

**FISCAL YEAR 2013  
MONITORING REPORT  
ON THE  
WASHINGTON DEPARTMENT OF  
SERVICES FOR THE BLIND  
VOCATIONAL REHABILITATION  
PROGRAM**



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

**OCTOBER 21, 2013**

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# SECTION 1: EXECUTIVE SUMMARY

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## 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 Washington Department of Services for the Blind (DSB) 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 DSB;
  - transition services and employment outcomes for youth with disabilities; and
  - the fiscal integrity of the VR program;
- identified emerging practices related to the three focus areas and other aspects of the VR agency's operations; and
- provided technical assistance to the VR agency to enable it to enhance its performance and to resolve findings of noncompliance.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from May 21 through 23, 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/monitoring-and-technical-assistance-guide.doc> or <http://www.ed.gov/rschstat/eval/rehab/107-reports/2013/monitoring-and-technical-assistance-guide.pdf>

## Emerging Practices

Through the course of its review, RSA collaborated with DSB, 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**

- Job Search Boot Camp and Follow-Along Program: DSB established this program to assist individuals with disabilities who have been searching for work for six months or more to refocus their job search process.

### **Transition**

- Progressive Programming Model for Successful Transition: DSB provides youth with disabilities a series of program activities from elementary school until college matriculation, each of which, when engaged in successively, is designed to provide the foundation for a successful transition to postsecondary education and work through the development of sound independent living skills and career exploration.
  - Summer Camp for Independent Living Skills (SCILS): This program for youth ages nine through thirteen focuses on the improvement of each participant's ability to function independently in the community.
  - Youth Employment Solutions 1 (YES 1): This program assists students ages 14 to 15 to explore their career goals.
  - Youth Employment Solutions 2 (YES 2): Serving youth from the age of 16 to high school graduation, this program provides a six-week program of paid employment experience based on student interests, experience and ability.
  - The Bridge Program: Following graduation from high school, this five-week summer residential program held on the campus at Eastern Washington University (EWU) prepares students for college by enrolling them in a five-credit university course and assists them to adapt to university life.

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

## **Summary of Observations**

RSA's monitoring of DSB did not result in the identification of observations related to the focus areas covered in the review.

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

- DSB does not have an approved cost allocation plan.

- DSB has not established a specific time standard for the development of the IPE that applies to transitioning youth with disabilities who are still in school.

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

RSA will collaborate closely with DSB and the Northwest Technical Assistance and Continuation Education (TACE) Center to develop a plan to address the technical assistance needs identified by DSB in Appendix A of this report. RSA, DSB and the Northwest 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, DSB and the Northwest 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 Fred Isbister (Technical Assistance Unit); Brian Miller, Corinna Stiles and Carol Dobak (Vocational Rehabilitation Program Unit); Steven Zwillinger (Data Collection and Analysis Unit); and Sean Barrett (Fiscal 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 DSB 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 DSB. 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 2012. Consequently, the table and accompanying analysis do not provide information derived from DSB open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. DSB 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 DSB Program Performance Data for Federal FY 2008 through Federal 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	313	323	358	368	430	117	13,705
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	37.4%	100.0%
Exited as an applicant	Number	27	32	57	48	45	18	2,646
	Percent	8.6%	9.9%	15.9%	13.0%	10.5%	66.7%	19.3%
Exited during or after trial work experience/extended evaluation	Number	12	13	9	1	2	-10	149
	Percent	3.8%	4.0%	2.5%	0.3%	0.5%	-83.3%	1.1%
TOTAL NOT DETERMINED ELIGIBLE	Number	39	45	66	49	47	8	2,795
	Percent	12.5%	13.9%	18.4%	13.3%	10.9%	20.5%	20.4%
Exited without employment after IPE, before services	Number	0	0	0	0	0	0	129
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%		0.9%
Exited from order of selection waiting list	Number	0	0	0	0	0	0	4
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%
Exited without employment after eligibility, before IPE	Number	55	53	84	87	119	64	1,389
	Percent	17.6%	16.4%	23.5%	23.6%	27.7%	116.4%	10.1%

