

**FEDERAL FISCAL YEAR 2018
MONITORING REPORT
ON THE
CALIFORNIA DEPARTMENT OF
REHABILITATION
VOCATIONAL REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**



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

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SECTION 1: THE FEDERAL MANDATE AND SCOPE OF THE REVIEW

A. Background

Section 107 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), 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 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 of the Rehabilitation Act subject to the performance accountability provisions described in Section 116(b) of WIOA. 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 Services under Title VI of the Rehabilitation Act.

Through its monitoring of the State Vocational Rehabilitation Services program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by the California Department of Rehabilitation (DOR) in Federal fiscal year (FFY) 2018, RSA:

- Assessed the performance of the VR and the Supported Employment programs with respect to the achievement of quality employment outcomes for individuals with disabilities, including those with significant and most significant disabilities;
- Identified strategies and corrective actions to improve program and fiscal performance related to the following focus areas:
 - Performance of the VR Program;
 - VR Services, including Pre-Employment Transition Services for Students with Disabilities and Transition Services for Students and Youth with Disabilities;
 - Supported Employment program;
 - Allocation and Expenditure of VR and Supported Employment Program Funds; and
 - Joint WIOA Final Rule Implementation.

In addition, RSA reviewed a sample of individual case service records to assess internal controls for the accuracy and validity of RSA-911 data, and provided technical assistance to the VR agency to enable it to enhance its performance.

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 March 19 through 23, 2018, is described in detail in the [FFY 2018 Vocational Rehabilitation Program Monitoring and Technical Assistance Guide](#).

B. Review Team Participants

Members of the RSA review team included Janette Shell and James Billy (Technical Assistance Unit); Zera Hoosier (Vocational Rehabilitation Program Unit); Julya Doyle, Mariangela Patruno, and David Steele (Fiscal Unit); and Yann-Yann Shieh and Melinda Giancola (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

C. Acknowledgements

RSA wishes to express appreciation to the representatives of DOR for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of others, such as the State Rehabilitation Council (SRC), the Client Assistance Program (CAP), advocates, and other stakeholders in the monitoring process.

SECTION 2: FOCUS AREA – PERFORMANCE OF THE STATE VOCATIONAL REHABILITATION SERVICES PROGRAM

A. Purpose

Through this focus area, RSA assessed the achievement of employment outcomes, including the quality of those outcomes, by individuals with disabilities served in the VR program by conducting an in-depth and integrated analysis of core VR program data and review of individual case service records. The analysis below, along with any accompanying observations, recommendations, or findings, is based on a review of the programmatic data contained in Tables 1 through 9 found in Appendix A of this report. The data used in the analysis are those collected and reported by VR agencies based on Policy Directive 14-01, which was implemented prior to changes in reporting requirements in Section 101(a)(10) of the Rehabilitation Act made by WIOA, as well as the establishment in Title I of WIOA of common reporting requirements and performance indicators for all core programs in the workforce development system, including the VR program.

B. Analysis of the Performance of the VR Program

RSA reviewed DOR's performance for FFYs 2015, 2016, and the first three quarters of FFY 2017, with particular attention given to the number and quality of outcomes achieved by individuals with disabilities in the State. Additionally, the review addressed the number of individuals who were determined eligible for VR services and who received services through the VR program. The data used in this review were provided by DOR to RSA on the Quarterly Cumulative Caseload Report (RSA-113) and the Case Service Report (RSA-911). Program performance data for this section are found in Appendix A of this report.

The VR Process

Resources: Program Performance Data Table 1 Summary Statistics from RSA 113: FFYs 2015-2017; Program Performance Data Tables 2a, 2b, and 2c Agency Case Status Information, Exit Status, and Employment Outcomes—FFYs 2015–2017; and Program Performance Data Tables 3a, 3b, and 3c Source of Referral—FFYs 2015-2017.

The VR Process: All Individuals

From FFY 2015 through FFY 2016, the total number of DOR applicants increased from 39,224 individuals to 40,656 individuals; and the total number of individuals with disabilities determined eligible for VR services increased from 36,698 individuals to 38,110 individuals. However, the number of individuals with an individualized plan for employment (IPE) who received services decreased from 65,246 individuals in FFY 2015, to 62,153 individuals in FFY 2017. For each year of the review period, approximately 20 percent of individuals with an approved IPE did not receive any VR services.

During the period of review, DOR reported a small number of individuals assigned to a waiting list in FFY 2015 and FFY 2017; however, the agency reported no individuals waiting for

services in FFY 2016. DOR indicated that the minimal number of individuals on a waiting list may be due to community rehabilitation programs (CRPs) holding referrals to DOR until clients meet the criteria for services under DOR's open categories.

