

Fiscal Year 2015
Technical Assistance Summary Report
of the on-Site Visit to the
Georgia Vocational Rehabilitation
Agency



U.S. Department of Education
Office of Special Education and
Rehabilitative Services
Rehabilitation Services Administration

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Introduction

The Rehabilitation Services Administration (RSA) conducted an on-site technical assistance (TA) visit with the Georgia Vocational Rehabilitation Agency (GVRA), from June 8 through 10, 2015, for the primary purposes of reviewing GVRA procedures for completing and submitting financial reports and providing targeted financial management TA to GVRA staff in the administration of the State Vocational Rehabilitation (VR) Services Program.

The TA visit targeted concerns that RSA identified in areas related to the grantee's continued posting of large cash adjustments to the U.S. Department of Education (Department) G5 payment system, frequent requests made by the grantee for RSA to open Federal Financial Reports (SF-425s) to correct errors, and the 2012 transfer of the Designated State Agency from the Georgia Department of Labor (DOL) to GVRA.

Before the TA visit, RSA outlined its concerns to GVRA regarding the lack of internal controls necessary to ensure accurate and timely financial reporting. During the on-site visit, RSA also identified the following four specific areas of potential concern for GVRA to address, including:

- unexplained drawdowns,
- inaccurate financial reports and late revisions to financial reports,
- potential matching requirement violations, and
- late dispersal of program income funds.

In preparation for the visit, RSA conducted teleconferences with representatives of GVRA to discuss TA items related to the areas identified above. RSA also requested that GVRA submit specific financial documentation for review prior to the visit, including written policies and procedures the agency uses to generate SF-425 reports and supporting documentation for the expenditures listed on SF-425 reports from Federal Fiscal Year (FFY) 2012 and 2013 to include obligation and liquidation dates for each component expense.

RSA fiscal unit staff participants included David Steele, Fiscal Unit Chief, and David Miller, Financial Management Specialist.

This TA summary includes relevant background information, a description of the on-site activities, a description of the TA provided, and next steps.

RSA wishes to express appreciation to the representatives of GVRA and the Georgia Department of Human Services (DHS), who assisted RSA during the on-site visit.

I. Background

On July 1, 2012, the State of Georgia transferred the VR program from the State DOL to GVRA (a newly created agency) and assigned DHS to serve as GVRA's fiscal agent for administrative purposes, including record keeping, reporting, and clerical functions (O.C.G.A. Sec. 50-4-3(2012)). Soon after the transfer, RSA found that GVRA was unable to reconcile financial reporting to ensure accurate reports that could demonstrate compliance with Federal

financial requirements, including drawdowns, match, maintenance of effort (MOE), and record keeping. Because of these financial management issues, in October 2012 RSA designated GVRA as high risk and imposed special conditions on its FFY 2013 VR award in accordance with 34 CFR 80.12. RSA fiscal staff provided extensive TA to GVRA to assist with the transfer process and to resolve the special conditions. Much of the TA focused on reconciling Federal financial report data with supporting documentation and ensuring the accurate reporting of data. RSA removed the FFY 2013 high-risk designation on December 13, 2012 based on information provided by GVRA that the areas of concern related to financial reporting were resolved. However, over the next 24 months, GVRA continued to make errors in reporting financial data and frequently posted large cash adjustments to the G5 system.

The Department's Office of the Chief Financial Officer (OCFO) notified RSA of an unusual refund posted on November 26, 2014 to GVRA's FFY 2013 VR award (H126A130089), totaling \$3,998,157.50. In response to RSA's December 2, 2014 inquiry regarding the unusual refund, GVRA indicated on December 10, 2014 that the refund was the result of "eligible expenditures that were re-classed from the FY 2013 VR Program (no State fund match was available) to the FY 2014 VR Program." In December 31, 2014 correspondence, GVRA indicated that the issue resulted, in part, from communication failures between GVRA and DHS, the entity designated to provide GVRA administrative support as noted above. Additionally, on February 10, 2015, GVRA submitted a request for the late liquidation of FFY 2012 funds due to "transition challenges between [DOL and GVRA] reconciling ending and beginning balances."