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	55	53	84	87	119	64	1,522
	Percent	17.6%	16.4%	23.5%	23.6%	27.7%	116.4%	11.1%
Exited with employment	Number	132	150	129	144	147	15	6,300
	Percent	42.2%	46.4%	36.0%	39.1%	34.2%	11.4%	46.0%
Exited without employment	Number	87	75	79	88	117	30	3,088
	Percent	27.8%	23.2%	22.1%	23.9%	27.2%	34.5%	22.5%
TOTAL RECEIVED SERVICES	Number	219	225	208	232	264	45	9,388
	Percent	70.0%	69.7%	58.1%	63.0%	61.4%	20.5%	68.5%
EMPLOYMENT RATE	Percent	60.27%	66.67%	62.02%	62.07%	55.68%	-7.62%	67.11%
Transition age youth	Number	58	56	73	66	91	33	1,956
	Percent	18.5%	17.3%	20.4%	17.9%	21.2%	56.9%	14.3%
Transition aged youth employment outcomes	Number	25	26	22	24	22	-3	621
	Percent	18.9%	17.3%	17.1%	16.7%	15.0%	-12.0%	9.9%
Competitive employment outcomes	Number	132	150	129	143	145	13	5,467
	Percent	100.0%	100.0%	100.0%	99.3%	98.6%	9.8%	86.8%
Supported employment outcomes	Number	9	16	11	6	19	10	219
	Percent	6.8%	10.7%	8.5%	4.2%	12.9%	111.1%	3.5%
Average hourly wage for competitive employment outcomes	Average	\$17.71	\$17.01	\$17.41	\$19.47	\$17.26	-\$0.45	\$14.17
Average hours worked for competitive employment outcomes	Average	30.5	31.3	31.0	30.2	30.5	0.0	31.2
Competitive employment outcomes at 35 or more hours per week	Number	67	81	69	74	75	8	2,875
	Percent	50.8%	54.0%	53.5%	51.4%	51.0%	11.9%	45.6%
Employment outcomes meeting SGA	Number	76	78	69	77	75	-1	2,198
	Percent	57.6%	52.0%	53.5%	53.5%	51.0%	-1.3%	34.9%
Employment outcomes with employer-provided medical insurance	Number	40	57	57	63	75	35	1,269
	Percent	30.3%	38.0%	44.2%	43.8%	51.0%	87.5%	20.1%

## Positive Trends

As shown in Table 2.1, the performance of the VR program improved in a number of important areas during the five-year period covering FY 2008 through FY 2012. Most importantly, the

number of individuals served by DSB achieving employment increased by more than 11 percent, from 132 to 147 individuals between FY 2008 and FY 2012. In addition, the number of individuals receiving VR services from DSB increased by over 20 percent, from 219 to 264 individuals during the same period.

DSB also improved its performance on selected indicators measuring the quality of employment outcomes. For example, the number of individuals who achieved competitive employment outcomes and worked 35 or more hours per week increased by almost 12 percent, from 67 in FY 2008 to 75 in FY 2012. The number of individuals who achieved employment and received employer-provided medical insurance increased by over 87 percent, from 40 individuals in FY 2008 to 75 in FY 2012.

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

Although the agency is assisting an increasing number of individuals to achieve employment outcomes as noted above, the number of individuals who do not achieve employment after receiving services is increasing at a faster rate. In FY 2008, 87 individuals did not achieve employment, compared to 117 individuals in FY 2012. While the number of individuals who exited the program with employment increased by 11 percent from FY 2008 to FY 2012, as described above, the number of individuals who exited without employment increased by almost 35 percent during the same period. The number of individuals achieving employment represents a decreasing share of the agency's closures, from just over 43 percent in FY 2008 to just over 34 percent in FY 2012.

Similarly, the number of individuals who exited the VR program without employment after the determination of eligibility, but before the development of the IPE, increased by over 116 percent, from 55 in FY 2008, to 119 in FY 2012. As a percentage of all case closures, these consumers increased from over 17 percent in 2008 to over 27 percent in 2012.

### **Supported Employment**

DSB assisted more individuals to achieve supported employment outcomes in FY 2012 than at any other time in the five-year period under review. The number of individuals who obtained supported employment increased from nine in FY 2008 to 19 in FY 2012, an increase of over 111 percent. The percentage of individuals who achieved supported employment compared to the total who achieved employment increased from 6.8 percent to 12.9 percent during the review period.