During the first three quarters of FFY 2017, of the individuals whose service records were closed, 10.4 percent exited the VR program as applicants, compared to 11.7 percent in FFY 2016. In addition, of the individuals whose service records were closed, the percentage of individuals who exited the VR program without employment decreased slightly from 34.8 percent in FFY 2015, to 33.6 percent in FFY 2017.

From FFY 2015 through the first three quarters of FFY 2017, the percentage of individuals exiting the VR program without employment outcomes, after eligibility, but before an IPE was signed and VR services were provided, increased from 19.0 percent to 20.0 percent. DOR attributed the slight increase to its heightened focus on competitive integrated employment outcomes and the provision of pre-employment transition services to students with disabilities.

DOR staff indicated that the increase in the attrition of all individuals with disabilities who exited the VR program prior to the receipt of services and without achieving employment was the result of DOR's efforts to expand its service delivery model to serve more students with disabilities.

The VR Process: Youth under Age 25

The percentage of youth who exited the VR program without employment, after eligibility determination, but before an IPE was signed and VR services were provided, increased from 16.4 percent in FFY 2015, to 18.2 percent during the first three quarters of FFY 2017. The percentage of youth who exited the VR program without employment after receiving services decreased from 37.1 percent in FFY 2015, to 33.2 percent during the first three quarters of FFY 2017. DOR suggested that this trend was a possible result of developing more interactive strategies for VR counselors to engage the consumer throughout the VR process.

During the same period of time, the percentage of individuals under the age of 25 who exited the VR program with employment outcomes increased from 38.5 percent in FFY 2015, to 38.8 percent during the first three quarters of FFY 2017.

Employment Outcomes

Resources: Program Performance Data Tables 2a, 2b, and 2c Case Status Information, Exit Status, and Employment Outcomes—FFYs 2015–2017

Employment Outcomes for All Individuals

In FFY 2015, of all individuals served, 34.6 percent exited with an employment outcome. Of the 13,416 individuals who exited with employment in FFY 2015, 11,660 (or 87 percent) were individuals who achieved competitive employment. Of the 13,521 individuals who exited with an employment outcome in FFY 2016, 12,399 individuals (or 92 percent) achieved competitive employment outcomes.

Over the three-year period, the percentage of individuals who exited with employment outcomes fluctuated between 34 and 38 percent. The employment rate fluctuated within the same timeframe, but slightly increased from 49.9 percent in FFY 2015, to 50.8 percent in the first three quarters of FFY 2017.

The median hourly earnings for competitive employment outcomes increased from \$10.00 in FFY 2015, to \$11.00 during the first three quarters of FFY 2017. The Bureau of Labor Statistics Occupational Employment Statistics program data from May 2017 demonstrate that 90 percent of all individuals working in California earned more than \$10.11 per hour, while 75 percent of individuals employed in California earned more than \$12.86 per hour. The number of individuals achieving competitive employment outcomes with employer-provided medical insurance remained relatively stable over the period of review with 1,188 individuals, or 13.3 percent, in receipt of employer-provided medical insurance during the first three quarters of FFY 2017.

Employment Outcomes for Youth under Age 25

From FFY 2015 through the first three quarters of FFY 2017, the percent of youth who exited the VR program with employment fluctuated; however, 38.8 percent of youth whose service records were closed during the first three quarters of FFY 2017 achieved employment. Overall, the employment rate for youth increased from 50.9 percent in FFY 2015, to 53.9 percent in the first three quarters of FFY 2017, slightly higher than the rate for all individuals who achieved employment and exited the VR program during the same period.

From FFY 2015 through the first three quarters of FFY 2017, the median hourly earnings for individuals under the age of 25 who achieved competitive employment outcomes increased from \$9.00 to \$10.50 per hour. Though the difference in the median earnings of youth and all individuals was small, DOR suggested it may have been attributed to the lack of work history or experience of the youth served. Of those youth who achieved competitive employment outcomes, approximately nine percent received employer-provided medical insurance from FFY 2015 through the first three quarters of FFY 2017. DOR attributed the small percentage of youth employed in receipt of employer-provided insurance to the programs established as a result of the Affordable Care Act and the provision that youth remain eligible for parental insurance plans until they reach the age of 26.

VR Services Provided

Resources: Program Performance Data Tables 7a, 7b, and 7c VR Services Provided—FFYs 2015–2017

VR Services: All Eligible Individuals Served

In terms of the training services provided to all individuals served whose cases were closed in FFY 2016:

- 19.4 percent received job readiness training;
- 15.0 percent received junior or community college training;
- 14.7 percent received occupational/vocational training; and

- 9.7 percent received bachelor degree training.