GVRA indicated the deficiencies were due to reporting irregularities rather than to an underlying deficiency with its internal controls or financial management system. However, based on the errors and challenges GVRA reported and on RSA's subsequent review of documentation GVRA submitted ahead of the on-site visit, RSA had continued concerns that GVRA was unable to:

- identify dates of obligation for VR expenditures,
- track non-Federal expenditures to ensure the period of availability of State funds reported as non-Federal share applied only to the applicable FFY award,
- provide adequate documentation to justify nine large cash adjustments and refunds GVRA posted to the G5 system between September 13, 2013 and November 26, 2014, and
- demonstrate that GVRA remains responsible for administering the VR program and ensuring compliance with Federal requirements.

RSA sent a letter to GVRA on April 30, 2015, outlining concerns that GVRA lacked the sufficient internal controls necessary to ensure accurate and timely financial reporting required under the VR program. The letter identified the potential deficiencies that RSA would review in detail during the June 8 through 10, 2015 on-site TA visit.

II. On-site Activities

On-site activities included discussions with the GVRA leadership and staff directly responsible for program management and financial oversight and the DHS leadership responsible for administrative support and recordkeeping as defined in State statute, as well as the chairperson of the Georgia disability advisory committee. Items discussed included follow-up on the 2012

transfer of the VR program from DOL to GVRA, SF-425 expenditure reporting, including non-Federal share, and the assignment of supporting documentation of obligation and expenditures to the correct period of availability.

During the on-site visit, GVRA demonstrated an interim coding system that records dates of obligation for VR expenditures, properly tracks periods of funding availability by award, and ensures assignment of expenditures to the correct FFY. GVRA and DHS staff also provided details to support the nine large cash adjustments in question and demonstrated that GVRA remains responsible for the overall administration and oversight of the VR program.

III. Summary of Technical Assistance Provided

The following section describes the areas addressed with GVRA, including relevant information provided to RSA and a description of the TA provided.

1. Unexplained Drawdowns

Discussions during the on-site visit addressed nine large cash adjustments and refunds that GVRA authorized DHS to post to three FFY awards in the G5 system between September 13, 2013 and November 26, 2014, as follows:

FFY/Award	G5 Post Date	G5 Post Type	Amount
2012 / H126A120089	A. 9/13/13	positive adjustment	\$6,425,431
	B. 11/13/13	positive adjustment	\$1,907,701
2013 / H126A130089	C. 9/13/13	negative adjustment	\$6,425,431
	D. 11/13/13	positive adjustment	\$18,647,097
	E. 12/3/13	negative adjustment	\$224,370
	F. 11/26/14	positive adjustment	\$3,998,158
2014 / H126A140089	G. 11/13/13	negative adjustment	\$20,554,798
	H. 12/12/13	positive refund	\$16,487,199
	I. 9/27/14	positive refund	\$19,850,286

Table 1

Positive adjustment/refund means GVRA's award balance in G5 increased by the amount listed. A negative adjustment means GVRA's award balance in G5 decreased by the amount of funds listed. Amounts have been rounded to the nearest whole dollar.

GVRA, in cooperation with DHS, jointly presented a detailed breakdown of each adjustment in question, the specifics of which RSA describes below. Before December 9, 2013, when DHS researched the process for returning funds temporarily drawn down in relation to the Federal Government shutdown of 2013, returns and adjustments DHS posted to G5 were accounting adjustments rather than actual cash transactions. After DHS learned the processes and procedures for returning cash to G5, cash overdraws resulted in cash returns rather than accounting adjustments.

Adjustments

The September 13, 2013 positive and negative adjustments (see A&C, Table 1 above) are the result of FFY 2013 VR expenditures originally coded and charged to the FFY 2012 award in error. The underlying cause of this error is the change in the financial reporting structure and chart of accounts that occurred because of the 2012 transfer from DOL to GVRA. To correct this error, DHS submitted a journal entry to reclassify valid FFY 2013 expenditures back to the correct FFY 2013 award. Additionally, DHS created a conversion table to cross-reference DOL codes with DHS codes, and provided training to GVRA and DHS staff in how to interpret the table and apply the conversions. Henceforth, DHS submitted several journal entries to correct this type of error, with the resulting transactions in G5 being accounting adjustments rather than cash transactions.

Note: While the underlying reason for the errors that caused adjustments (A&C) originated from financial reporting structure changes, the September 13, 2013 adjustment of \$6,425,431 (A) from the FFY 2013 award to the FFY 2012 award remains an issue. In the FFY 2013 fourth quarter SF-425, the grantee identified only \$17,455,801 in recipient share of expenditures. This means the agency reported drawing down more in Federal funds during FFY 2013 than it matched. This report covers the details of this issue, its cause, and resolution in section 3 below, *Potential Matching Requirement Violation*.