### **Transition Outcomes**

During the five years from FY 2008 to FY 2012, the number of youth with disabilities served by DSB increased by almost 57 percent, from 58 to 91. However, the employment outcomes for youth with disabilities remained in a narrow range, between 22 and 25, and the percentage of the total number of those who achieved employment who are also youth with disabilities declined from almost 19 percent in FY 2008 to 15 percent in FY 2012.

RSA discussed all data contained in Table 2.1 with DSB management to determine the factors that may have had an impact on the performance of the VR program during the five-year period from FY 2008 through FY 2012. During the course of the review, DSB indicated that variations in the delivery of services through its local offices may have had an impact on its overall performance. It intends to conduct further analyses to determine the factors that affected its performance related to the number of individuals engaged in the various stages of the VR process, as well as the quantity and quality of employment outcomes they achieved. These analyses will enable DSB to more effectively modify and enhance its goals by which it assesses the performance of the program and the strategies used to attain these goals.

## Fiscal Analysis

**Table 2.2**  
**DSB Fiscal Performance Data for FY 2008 through FY 2012**

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
Grant amount	4 <sup>th</sup>	7,668,817	7,976,496	8,437,214	8,488,839	8,412,468
	Latest/ Final*	7,668,817	7,976,496	8,437,214	8,488,839	8,412,468
Total outlays	4 <sup>th</sup>	7,839,212	7,328,951	5,758,541	4,215,232	4,418,218
	Latest/ Final*	9,744,367	10,225,945	10,720,730	10,786,490	8,041,313
Total unliquidated obligations	4 <sup>th</sup>	0	0	665,979	791,400	315,708
	Latest/ Final*	0	0	0	0	472,710
Federal share of expenditures	4 <sup>th</sup>	5,763,662	5,079,502	3,475,026	1,917,581	1,762,426
	Latest/ Final*	7,668,817	7,976,496	8,437,214	8,488,839	5,385,521
Federal share of unliquidated obligations	4 <sup>th</sup>	0	0	665,979	791,400	315,708
	Latest/ Final*	0	0	0	0	472,710
Total federal share	4 <sup>th</sup>	5,763,662	5,079,502	4,141,005	2,708,981	2,078,134
	Latest/ Final*	7,668,817	7,976,496	8,437,214	8,488,839	5,858,231
Recipient share of expenditures	4 <sup>th</sup>	2,075,550	2,249,449	2,283,515	2,297,651	2,655,792
	Latest/ Final*	2,075,550	2,249,449	2,283,516	2,297,651	2,655,792
Recipient share of unliquidated obligations	4 <sup>th</sup>	0	0	0	0	0
	Latest/ Final*	0	0	0	0	0
Agency actual match (total recipient share)	4 <sup>th</sup>	2,075,550	2,249,449	2,283,515	2,297,651	2,655,792
	Latest/ Final*	2,075,550	2,249,449	2,283,516	2,297,651	2,655,792
Agency required match (total recipient share required)	4 <sup>th</sup>	1,559,924	1,374,757	940,509	518,990	476,997
	Latest/ Final*	2,075,550	2,158,823	2,283,515	2,297,488	1,457,581

<b>VR Fiscal Profile</b>	<b>Quarter</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Over/under match (remaining recipient share)	4 <sup>th</sup>	-515,626	-874,692	-1,343,006	-1,778,661	-2,178,795
	Latest/ Final*	0	-90,626	-1	-163	-1,198,211
MOE **	4 <sup>th</sup>					
	Latest/ Final*		2,249,449	2,283,516	2,297,651	2,655,792
Unobligated funds qualifying for carryover	4 <sup>th</sup>	1,905,155	2,896,994	4,296,209	5,779,858	6,334,334
	Latest/ Final*	0	0	0	0	2,554,237
Total federal program income earned	4 <sup>th</sup>	0	0	257,881	0	224,875
	Latest/ Final*	0	0	257,881	0	224,875
Total indirect costs	4 <sup>th</sup>	1,454,613	1,736,733	1,092,968	912,902	976,842
	Latest/ Final*	1,454,613	2,117,760	1,858,834	2,074,316	1,626,868

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

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

RSA reviewed fiscal performance data from federal FY 2008 through federal FY 2012. Based on the data in the table above, the agency matched its grant award in each fiscal year reviewed, including two years when DSB received more matching funds than was required to satisfy its required non-federal contributions. The agency also obligated and or spent its entire VR program funding annually, resulting in a lack of carryover funds each year during the review period. In addition, while DSB charged indirect costs to the VR program award at a rate which varied from 19 to 24 percent between FY 2008 and FY 2012, it lacked an approved cost allocation plan and indirect cost rate. This issue is addressed in more detail in Section 6 of this report.