Job readiness training was provided the most to all individuals who received training services and whose records were closed with an employment outcome in FFY 2016. Similarly, the highest frequency of training services to youth whose cases were closed in FFY 2016 was job readiness training at 33.9 percent. In contrast, a greater percentage of individuals over the age of 25 at service record closure received occupational or vocational training (17.9 percent) when compared to all other training services during the same period.

The percentage for all individuals served who received any type of degree or college training decreased slightly from 27.6 percent in FFY 2015, to 25.1 percent during the first three quarters of FFY 2017. From FFY 2016 through the first three quarters of FFY 2017, less than one percent of all individuals who received services, and whose service records were closed, received graduate degree training. From the same pool of individuals, approximately 9 percent received bachelor degree training while 15 percent received junior or community college training.

During the same period, less than two percent of individuals served, whose cases were closed, received on-the-job training. In FFYs 2015 and 2016, 0.2 percent of individuals who received services and whose service records were closed received apprenticeship training, while no individuals received that service during the first three quarters of FFY 2017.

The career services provided most frequently to all individuals served whose cases were closed in FFY 2016 include:

- 67.7 percent received job search assistance;
- 67.4 percent received vocational rehabilitation counseling and guidance; and
- 39.7 percent received career assessment services.

Other services frequently provided to all individuals served whose cases were closed in FFY 2016 included:

- 69.1 percent received transportation;
- 37.4 percent received maintenance; and
- 31.2 percent received other services.

In FFY 2016, 20.7 percent of youth served received “other services.” DOR explained that it procures the majority of its VR services through third-party cooperative arrangements (TPCAs) and case service contracts within those TPCAs with vendors. At the time of the on-site review, DOR reported that it was unable to capture, track, or report the provision of each separate VR service provided through the TPCAs, including pre-employment transition services, to each individual who received services. As such, all services provided under TPCAs are reported as “other services”.

DOR stated it has committed resources to an increased effort toward reclassifying and coding pre-employment transition services in its current case management system for those services provided through its TPCAs due to the implementation of WIOA amendments to Title IV of the

Rehabilitation Act. DOR stated that it also needed to train VR staff on the direct provision of pre-employment transition services and tracking DOR staff time spent on the direct provision of pre-employment transition services.

The practice of coding services provided through TPCAs and associated case service contracts as “other services” limited DOR’s ability to collect and report information for each individual in receipt of each VR service, including pre-employment transition services, as required on the “Case Service Report” (RSA-911 Report). The concerns related to these reporting and coding limitations for services procured through TPCAs and contracts are discussed further in section 5.C of this monitoring report.

Career services provided with less frequency to all individuals served whose records were closed in FFY 2016 include:

- 1.7 percent received customized employment;
- 4.6 percent received benefits counseling; and
- 8.6 percent received on-the-job-supports – supported employment.

VR Services: Youth under Age 25 Served

Overall, the percentage of individuals below age 25 at service record closure who received degree or community college training decreased from 21.7 percent in FFY 2015, to 19 percent during the first three quarters of FFY 2017. As such, a smaller percentage of youth served whose service records were closed received degree or college training when compared to all individuals served.

From FFY 2016 through the first three quarters of FFY 2017, less than 15 percent of youth served received any junior or community college training, and less than 9 percent of youth served received any occupational or vocational training. Conversely, over 70 percent of youth served, whose service records were closed, received some form of VR counseling and guidance, and over 80 percent received job search assistance during the review period.

From FFYs 2015 to 2017, 55 percent of youth served whose service records were closed received transportation; on average, 25 percent received maintenance services and 20 percent received “other services.” As described under the description of services for all individuals served, the “other services” include VR services provided through DOR’s TPCAs that are aggregated when reported.

At the time of the on-site review, DOR estimated that 14,000 students with disabilities received pre-employment transition services in FFY 2017. These were individuals served through TPCAs that provide both pre-employment transition services and transition services and were reported as “other services” on the RSA-911. However, DOR reported on the RSA-911 that 43 individuals received pre-employment transition services through the first two quarters of FFY 2018. DOR indicated on-site that these were individuals served through DOR districts that had begun using the new potentially eligible (PE) “case type” in DOR’s case management system. The specific required activities received by each of those 43 individuals was not collected or reported. At the time of the review, the capability to include individual codes for each required activity had not

yet been available in all DOR district offices. DOR did not have mechanisms in place to collect and report accurate data for required activities provided at the individual level as required. This will be further discussed in section 5 of the monitoring report.