DHS explained that the November 13, 2013 positive adjustment (B) to the FFY 2012 VR award was the result of an accounting entry return DHS made to balance the total amount of G5 draws with expenditures GVRA reported for FFY 2012 grant reported expenditures. DHS made this entry in error and identified the underlying cause as a separate fund source that DOL established to facilitate transfer of the carryover balance from DOL to GVRA, but that DHS erroneously omitted from GVRA's record of expenditures and cash draws. The total amount of Federal funds available for carryover based on the non-Federal share that DOL reported in its fourth quarter SF-425 report for the FFY 2012 award was \$2,469,059.16. GVRA submitted a late liquidation request to recover the amount of this erroneous positive adjustment, which the Department approved on June 29, 2015. This accounting adjustment (B) relates to two other accounting adjustments DHS made on November 13, 2013, as described below.

The November 13, 2013 positive adjustment (D) of \$18,647,097 to the FFY 2013 VR award and negative adjustment (G) of \$20,554,798 to the FFY 2014 award were accounting entries DHS posted to G5 in an attempt to:

- return \$14,000,000 DHS initially drew down from the FFY 2013 award on September 26, 2013 in preparation for the Federal Government shutdown that began October 1, 2013,
- return \$1,907,701 to the FFY 2012 award (B) to balance total draws with reported expenditures (prior to identifying and including the DOL carryover fund source, as noted above), and
- correct FFY 2013 cash draws after reconciling them with actual expenditures.

According to GVRA's summary of its G5 cash management procedures, the reconciliation process is a monthly procedure GVRA put in place to help ensure total expenses properly match draws reported in G5.

On December 3, 2013, DHS posted a negative adjustment accounting entry (E) of \$224,370 to the FFY 2013 VR award as the result of a reconciliation procedure that identified expenditures to support an \$831,558 cash drawdown from the FFY 2013 award. According to DHS, only \$607,189 of actual cash was drawn on this date, as the balance of \$224,370 was used to reduce over draws on the following RSA grant programs operated by GVRA: State Independent Living Services (\$27,206 in FFY 2013 and \$4.00 in FFY 2012), Independent Living Services for Older Individuals Who Are Blind (\$14,248 in FFY 2012), and State Supported Employment Services (\$182,911 in FFY 2013).

Cash Returns

DHS posted the December 12, 2013 positive refund (H) of \$16,487,199 to the FFY 2014 VR award to ensure the total cash draw balance matched GVRA's FFY 2014 year-to-date expenditures. GVRA identified this refund amount in the monthly reconciliation process it completed on December 9, 2013. The balance of FFY 2014 expenditures at this time was \$4,067,599. The November 13, 2013 \$20,554,798 negative accounting adjustment (G) noted above—less the \$4,067,599 balance of FFY 2014 year-to-date expenditures as of December 9, 2013—equals the December 12, 2013 cash return positive refund (H) of \$16,487,199.

The September 27, 2014 positive refund (I) of \$19,850,286 to the FFY 2014 VR award is the result of a monthly reconciliation process completed on August 4, 2014 that GVRA determined originated from DHS staff using the wrong type of report generated in G5. DHS staff used a "Summary Report" in G5 to compare FFY 2014 expenditures against expenditures for the same period as identified by the grantee's "General Ledger 411 Report". According to DHS, the G5 Summary Report showed total draws at that time to be about \$25.6 million, while the General Ledger report showed total expenses of about \$33.4 million. On August 8, 2014, DHS drew down \$7,757,371 to make up this difference. During the next month's reconciliation process, on September 11, 2014, DHS discovered they based their decision to draw the \$7,757,371 on the wrong G5 report. Once DHS completed a full reconciliation of all FFY 2014 VR fund draws based on the correct G5 Award Activity Report of Detailed Transactions, net drawdowns totaled \$41,135,433, or about \$15.5 million more than the amount DHS used to complete the August 4, 2014 reconciliation. Including additional adjustments of around \$4.3 million (discovered after

reconciling based on the correct report), this ultimately resulted in the September 27, 2014 positive refund of (I) \$19,850,286 to the FFY 2014 award. DHS explained that this use of the wrong report was an isolated incident that occurred only once.