## SECTION 3: EMERGING PRACTICES

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

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

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

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

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

- **Job Search Boot Camp and Follow-Along Program:** This Targeted program assists individuals who have been looking for work for six months or more and who have had few fruitful results in their job searches. Designed to enable program participants to move from job search to employment within 6 months of completion, the program consists of an Intensive three-day workshop and six weekly follow-along group sessions. During the workshop, participants develop an action plan to guide their job searches, using the information and skills learned in sessions covering the basics of a job search, the identification of barriers to the job search, and problem-solving techniques. During the follow-along sessions, participants focus on implementation of their action plans while receiving peer support and professional feedback.

### **Transition**

- **Progressive Programming Model for Successful Transition:** DSB provides youth with disabilities with a series of program activities from elementary school until college matriculation, each of which, when engaged in successively, is designed to provide the

foundation for a successful transition to postsecondary education and work through the development of sound independent living skills and career exploration.

- Summer Camp for Independent Living Skills (SCILS): Supported with state funds, this day camp program provides youth ages nine through thirteen with age-appropriate training and skills development aimed at enhancing their independence at home and in the community. Topics covered include home care, meal preparation and shopping.
- Youth Employment Solutions 1 (YES 1): This two-week summer program engages 14 and 15 year old students in career exploration activities, including career interest and aptitude assessments, worksite visitations, guest presentations, mock applications and interviews, resume development, and job shadowing. Students are also provided with continuing training to improve their independent living skills.
- Youth Employment Solutions 2 (YES 2): To better enable youth to obtain mainstream competitive employment, this program provides youth from the age of 16 through high school graduation with the opportunity to participate in a six-week paid employment experience based on student interests, experiences and abilities. The residential component of the program further strengthens the independence of the students through the purchase of groceries and meal preparation, money and time management, household maintenance, and travel training in the community. Community speakers and student-planned activities encourage deeper integration into the community.
- The Bridge Program: Following graduation from high school, students participate in a five-week residential program on the campus of Eastern Washington University, during which they enroll in a five-credit course, receive orientation to the Disability Student Services center, learn to advocate for accommodation needs, experience dormitory living, and travel independently in and around the university.

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**

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During its review of the VR and SE programs in federal FY 2013, RSA assessed progress toward the implementation of the goals and strategies resulting from the prior monitoring review in FY 2007 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 strategies, and to resolve outstanding compliance findings.

### **Goals**

In response to RSA's monitoring report dated September 7, 2007, DSB accepted the goals listed below. A brief summary of the agency's progress toward implementation of each goal is provided.

**1. Enhance OTC services as a method to improve quantity and quality of employment outcomes.**

DSB developed a team approach as a method to improve the quantity and quality of employment outcomes. Each team includes representatives from the VR program and the Orientation and Training Center, as well as other DSB staff. Following implementation of this approach, DSB experienced improved performance with respect to the quality of the employment outcomes achieved by VR program participants (see Section 2 of this report).

**2. Increase productivity of CRP system.**

DSB reported that it has improved its outreach to CRPs and the training it provides to those providers with which it works; however, the CRPs continue to experience high staff turn-over, making it difficult to maintain the skills of each provider.

**3. Increase the strategic use of data.**

DSB reported that it has integrated its use of data in the management of the agency, which it believes contributed, in part, to its improved performance with respect to the quantity and quality of employment outcomes.

**4. Develop a common structure for strategic planning initiatives and activities agency wide.**

DSB reported that it fully implemented the GMAP system to report to the former Governor. In FY 2013, the current Governor introduced a new customer management system called LEAN and the agency will be implementing it over the next several months. LEAN is intended to assist agencies to eliminate silos and help to examine core processes and to refocus on participants.