Compliance with the Statutory Time Frame for Application to Eligibility Determination

Resources: Tables 5a, 5b, and 5c Number of Days from Application to Eligibility Determination—FFYs 2015–2017

Eligibility Time Frames for All Individuals

The percentage of all individuals determined eligible within 60 days from the date of application increased from 85.9 percent in FFY 2015, to 87.3 percent for the first three quarters of FFY 2017. DOR indicated that time extensions for determining eligibility are used and reviewed by supervisors. The RSA-911 report data does not include information on the number of eligibility determination extensions. However, DOR provided RSA with open case data charts for FFY 2017 data, including the average number of days in application status, by month and by district for the number of service records exceeding 60 days in application status.

The supporting documentation provided included the number of service records with overdue eligibility determinations, expired eligibility extensions, and expired trial work experiences. The information provided showed the number of eligibility determinations exceeding 60 days statewide each month ranged from 8 to 72 and the average number of days in application status for those service records ranged from 117 to 172 days. One district achieved no overdue eligibility determinations for each month, and one district had overdue determinations every month in FFY 2017. The documentation provided did not support DOR’s assertion that the use of eligibility time extensions increased the agency performance toward a 100 percent compliance standard for timely eligibility determinations.

Eligibility Time Frames for Youth Under Age 25

From FFYs 2015 through the first three quarters of FFY 2017, the percentage of individuals under the age of 25 who were determined eligible within 60 days from the date of application increased from 89.4 percent to 90.1 percent.

Compliance with the Statutory Time Frame from Eligibility Determination to IPE Development

Resources: Tables 6a, 6b, and 6c Number of Days from Eligibility Determination to IPE—FFYs 2015–2017

IPE Development Time Frame for All Individuals

As part of the monitoring process, RSA analyzed the length of time for IPE development for all individuals served whose records were closed. Prior to the WIOA amendments to the Rehabilitation Act, DOR implemented a time standard of 90 days from the date of eligibility to the development of the IPE, which is consistent with the current Federal standard. Of all individuals whose service records were closed, the percentage of IPEs developed within 90 days

of eligibility determination decreased from 95.4 percent in FFY 2015, to 88.8 percent during the first three quarters of FFY 2017. Specifically, the percentage of individuals age 25 and over whose IPEs were developed within the required time frame decreased from 96.2 percent in FFY 2015, to 89.4 percent during the first three quarters of FFY 2017.

DOR explained that counselors have the opportunity to request an additional timeline extension approved by supervisors and/or district managers. Documentation of the request, including the individual's consent, is entered into the DOR case management system. Currently documentation of an extension of time is not reported on the RSA-911 data collection report. However, at the time of the review, RSA encouraged DOR to review and provide IPE timeline extensions and supporting documentation for those IPEs developed after the 90-day requirement from FFYs 2015 through 2017.

IPE Development Time Frame for Youth under Age 25

Similarly, the percentage of individuals under age 25 at exit whose IPEs were developed within the 90-day Federal requirement decreased from 93.4 percent in FFY 2015, to 87.8 percent during the first three quarters of FFY 2017.

Types of Occupational Outcomes for Individuals Who Achieved Employment

Resources: Tables 8a, 8b, and 8c Standard Occupational Classification (SOC) Codes Percentages of Employment Outcomes and Median Hourly Earnings for Individuals Who Achieved Competitive Employment Outcomes at Closure - FFYs 2015-2017

Occupational Outcomes for All Individuals

For those individuals who achieved employment during the period of review, the greatest percentage of employment outcomes achieved, by two-digit Standard Occupational Classification (SOC) Code, were in the following five occupational categories: office and administrative support, production occupations, transportation and material moving occupations, sales and related occupations, and food preparation and serving related occupations.

These employment outcomes represent 60.9 percent of all employment outcomes achieved in FFY 2015, 64.3 percent for those achieved in FFY 2016, and 64.2 percent for those achieved during the first three quarters of FFY 2017.

Reasons for Exit for Individuals Who Did Not Achieve an Employment Outcome

Resources: Tables 9a, 9b, and 9c Reason for Exit for All Individuals Who Did Not Achieve an Employment Outcome at Closure- FFYs 2015-2017

Reasons for Exit for All Individuals

In FFY 2015, the three reasons for exiting the VR program most frequently reported for all individuals who did not achieve an employment outcome were: unable to contact (40.3 percent), all other reasons (25.9 percent), and no longer interested in receiving services or further services (24.6 percent).