The November 26, 2014 \$3,998,158 refund (F) posted to the FFY 2013 VR award is the result of journal entries DHS made in the “PeopleSoft” system GVRA uses to track vouchers and payments for eligible expenditures. DHS processed an initial journal entry in an attempt to maximize a prior year award; then, after reconciling funds and reevaluating need, DHS processed a second journal entry to reverse the initial one. On June 30, 2014, GVRA reclassified \$3,969,720 in eligible expenditures in PeopleSoft from the FFY 2014 award to the FFY 2013 for the purposes of maximizing FFY 2013 expenditures and closing out the grant. GVRA submitted journal entry #06049GMS to DHS to process this adjustment in G5, and DHS drew down \$3,536,142 from the FFY 2013 award on August 11, 2014. Then, on September 30, 2014, GVRA submitted journal entry #06466GMS in PeopleSoft to reverse journal entry #06049GMS to move eligible expenditures, including adjustments identified as the result of the monthly reconciliation process, back to the FFY 2013 award from the FFY 2014 award. Subsequently, DHS posted the November 26, 2014 refund of \$3,998,158 back to the FFY 2013 award.

RSA reviewed the financial management systems, policies, and processes GVRA uses to ensure it bases its G5 drawdowns only on allowable VR expenditures. Based on the explanations GVRA provided for the nine large cash adjustments identified above, GVRA has identified underlying issues and has taken corrective actions to resolve them. For example, GVRA has worked with DHS to:

- execute cash returns rather than accounting adjustments in G5 since December 6, 2013,
- identify and use the correct report in G5 for the internal monthly reconciliation process,
- resolve cash management and reporting irregularities brought about by the Federal Government shut down of 2013, and
- update the case management payment system in order to process voucher payments without continued reliance on DOL’s system.

GVRA staff is still working to resolve the issues posed by DOL’s continued involvement in processing payments to providers of VR services. GVRA described a yearlong timeline that agency staff are following to upgrade the case management voucher payment system to enable GVRA to remove DOL from the venter payment process and, thus, remove the risk of error that stems from manual translation of accounting codes between DOL’s and DHS’s systems for processing payments.

While GVRA has taken steps to correct problems that led to the nine large cash adjustments and the refunds noted above, it has also identified persistent concerns originating from the transfer of the Designated State Agency for VR from DOL to GVRA, including disproportionate rental costs for One-Stops and unreasonably high fees DOL charges GVRA for access to DOL data.

TA Provided:

During RSA’s review of financial documentation, RSA noted that GVRA is paying a disproportionate amount of rent when VR houses its staff in One-Stop facilities in comparison to

other facilities. When questioned about these costs, GVRA staff was uncertain as to the basis for the higher costs. RSA staff reminded GVRA of the requirement in 2 CFR 200 that all costs charged to a Federal award must be reasonable. Additionally, 2 CFR 200.465 states that rental costs of real property and equipment are “(a) Subject to the limitations described in paragraphs (b) through (d) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.” RSA requested that GVRA conduct such a review to determine if the rates being charged to rent office space at the identified One-Stops were consistent with the requirements in 2 CFR 200.465 and if the space met the needs of the VR program. RSA has not yet received the analysis from GVRA.

To complete required reporting documents, GVRA must obtain certain data elements from DOL’s system. GVRA reported that DOL charges GVRA unreasonably high fees at the rate of \$1.00 per screen-view for accessing VR consumer data in DOL’s system. Because DOL bases the cost upon simply viewing a screen with the data on it, the associated fees are quite high. For example, if someone clicks the refresh screen in his or her internet browser, it will result in an additional charge. RSA encouraged GVRA to work with DOL to determine a reasonable cost for accessing the data as future data sharing efforts will become critical under the provisions of the Workforce Innovation and Opportunity Act.

RSA explained that when a grantee posts an unusual transaction to G5, the Department’s OCFO automatically flags it and sends a request to the Department program office to follow up with the grantee to verify the validity of the transaction. GVRA staff indicated they have attempted to enter explanatory notes into the G5 system along with large refunds and adjustments. RSA clarified that notes entered into G5 in this manner are not viewable by RSA fiscal unit staff. For RSA to provide more timely TA, and to minimize the number of requests RSA sends to GVRA to clarify unusual transactions, RSA recommended that GVRA inform RSA, via email, about the circumstances surrounding each unusual transaction at the time GVRA posts it to G5. Moving forward, GVRA has agreed to provide detailed information to RSA for unusual G5 drawdowns at the time GVRA posts them to G5.