## **Compliance Findings and Corrective Actions**

As the result of the monitoring conducted during FY 2007, DSB developed a corrective action plan (CAP) that included the steps DSB committed to take to resolve the compliance findings identified in the monitoring report dated September 7, 2007, timelines for the implementation of the steps and the methods by which the agency and RSA would evaluate the agency's progress toward the resolution of the findings. A summary of DSB's progress toward the resolution of each finding appears below.

- 1. DSB will ensure compliance with the compensation for personnel services requirements in OMB Circular A-87, Attachment B, Paragraph 11, for salaries charged to the VR program.**

DSB successfully corrected this compliance finding.

- 2. Ensure that costs are allocated in accordance with the requirements in OMB Circular A-87, "Cost Principles for State, Local and Indian Tribal Governments."**

DSB submitted a new cost allocation plan and it is in the process of being approved. This finding remains unresolved until the plan is approved. See Section 6 of this report for further detail.

- 3. Ensure that semi-annual certifications are completed for all employees who spend 100 percent of their time working on one federal grant program. Ensure that salaries are only charged to federal grant programs in accordance with the approved methodology for documenting salary charges for those individuals working on more than one grant program. Ensure that salaries initially charged to the federal grant program based on budgeted amounts are adjusted to actual costs as prescribed in OMB Circular A-87.**

DSB resolved this finding.

- 4. The Department of Services for the Blind did not comply with federal requirements for reporting vocational rehabilitation program expenditures.**

DSB resolved this finding.

## SECTION 5: FOCUS AREAS

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

- DSB directors and senior managers;
- DSB 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 DSB's position as a separate agency in the state of Washington;
- diagrams, tables, charts and supporting documentation identifying all programs from all funding sources that fall under the administrative purview of DSB, 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 devote 100 percent of their time to the rehabilitation work of DSB;
  - individuals engaged in the rehabilitation work of the DSB and one or more additional programs/cost objectives (e.g., one-stop career centers); and

- individuals under DSB 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 Washington’s procurement requirements and processes.

## **Overview**

DSB is a stand-alone agency and its director reports to the governor’s office. The agency is divided in two sections, one for Customer Services and the other for Business Services. In addition, DSB is divided into three regions overseen by team leaders who, in turn, are responsible for cross-functional teams consisting of a team leader and representatives of VR, rehabilitation technicians, orientation and mobility teachers and the agency’s assistive technology services. DSB is assigned a total of 75 full-time equivalent positions, 15 of who are VR counselors. The agency receives centralized support services from state government related to human services, payroll processing and information technology.

DSB is not an official member of the SWIB, but is represented by the designated state agency in which the Division of Vocational Rehabilitation (DVR) is housed. The Workforce system is divided into 12 sections across the state, covering all 48 local workforce centers.

RSA’s review of the organizational structure of DSB did not result in the identification of observations and recommendations; nor did RSA identify any compliance findings or corrective actions in connection with this focus area.

## **Technical Assistance**

During the course of the review, RSA provided technical assistance to DSB regarding its relationship with the 12 regional workforce boards in the state. These boards were established prior to the enactment of the WIA and their existing membership was approved by the Department of labor, though representatives of the VR program were not required members. Even so, the Division of Vocational Rehabilitation is represented on, and has developed MOUs with, each regional board. RSA encouraged DSB to develop relationships with the boards by providing input through DVR or by becoming a party to the MOUs itself. DSB indicated that it is pursuing becoming a party to these agreements.

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

The purpose of this focus area was to assess DSB’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:

- formal interagency agreements between DSB 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
- summaries and descriptions of various transition-specific programs offered to youth from the age of 14 and older.

To assess the performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed DSB 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 DSB with the national average of all state VR agencies serving the blind and visually impaired.

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

- DSB director;
- DSB VR counselors and transition staff;
- DSB manager of field operations;
- child and family specialists/independent living specialists;
- state and local school personnel, including teachers of the visually impaired;
- youth with disabilities receiving or applying for VR services; and
- parents and guardians of youth with disabilities receiving, or applying for VR services.