During FFYs 2016 and 2017, “no longer interested” was the reason for exit most often reported and “unable to locate” was the second most often reported reason for all individuals exiting without achieving an employment outcome in FFY 2016 (34.8 percent) and the first three quarters of FFY 2017 (35.6 percent). DOR explained that these changes were due to additional training of staff, changes to the case management system, and DOR’s team model of service delivery, including youth outreach using texting and social media platforms.

In FFY 2016, the third most frequently reported reason for all individuals exiting the VR program without achieving an employment outcome continued to be “all other reasons,” but the percentage (7.9 percent) was significantly lower than that for FFY 2015 (25.9 percent). For the first three quarters of FFY 2017, the third most frequently reported reason for exiting was “does not require VR services” at 5.1 percent.

Reasons youth under age 25 exit from the VR system prior to achieving an employment outcome were similar to those for all individuals served for FFYs 2015 through the first three quarters of FFY 2017.

C. Internal Controls

The RSA review team assessed performance accountability in relation to the internal control requirements in 2 C.F.R. §200.303. Internal controls mean a process, implemented by a non-Federal entity, designed to provide reasonable assurances regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and compliance with applicable laws and regulations. Internal controls are established and implemented as a measure of checks and balances to ensure proper expenditure of funds. Internal controls serve to safeguard assets and prevent fraud, waste, abuse, and mismanagement. They include methods and procedures the grantee uses to manage the day-to-day operations of grant-supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved.

Policies and Procedures

DOR provided RSA a copy of its Rehabilitation Administrative Manual (RAM), Chapter 30 Record of Services, which includes sections on Records of Services, General Requirements, Roles and Responsibilities, Mandated Reporting requirements, and referenced resources for documentation procedures and closure requirements for the VR and supported employment programs. The program specific requirements for supported employment are outlined in RAM Chapter 31, Supported Employment, which was under development at the time of the on-site review. The draft supported employment policies are discussed further in section 4 of this report.

DOR staff implement reporting requirements based upon guidance issued in the RAM, in conjunction with other resources, such as memorandum reference guides for its case management system; District Tools, Activities, a Resources Portal (TARP); and a DOR developed guide for case service reporting on the RSA-911 report. The DOR Case Service Report (RSA-911 Report) Guide, dated October 18, 2017, is intended to instruct designated staff on the data elements and data collection requirements of the RSA Case Service Report Manual and Policy Directive 16-04 revised and issued June 14, 2017.

In addition, DOR provided RSA with a copy of its Record of Services Review Checklist, used by agency team managers to perform semiannual quality assurance reviews of VR counselor service records. This review checklist covers application, initial interview documentation, eligibility, and justification for trial work experiences, if applicable, development and timeline of IPEs, and case closure requirements. The checklist also contains a section for the review of cooperative contracts. In addition to RAM Chapter 30, RAM Chapter 12, VR Goods and Services, is referenced as a resource. This policy chapter includes sections that outline definitions, processes and general requirements for the provision of VR services. RAM Chapter 12 also includes a District Management Guide under General Requirements that was updated in December 2017. This guide provides information to assist with managing and maintaining consistent performance across districts by sharing and communicating team performances across districts. All RAM chapters included the date (month/year) that sections were developed or updated.

Data Verification Review

The U.S. Department of Education's Office of Inspector General (ED-OIG) conducted an audit and issued a report (OIG/A09O0008) on December 10, 2015. The OIG found that DOR did not have adequate data quality controls to ensure that information reported to RSA was accurate, complete, and adequately supported. Specific internal control weaknesses identified were:

(1) lack of an adequate control to prevent staff from changing the date that a participant's case was closed in its case management system; (2) insufficient requirements that personnel maintain documentation to corroborate key dates for application, eligibility, case closure, and employment data entered into the case management system; (3) lack of guidance for determining effective dates for participants' plans to obtain employment and cost data for purchased services provided to participants; and (4) insufficient manager oversight to provide assurances that data were accurate and required documentation was maintained in participant files or in the case management system. During the on-site review, RSA assessed DOR's progress in addressing the identified need to strengthen its internal controls. Specifically, the RSA review team randomly selected 30 service records for review to verify that the records contained documentation supporting data reported by the VR agency on the RSA-911 report. The results of that review are summarized in Appendix B. Service record data verification results are discussed in the observations below, as applicable.

RSA conducted a review of 30 service records of individuals who did and did not achieve employment as of September 30, 2017, to verify and ensure that the documentation in the case service record is accurate, complete, and supports the data reported in the RSA-911 quarterly reports regarding date of application; date of eligibility determination; date of IPE; start date of employment in primary occupation at exit or closure; and hourly wage at exit or closure.