2. Inaccurate Financial Reports and Late Revisions to Reports

The amounts of Federal funds GVRA drew down from G5 have been inconsistent with the amounts reported on its SF-425s. Additionally, GVRA has made significant changes to its SF-425s after their initial submission. During the on-site visit, GVRA provided explanations for three examples of reporting irregularities that RSA identified prior to the visit.

Award	Quarter and Report Period End Date	SF-425 Cash Receipts on Line 10a (and Date Reported)	Actual G5 Net Drawdowns at Report Period End Date
H126A130089	2nd; 3/31/13	\$25,372,785 (reported 5/16/13)	\$24,731,816
H126A130089	4th; 9/30/13	\$62,511,052 (reported 11/18/13) \$81,158,149 (reported 1/2/14)	\$81,106,871
H126A140089	2nd; 3/31/14	\$24,964,814 (reported 6/16/14)	\$22,913,922

The first example of inaccurate reporting concerns the second quarter SF-425 for award H126A130089, submitted May 16, 2013. GVRA reported that by the end of second quarter FFY 2013, Cash Receipts (line 10a) totaled \$25,372,785. In contrast, G5 data show the total amount of Federal funds drawn down was \$24,731,816, or \$640,969 less than reported on the SF-425 at the same time. GVRA has not corrected this inaccuracy as of the date of this TA summary report.

The second example concerns inaccurate changes made to the SF-425 after its initial submission. GVRA's initial fourth quarter SF-425 for the period from October 1, 2012 through September 30, 2013, dated November 18, 2013, reported cash receipts (line 10a) in FFY 2013 as \$62,511,052. GVRA revised this report on January 2, 2014 for the same period and reported \$81,158,149 in Federal funds drawn down on line 10a. GVRA has yet to correct the amount on line 10a to reflect the actual amount drawn down during this period in G5, \$81,106,871.

In the third example, concerning line 10a of the SF-425 from the FFY 2014 reporting period ending March 31, 2014, GVRA indicated that it had drawn down \$24,964,814 in Federal funds during the reporting period. According to the G5 draw down report, GVRA had actually drawn down only \$22,913,922 of FFY 2014 funds during the same reporting period. In other words, GVRA reported a Federal drawdown amount of \$2,050,892 more than was actually drawn down at that time according to the G5 system.

GVRA provided detailed explanations concerning the procedures that GVRA and DHS staff follow to process payments between multiple systems, verify the accuracy of venter payments against paper files submitted from DOL, and engage in the monthly reconciliation process to ensure accurate financial records and drawdowns.

TA Provided: RSA reviewed GVRA's financial reports and G5 data in comparison to GVRA financial records, including dates of obligation and liquidation for VR expenditures. In addition, RSA developed a State to Federal fiscal year conversion table to determine if the periods of

availability for individual State expenditures reported as recipient share met period of availability requirements for requisite FFYs (see the appendix). RSA recommended that GVRA develop more detailed policies to strengthen GVRA's internal controls related to completing Federal financial reports. Such policies would ensure accurate and timely reporting as well as help GVRA to identify and correct the underlying causes of reporting discrepancies where they exist.

Strong internal control policies will ensure that prior to the final submission of any financial report, multiple individuals independently verify that relevant financial records (such as those GVRA maintains in the G5, PeopleSoft, and other accounting systems) support reported amounts. In addition, a strong internal control policy will incorporate a regular schedule for monitoring the component systems of the grantee's overall financial management system and include specific requirements for the manner of inspection and verification of systems information against primary record sources.

While GVRA described a monthly reconciliation process to resolve underlying reporting deficiencies, GVRA should establish detailed policies that require staff to investigate and determine root causes of data inaccuracies they discover through the reconciliation process. A strong internal control policy should also require that staff capture and record error statistics on an ongoing basis; regularly review, analyze, and share the error statistics; and develop plans to reduce the occurrences of those errors. Finally, the policy should identify the manner in which managers and supervisors are to review and assess internal control processes, share those assessments, and develop solutions when they find areas of weaknesses or elevated risk potential.