RSA's review of the transition services provided by DSB and the employment outcomes achieved by youth with disabilities did not result in the identification of observations and recommendations. However, 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 DSB in the area of transition services and employment outcomes for youth with disabilities while on-site in Washington. Specifically, RSA advised DSB regarding the reporting of services provided to transition aged youth on the VR program Case Service Report (RSA-911), explaining that VR agencies are to report all services provided to the consumer, not just the services purchased by the agency. DSB was incorrectly excluding from the report those services provided by its staff. Additionally, RSA discussed with DSB VR counselors various strategies for managing the eligibility determination process to minimize the number of individuals who exit the program after the determination of eligibility, but prior to the receipt of 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 website 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 2007 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 DSB did not result in the identification of observations and recommendations. However, 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 regarding federal requirements for grantees to obtain an approved cost allocation plan and indirect cost rate, discussing with DSB management the status of its progress toward resolving the related compliance finding identified as a result of RSA's monitoring in FY 2007 and the current status of the agency's submission of a cost allocation plan to the Department of Education. See Sections 4 and 6 of this report for additional information.

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

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

DSB 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 DSB 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. Charging of Indirect Costs to the VR Grant**

#### **Legal Requirements:**

- Federal Cost Principles – 2 CFR 225, Appendix A, Paragraphs C.1.b and H.2
- EDGAR- 34 CFR 75.560(b)

#### **Finding:**

DSB is not in compliance with the federal cost principles at 2 CFR 225, Appendix A and regulations at 34 CFR 75.560(b) because it charged indirect costs to the VR program award without receiving an approved rate from the Department of Education (Department), DSB's cognizant agency.

Federal cost principles at 2 CFR 225, Appendix A, Paragraph H.2 and EDGAR 75.560(b) state that indirect costs may be charged to an award only if such rate has been certified by the cognizant federal agency. Additionally, Federal Cost Principles make it clear that a cost is allowable if it is allocable to the federal award (2 CFR 225, Appendix A, paragraph C.1.b). Lack of an approved indirect cost rate renders these costs unallocable to the VR award, and thus unallowable.

In FY 2007, RSA conducted a review of DSB's BVR program and found that DSB did not have an indirect cost rate approved by the Department. During the course of this FY 2013 review, DSB reported that it had submitted an indirect cost rate proposal to the Department's Indirect Cost Group in FY 2007 subsequent to the issuance of the monitoring report, but that it had never

received approval. However, a review of SF-425 reports from FY 2008 to FY 2012, submitted by DSB, indicate the agency continued charging indirect costs to the VR award despite not receiving approval for the proposed indirect cost rate. The indirect costs charged to the VR awards during this period ranged from 19 percent to 24 percent.

A state FY 2012 A-133 audit of DSB resulted in a finding for charging indirect costs without an approved rate. In addition, on October 18, 2012, RSA revised DSB's Grant Award Notification to include Attachment B, Special Grant Terms and Conditions for Financial and Performance Reports. The attachment stated that due to the lack of an approved indirect cost rate, DSB had 90 days during which it could charge a 10 percent indirect cost rate against only VR employee salaries and fringe benefits. After the conclusion of the 90-day period, no indirect costs could be charged to the VR award.

DSB acknowledged the state audit finding and began working with the Department's Indirect Cost Group. A new proposal was submitted on April 9, 2013. RSA received a copy of this submission which included the proposed plan and rate. This initial submission lacked sufficient detail to be approvable. Therefore, DSB still is not in compliance with the requirements of 2 CFR 225, Appendix A, paragraph H.2 and 34 CFR 75.560, and must submit a revised indirect cost rate proposal or cost allocation plan to the Department's Indirect Cost Group containing the necessary detail for approval.

RSA notes that this is a repeat finding of noncompliance for DSB. RSA reserves the right to initiate enforcement procedures pursuant to 34 CFR 80.43 and 34 CFR Part 81 of EDGAR, if the agency has not fully complied with the requirements listed above by September 15, 2013. Such enforcement actions may include designating DSB as a "high risk" grantee, and imposing conditions on the grant, such as drawdown restrictions or withholding grant funds.