Of the service records reviewed to verify data reported to RSA, nine records or 30 percent of the 30 service records reviewed were for individuals who achieved an employment outcome and the remaining 21 service records or 70 percent reviewed were for individuals who had not achieved an employment outcome and were closed. For those individuals who achieved employment, 100 percent of the nine service records reviewed included a start date for employment, employment status at closure, and weekly earnings at exit or closure. In all these cases the service record closure letters were sent to the individuals by the end of the FFY of September 30, 2017. In

addition, 29 service records, or 96.6 percent of the service records reviewed, included the type of closure, and 30 service records, or 100 percent of the service records reviewed, included the date of closure.

RSA was unable to verify that the requirements for timely development of IPEs were properly documented in the case service records. Thirteen of the 30 service records reviewed did not contain documentation supporting the date of IPE reported in the RSA-911. This is an outstanding internal control issue identified in the 2015 OIG report, which highlighted the lack of guidance for determining effective dates for participants' IPEs. Most often the date that was reported was the date of the counselor and/or the supervisor signature, if applicable, where the consumer's signature was one day to two weeks later.

At the time of the review, DOR provided updated and draft revisions to RAM policies and procedures requiring VR counselors to maintain documentation (either hardcopy or electronic documents) in the case management system to corroborate each participant's date of application, employment start date, weekly earnings at closure, and hours worked per week at closure. At the time of the on-site review, RSA was not able to verify documentation to substantiate timely IPE development or effective IPE dates.

The 2015 OIG Report identified an internal control weakness that DOR demonstrated insufficient manager oversight to provide assurances that data were accurate and required documentation was maintained in participant files or in the case management system. During monitoring, DOR reported that it has procedures for district supervisors to review eligibility determinations and IPE development for VR counselors. During the on-site review, district supervisors indicated they review and approve extension requests for IPEs and, in some cases, may approve a second request. While some processes of internal control were updated, they were not uniform across all districts nor are they monitored at the central office level to ensure requirements are met, which is described in more detail in section 5.C of this report.

D. Observations and Recommendations

RSA's review of the performance of DOR in this focus area resulted in the identification of the following observations and recommendations to improve performance.

2.1 Emphasis in VR Services Provided

During the review period, the percentage of all individuals served who received training services specific to degree, college and occupational or vocational training decreased from 43.3 percent in FFY 2015 to 39.9 percent during the first three quarters of FFY 2017.

From FFYs 2016 to 2017, there was an overall decline in the percentages of all individuals served and whose service records were closed who received job search assistance, job placement assistance, on the job supports (short-term and supported employment).

The five services most often provided during the three-year period to all individuals served whose cases were closed included: transportation, job search assistance, VR counseling and guidance, career assessment, and maintenance.

However, the most frequently provided VR services from FFYs 2015 through the first three quarters of 2017 to individuals served who were below the age of 25 at closure included: job search assistance, vocational rehabilitation counseling and guidance, transportation, and job readiness training. During the period of review, a greater percentage of individuals served received job search assistance, when compared to preparation for careers, such as degree, college and occupational or vocational training.

Recommendations 2.1

RSA recommends that DOR:

- 2.1.1 Assess the labor market demands to determine emerging occupations and preparation necessary for individuals served to achieve competitive careers.
- 2.1.2 Evaluate whether the most frequently provided services adequately address the labor market demands, and the needs of the individuals served in order to ensure individuals are being trained for competitive careers;
- 2.1.3 Develop steps to create a culture of high expectations for individuals served through DOR, and their families, related to the preparation for and achievement of careers; and
- 2.1.4 Implement programs, services, and supports that promote strategies for future development and achievement of skills for higher paying careers, and address barriers to preparing for and achieving higher paying careers (e.g., loss of benefits).

Agency Response: DOR appreciates and will consider RSA’s recommendations in its programming efforts. Below are specific responses to each recommendation.

2.1.1 Assess the labor market demands to determine emerging occupations and preparation necessary for individuals served to achieve competitive careers.

DOR’s Workforce Development Section (WDS), along with district Regional Business Specialists and Business Specialists, actively engage employers at the state, regional, and local levels to ascertain current and future employer workforce needs and disseminate information to local DOR counselors to facilitate consumer informed choice with the identification of a career (vocational goal) and services. DOR district managers are also active members on all 14 Regional Sector Local Planning areas throughout the state, which includes the sharing of current and future regional/sector labor market demands and collaboration between partners to meet employer needs.