3. Potential Matching Requirement Violation

Based on SF-425 reports submitted for the period ending fourth quarter 2013, GVRA appeared not to meet its required non-Federal match. However, during the on-site visit, RSA discovered that two unrelated and significant factors contributed to the appearance of GVRA having had a match shortfall. These factors—the use of wrong directions for completing the SF-425 and preparing for the Federal Government shutdown of 2013—also serve to explain how GVRA had contributed the required amount of non-Federal match.

The FFY 2013 SF-425 for the reporting period ending September 30, 2013, dated December 30, 2013, showed GVRA had drawn down \$81,158,149 in Federal funds. However, based on the amount of non-Federal share reported by GVRA on that same SF-425 (\$17,455,801 on line 10j - Recipient share of expenditures), GVRA was only entitled to spend a maximum of \$64,496,320 in Federal VR funds. This means the agency reported drawing down \$16,661,829 more in Federal funds during FFY 2013 than it matched although, as noted above, the G5 system indicates DHS actually drew down \$81,106,871, which would represent a different amount of matching shortfall. Nevertheless, under either amount there is a match shortfall.

GVRA staff explained that before February of 2015, GVRA had not been aware of RSA's requirement that grantees include the recipient share of unliquidated obligations in the amount reported at line 10j. GVRA staff further explained that they were not aware of this requirement until February 5, 2015, when RSA issued policy directive RSA-PD-15-05. In addition, GVRA staff admitted they did not follow RSA guidance in filling out the SF-425. Instead, they used the generic guidance published by the Office of Management and Budget, which does not indicate

that the recipient share reported at line 10j should include the non-Federal share of unliquidated obligations.

GVRA has since taken steps to correct this issue by updating SF-425s for all open VR awards to include the recipient share of unliquidated obligations in the amount reported on line 10j. In the example of the FFY 2013 SF-425 for reporting period ending September 30, 2013, GVRA added \$2,045,318 in recipient share of unliquidated obligations, thereby increasing the amount of Federal share the agency was entitled to expend by \$7,557,347 to \$72,053,667. Despite this correction, GVRA still has a significant matching shortfall, having drawn down \$9,104,482.23 more in Federal funds during FFY 2013 than it matched.

As noted in section 1 above in the discussion of unexplained drawdowns, GVRA drew down \$14,000,000 on September 26, 2013 to ensure it would be able to pay obligations becoming due during a Federal government shutdown that began October 1, 2013. GVRA reports having received the guidance that the Federal Government would permit agencies, under the circumstances, within certain parameters, to drawdown available funds to the extent necessary to maintain operations during the pending shutdown. On November 13, 2013, GVRA returned this amount, via an accounting adjustment from FFY 2014 funds, to the FFY 2013 award. Because GVRA used these funds for eligible FFY 2014 expenditures that the agency continued to account and generate non-Federal match for within its financial management system during the Government shutdown, the amount drawn down and temporarily held as cash on hand was permissible.

TA Provided: RSA provided grantees detailed instructions for completing and submitting SF-425s for the VR program when it issued the policy directive RSA-PD-15-05 on February 5, 2015. The instructions contained in PD-15-05 are identical to the instructions contained in PD-12-06, dated February 13, 2012. RSA uses the financial information reported in SF-425s to determine whether a State has met its match and MOE requirements under the VR program, as well as other requirements related to record keeping and drawdowns (section 11 l(a) of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), 34 CFR 361.60 and 361.62, 2 CFR part 200, and the Cash Management Improvement Act of 1990 (CMIA)). In addition to these policy directives, RSA has offered multiple TA opportunities over recent years for grantees to learn about RSA's reporting requirements via live and recorded webinars (most recently offered October 15, 2014), in-person financial management workshops, and through consultation with RSA fiscal unit staff.

RSA reviewed the SF-425 reporting requirements in detail with GVRA staff.

4. Late Dispersal of Program Income Funds

Information GVRA submitted in its SF-425 reports show that GVRA frequently did not disperse program income prior to drawing down additional Federal funds, as required by 34 CFR 80.2l(f)(1). On its FFY 2014 SF 425 for the reporting period ending March 31, 2014, GVRA reported \$195,252 on line 10o as unexpended program income. However, on March 31, 2014, the same date that GVRA reported the availability of unexpended program income, GVRA drew down \$43,035 from its FFY 2014 VR grant award in G5. In accordance with Federal regulations, GVRA should have used the unexpended program income prior to drawing down additional Federal funds.