**Corrective Action 1:** DSB must, within ten days following the issuance of the monitoring report, submit a written assurance that it will immediately cease charging unapproved indirect costs to the VR award as required by 34 CFR 225, Appendix A, paragraph C.1.b; that it will submit an approvable application for an indirect cost rate or cost allocation plan to the Department's Indirect Cost Group in accordance with 2 CFR 225, paragraph H.2 and 34 CFR 75.560; and that it will implement the approved plan in accordance with the methods specified therein.

## **2. Development of the IPE for Transition-Age Youth**

### **Legal Requirement:**

- Rehabilitation Act—Section 101(a)(9)(A)
- VR Program Regulations—34 CFR 361.22(a)(2); and 34 CFR 361.45(a)(1) and (e)

### **Finding:**

DSB is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the requirements of 34 CFR 361.45(a) and (e), because it does not have an established time standard

for the development of IPEs for transition-age youth following the determination of eligibility.

As required by Section 101(a)(9)(A), DSB 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) specify that the agency must establish standards, including timelines, that take into consideration the needs of each individual. Furthermore, VR program regulations found at 34 CFR 361.22(a)(2) require that VR agencies must “provide for the development and approval of an [IPE] 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 [VR] 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.”

DSB confirmed that it complies with the requirement that all eligible individuals have an IPE developed before they leave the school setting in accordance with the regulations found at 34 CFR 361.22(a)(2) and the agency specifies this requirement in its VR procedures. DSB also erroneously uses this requirement as its timeline for the development of the IPE for transition-age youth, as specified in Appendix 6.4 of its procedures.

Chapter 6 of DSB’s VR procedures states: the IPE should be developed and implemented as soon as possible after eligibility determination:

- Non-transition plans should be completed within 120 days of an eligibility determination.
- Transition youth plans should be completed no later than the end of the senior year.
- An exception to the standard(s) can be made with approval by the team leader and consent of the customer and must be documented in the electronic case file.

In addition, Appendix 6.4 states: DSB IPE timelines standards:

- Individuals who were determined “Most Severely Disabled”: IPE must be developed / approved not to exceed 180 days.
- Individuals who were determined “Severely Disabled”: IPE must be developed not to exceed 120 days.
- Non-significantly disabled or job retention cases: IPE must be developed not to exceed 90 days.
- Transition youth would need to have their IPE developed no later than the end of the senior year.

The time standard established by the agency for development of the IPE (including the time standard for transition-age youth) must be a specific number of days from the date that eligibility is determined. Both the agency’s established time standard from eligibility to IPE development and the requirement that the IPE be developed prior to the student leaving school must be met.

Despite its inconsistencies in other respects, the language contained in both Chapter 6 and Appendix 6.4 of the agency’s policy and procedure manual makes clear that DSB requires only that IPEs for transition-age youth be developed prior to their exit from the school setting and

does not further require these IPEs to be developed within a specific number of days (i.e., a timeline) following the determination of eligibility. Since DSB does not apply a specific time standard for the development and approval of the IPE for transition-age youth, it does not comply with Section 101(a)(9) of the Rehabilitation Act and the requirements of 34 CFR 361.22(a)(2) and 34 CFR 361.45(a)(1) and (e).

**Corrective Action 2:** DSB must:

2.1 submit the actions that it will take to ensure that IPEs for transition-age youth are developed in a timely manner and in accordance with an established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e); and

2.2 revise its policies and procedures contained in Chapter 6 and Appendix 6.4 to be consistent in all respects and with the provisions of Section 101(a)(9) of the Rehabilitation Act and 34 CFR 361.45(a) and (e).

## APPENDIX A: AGENCY RESPONSE

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### Section 4: Results of Prior Monitoring Activities

DSB requests the additional technical assistance described below to enable it to implement the following outstanding goal identified in the FY 2007 monitoring report.

#### Outstanding Goal

##### 1. Improve Quantity and Quality of Employment Outcomes

Additional Technical Assistance Requested: DSB seeks technical assistance regarding the use of “headhunters” to find select jobs for its consumers.

### Section 5: Focus Areas

RSA made no recommendations for DSB as a result of the implementation of the focus areas covered in the review.