2.1.2 Evaluate whether the most frequently provided services adequately address the labor market demands, and the needs of the individuals served in order to ensure individuals are being trained for competitive careers.

Since the on-site portion of the monitoring review, DOR has taken steps to evaluate service delivery and employment outcome data for planning purposes. This includes engagement in a review and analysis of VR case records on services provided and the case closure status of individuals to ascertain service effectiveness and resulting employment outcomes. Additionally, in alignment with DOR’s Unified State Plan, education and training of staff on the focus of service provision to facilitate not only increased “quantity” of employment outcomes, but also

“quality” is underway with the goal of individuals being provided appropriate training and support services that lead to achievement of competitive careers. Lastly, DOR is looking to pilot a Business Services team that focuses on in-demand employment sectors and the requisite services individuals need to achieve employment within those sectors to determine if this strategy will result in consumers achieving better employment outcomes in in-demand occupations.

2.1.3 Develop steps to create a culture of high expectations for individuals served through DOR, and their families, related to the preparation for and achievement of careers

DOR supports this recommendation and has consistently subscribed to the philosophy that all individuals with disabilities, regardless of the significance of their disability, can achieve independence and economic self-sufficiency through employment. This commitment was recently highlighted through DOR’s CaPROMISE grant, where high employment/career expectations for students with disabilities and their families early on was of paramount importance and ultimately enhanced employment outcomes. DOR Student Services staff establish employment/career as an expectation and focus on the provision of work-based learning experience opportunities for every student with disabilities to set the stage for career identification and services needed to facilitate achievement. DOR staff are encouraged to facilitate intermediate employment for those individuals with little or no work-experience while providing services to support their pursuit and eventual achievement of an actual career.

2.1.4 Implement programs, services, and supports that promote strategies for future development and achievement of skills for higher paying careers, and address barriers to preparing for and achieving higher paying careers (e.g., loss of benefits).

As communicated in 2.1.2 above, DOR is currently engaged in a review of five years of data on services provided, the case closure status achieved by individuals to ascertain service effectiveness related to Common Performance Measures (e.g. median-wage and employment retention), and the focus on “quality” higher paying careers. It is expected that this review will identify actual services and supports to individuals that result in higher paying careers, thus informing the promotion and future development of strategies DOR can employ.

The provision of work-based learning experiences to students with disabilities has proven to enhance relevant skills development that lead to higher-paying careers, as well as the identification of barriers impacting an individual’s achievement. DOR provided over 5,000 paid work experiences in State Fiscal Year (SFY) 2019-20 to students with disabilities.

To mitigate fears of potentially losing benefits, which historically and negatively has impacted an individual’s pursuit of higher pay careers, DOR has staff assigned as Work Incentives Planners (WIPs) in every district throughout the state. WIPs provide benefits counseling to individuals preparing for and entering employment to understand the impact of work on their benefits and to maximize utilization of available work incentives.

Request for Technical Assistance: DOR does not request technical assistance on the above recommendations.

E. Findings and Corrective Actions

RSA's review of the performance of DOR in this focus area resulted in the identification of the following findings and the corresponding corrective actions to improve performance.

2.1 Untimely Eligibility Determination

Issue: Did DOR determine the eligibility of applicants for VR services within the required 60-day Federal time frame from the date of application.

Requirement: According to 34 C.F.R. § 361.41(b)(1) an eligibility determination must occur within 60 days of the date of application for VR services, including applications made through common intake procedures in one-stop centers under Section 121 of WIOA, unless exceptional and unforeseen circumstances beyond the control of the designated State unit preclude making this determination within 60 days and the individual and the designated State unit agree to a specific extension of time (34 C.F.R. § 361.41(b)(1)(i)), or an exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in accordance with 34 C.F.R. § 361.42(e).

Analysis: As part of the monitoring process, RSA analyzed the length of time for DOR to make eligibility determinations for VR applicants. The data reported by DOR on the RSA-911 and a review of service record documentation provide the following information.

- According to the RSA-911, no more than 87.3 percent of all eligibility determinations were made within the 60-day requirement during FFY 2015 through the first three quarters of FFY 2017.
- During the case service record review, DOR indicated that time extensions are used and reviewed by supervisors. However, the one service record of the 30 service records reviewed by RSA that did not meet the 60-day eligibility requirement did not contain an agreed upon eligibility determination extension of time.
- DOR provided RSA with FFY 2017 data, by month and by district, for the number of service records exceeding the 60-day eligibility requirement in application status and the average days in application status. These service records included those with overdue eligibility, expired eligibility extensions, and expired trial work experiences. The number of service records exceeding the 60-day requirement statewide each month ranged from 8 to 72, and the average number of days in application status for those service records ranged from 117 to 172.