TA Provided: During the on-site visit, GVRA acknowledged that drawing down additional Federal funds when unexpended program income was available was an oversight. GVRA agreed to work with DHS to ensure that the program uses program income, when available, before drawing down additional Federal funds. RSA recommended that GVRA include a step to verify the availability of program income as a component of its revised internal control policy.

V. Next Steps

GVRA will provide RSA with the review of office space rental costs in buildings with the highest square foot costs. According to GVRA, although the State Properties Commission has informed GVRA that for six of the co-locations with GDOL (the highest rental locations) GVRA cannot terminate its sublease (in that it would negatively impact the state's bond rating), GVRA remains responsible for ensuring all costs are allowable, allocable, and reasonable per the terms and conditions of the grant award. Therefore, GVRA must take additional steps to ensure that such unreasonable costs are not charged to the Federal award, or otherwise used to meet the non-Federal share requirement.

GVRA is in the process of revising corresponding semi-annual SF-425 reports for each award noted in section 2 above, *Inaccurate Financial Reports and Late Revisions to Reports*. These revisions will yield accurate information so that RSA may reassess MOE determinations for the affected FFYs, as necessary.

GVRA has agreed to strengthen internal control policies that improve the accuracy of financial reporting. Critical to GVRA's strengthening of these internal controls will be establishing a system of investigation and analysis to trace and track the root cause of each discrepancy identified during the existing monthly reconciliation process.

During the on-site review, GVRA identified the following additional concerns and TA needs.

1. GVRA expressed general concerns with the current Business Enterprise Program (Randolph-Sheppard program) as pertains to the philosophy of vendors being permanent vendors, which conflicts with a philosophy of supporting independence. GVRA also explained that the current program model is not attracting young blind individuals and that the overall number of vendors has decreased over time. RSA will coordinate a teleconference with GVRA program staff and RSA staff who administer the Randolph-Sheppard program to help address these questions.
2. GVRA shared its interest in expanding intake services beyond the local VR office, such as using Community Rehabilitation Programs locations as "extenders" for VR intake. All of this is intended to increase accessibility for individuals with disabilities. RSA will provide GVRA examples of other grantees that have been successful in establishing such supplemental outreach and referral centers through third parties.
3. GVRA indicated that obligations not paid by October 1 are subject to inclusion in a "mass purchase order" to account for funds that must be liquidated by the end of the liquidation period; however, RSA indicated that such purchase orders must also

separately track and account for the obligation and liquidation dates of each individual expense. RSA will provide ongoing TA, as needed.

4. GVRA discussed situations that require VR counselors having to complete repeat authorizations every 30 days, such as community work adjustment. Rather than require entirely new authorizations, RSA recommended that GVRA consider authorizations that span several months but do not cross over FFYs. RSA will provide ongoing TA, as needed.

RSA will work with GVRA to address the TA needs identified and recommends that GVRA participate in TA-focused quarterly conference calls with RSA fiscal unit staff during FFY 2016 to ensure RSA meets GVRA’s TA needs.

Appendix

Georgia Vocational Rehabilitation Administration

State/Federal Fiscal Year Conversion Table

Period	Month	Calendar	State FY	Fed. FY
1	July	2011	2012	2011
2	August	2011	2012	2011
3	September	2011	2012	2011
4	October	2011	2012	2012
5	November	2011	2012	2012
6	December	2011	2012	2012
7	January	2012	2012	2012
8	February	2012	2012	2012
9	March	2012	2012	2012
10	April	2012	2012	2012
11	May	2012	2012	2012
12	June	2012	2012	2012

1	July	2012	2013	2012
2	August	2012	2013	2012
3	September	2012	2013	2012
4	October	2012	2013	2013
5	November	2012	2013	2013
6	December	2012	2013	2013
7	January	2013	2013	2013
8	February	2013	2013	2013
9	March	2013	2013	2013
10	April	2013	2013	2013
11	May	2013	2013	2013
12	June	2013	2013	2013
1	July	2013	2014	2013
2	August	2013	2014	2013
3	September	2013	2014	2013
4	October	2013	2014	2014
5	November	2013	2014	2014
6	December	2013	2014	2014
7	January	2014	2014	2014
8	February	2014	2014	2014
9	March	2014	2014	2014
10	April	2014	2014	2014
11	May	2014	2014	2014

12	June	2014	2014	2014
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