### Section 6: Compliance Findings and Corrective Actions

#### 1. Charging of Indirect Costs to the VR Grant

**Corrective Action 1:** DSB must, within ten days following the issuance of the monitoring report, submit a written assurance that it will immediately cease charging unapproved indirect costs to the VR award as required by 34 CFR 225, Appendix A, paragraph C.1.b; that it will submit an approvable application for an indirect cost rate or cost allocation plan to the Department’s Indirect Cost Group in accordance with 2 CFR 225, paragraph H.2 and 34 CFR 75.560; and that it will implement the approved plan in accordance with the methods specified therein.

**Agency Response:** DSB agrees with the finding that it charged indirect costs without an approved rate. However, this monitoring report was the first notice to us that the ICR proposal (originally submitted February 26, 2013 and re-submitted April 5, 2013) “lacked sufficient detail to be approved.”

DSB will comply with the proposed corrective action and has been in contact with the Department of Education’s Indirect Cost Group to comply with the provisions of 2 CFR 225, paragraph H.2 and 34 CFR 75.560.

**Technical Assistance: DSB REQUESTS TECHNICAL ASSISTANCE.**

#### 2. Development of the IPE for Transition-Age Youth

**Corrective Action 2:** DSB must:

- 2.1 submit the actions that it will take to ensure that IPEs for transition-age youth are developed in a timely manner and in accordance with an established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e); and
- 2.2 revise its policies and procedures contained in Chapter 6 and Appendix 6.4 to be consistent in all respects and with the provisions of Section 101(a)(9) of the Rehabilitation Act and 34 CFR 361.45(a) and (e).

**Agency Response:** DSB agrees to the finding on the need to develop a timeline from eligibility to plan for all transition-age youth VR cases. The Department agrees that all procedures describing timelines to plan need to be in alignment.

The Department has implemented procedural changes toward both these goals. The section in Chapter 6 of the VR Procedures manual that defines timelines from eligibility to plan now reads:

“... ”

The IPE should be developed and implemented as soon as possible after eligibility determination:

- All VR plans should be completed within 120 days of an eligibility determination.
- An exception to the time standard can be made with consent of the customer and must be documented in the electronic case file. ...”

The section in Appendix 6.4 of the VR Procedures manual that defines timelines from eligibility to plan now reads:

“... ”

### **DSB IPE TIMELINE STANDARDS**

The IPE should be developed and implemented as soon as possible after eligibility determination:

- All VR plans should be completed within 120 days of an eligibility determination.
- An exception to the time standard can be made with consent of the customer and must be documented in the electronic case file. ...”

The Department has implemented training and established an August 1<sup>st</sup>, 2013, start date for the initiation of the new time standard for all transition-age VR cases. The Assistant Director for Customer Services, Michael MacKillop, provided guidance on July 24, 2013, to all agency counselors of the new expectation, and offered strategies to make the new process a meaningful one for our transition-age customers. The training acknowledged the counseling challenge of trying to determine a specific job goal for a VR customer who is age 14 or 15, and offered a set of more general job types that might be useful for early-stage transition-age VR plans. The training discussed the annual plan review as a way to refine the job goals and services each year to be more meaningful for the individual. The training offered a list of services that likely would

be included in a transition-age VR plan, with an emphasis on the long term view of preparation for post-high school activities.

The expectation was set that, by January 1, 2014, all current transition-age customers would be in plan, or would have counselor documentation per procedure as to why the plan development was delayed.

The Department appreciates the suggestions, technical assistance and perspectives that were provided by RSA staff during the 107 on-site review, and believe we will be successful in full implementation of this corrective action without the need for further technical assistance.

**Technical Assistance: DSB DOES NOT REQUEST TECHNICAL ASSISTANCE.**

## APPENDIX B: LEGAL REQUIREMENTS

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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) State Plans

(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.

### VR Program Regulations

#### 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.

#### 34 CFR 361.45 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; and
- 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 75.560

General indirect cost rates; exceptions.

(b) A grantee must have obtained a current indirect cost rate agreement from its cognizant agency, 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 within 90 days after the date the Department issues the Grant Award Notification (GAN).

## **Federal Cost Principles as Cited in the CFR**

2 CFR 225—Appendix A

### **C. Basic Guidelines**

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of 2 CFR part 225.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in 2 CFR part 225, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented.

....

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.

....

- 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.