency agreement with the State educational agency that, at a minimum, provides for-- ***

(iii) the roles and responsibilities, including financial responsibilities, of each agency, including provisions for determining State lead agencies and qualified personnel responsible for transition services; and

VR program regulations

34 CFR 361.3 - Authorized activities

The Secretary makes payments to a State to assist in—

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

34 CFR 361.12 – 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 - 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.

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

(1) Consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services;

(2) Transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of their individualized education programs (IEPs) under section 614(d) of the Individuals with Disabilities Education Act;

(3) The roles and responsibilities, including financial responsibilities, of each agency, including provisions for determining State lead agencies and qualified personnel responsible for transition services; and

(4) Procedures for outreach to and identification of students with disabilities who are in need of transition services. Outreach to these students should occur as early as possible during the transition planning process and must include, at a minimum, a description of the purpose of the vocational rehabilitation program, eligibility requirements, application procedures, and scope of services that may be provided to eligible individuals.

34 CFR 361.40 - Reports

(b) The designated State agency must comply with any requirements necessary to ensure the accuracy and verification of those reports.

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

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

Education Department General Administrative Regulations (EDGAR)

34 CFR 80.20 - Standards for financial management systems

(a) A state must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees 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 - Payments

(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.

Federal Cost Principles as Cited in the CFR

2 CFR 225, Appendix A, Paragraph C.1.b

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: *** b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

2 CFR 225, Appendix A, Paragraph C.3.a

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

2 CFR 225, Appendix B, paragraph 8.h.4

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

2 CFR 225, Appendix B, paragraph 8.h.5

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.
- (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect

adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.