Conclusion: DOR does not have mechanisms in place to ensure that all eligibility determinations are made within the required 60-day timeframe (34 C.F.R. § 361.41(b)(1)); nor does it have mechanisms in place to ensure that agreed upon eligibility determination extensions are completed and documented in the service record, if there are exceptional or unforeseen circumstances beyond the control of DOR that preclude making an eligibility determination within 60 days in accordance with 34 C.F.R. § 361.41(b)(1)(i).

Corrective Actions:

RSA requires that DOR:

- 2.1.1 Comply with 34 C.F.R. § 361.41(b)(1) by making eligibility determinations within the required 60-day period;
- 2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of application, including the use of case management tools for, and supervisory review of, timely eligibility determinations; and review their strategies and procedures for monitoring timely completion of eligibility determinations to ensure compliance with this requirement;
- 2.1.3 Update internal control procedures to ensure requirements are met, or necessary steps and documentation is included when requirements are not met and to ensure VR counselors and supervisors track and monitor timely and untimely eligibility determinations; and
- 2.1.4 Update DOR policies and procedures related to documenting the exceptional and unforeseen circumstances that preclude making a timely eligibility determination, as well as the agreed upon eligibility extension in the service record.

Agency Response: Below are DOR’s specific responses to each corrective action.

2.1.1 Comply with 34 C.F.R. § 361.41(b)(1) by making eligibility determinations within the required 60-day period;

DOR agrees and already requires that eligibility determinations be performed within 60 days of application, and that if there are exceptional or unforeseen circumstances beyond the control of DOR that appropriate extensions must be completed no later than 60 days from application. (CCR Section 7060. General Provisions - Eligibility). DOR believes it is in compliance with the requirement to ensure timely eligibility determinations as evidenced by its multiple internal controls, described further in the responses below.

DOR would like to note for clarity that the RSA’s statement in its analysis that “...no more than 87.3 percent of all eligibility determinations were made within the 60-day requirement...” did not take into consideration cases with valid eligibility determination extensions, and counted those cases as not having met the 60 day requirement when in fact they did. Therefore, this statement is misleading, as it implies that 12.7 percent of cases determined eligible during FFY 2015 through the first three quarters of FFY 2017 were not in compliance with State or Federal regulations.

2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of application, including the use of case management tools for, and supervisory review of, timely eligibility determinations; and review their strategies and procedures for monitoring timely completion of eligibility determinations to ensure compliance with this requirement

DOR agrees and has a robust process to assess and evaluate VR counselors’ performance at least annually to ensure timely eligibility determinations in compliance with this action.

In support of individual counselor's performance, all cases are reviewed at time of closure and biannual case record reviews of at least 10% of a counselor's open cases are completed by district managers, including whether timely eligibility determination decisions were made.

Counselors receive automated reminders at fixed intervals for cases in "Applicant" status in the case management system. These reminders include one provided ten days prior to the eligibility determination date and one on the 60th (last) day of the eligibility determination process. Additionally, similar reminders are sent for cases with expiring eligibility determination extensions.

In support of best practices and to improve the customer's experience with the VR process, DOR implemented a pilot titled "Expedited Enrollment" where DOR counselors complete an intake, and when information is already available or provided by the applicant, or the disability is readily apparent, determine eligibility on the same day. This process, which allows for completion of appropriate eligibility determination well before the federally required 60-day period, is now available statewide and is being implemented in field offices throughout the state.

2.1.3 Update internal control procedures to ensure requirements are met, or necessary steps and documentation is included when requirements are not met and to ensure VR counselors and supervisors track and monitor timely and untimely eligibility determinations; and

DOR has multiple internal controls in place to ensure staff comply with eligibility determination requirements. These include automated reminders and regular monitoring activities.

To ensure compliance, and evaluate staff performance, DOR also generates monthly overdue eligibility reports centrally and provides these to district management teams as a statewide and local monitoring tool. For Federal Fiscal Year 2019-20, (October 2019 through September 2020), DOR noted that the number of cases found to be overdue (with no extension or having an expired extension) averaged less than 1% of all cases in application status (actual statewide average= .975%). At no time was DOR's total monthly average of all overdue cases over 1.6%.

DOR will continue to monitor and ensure timely eligibility determinations. Should monitoring indicate a need for further action or additional controls, DOR will act promptly to ensure compliance with state and federal regulations.

2.1.4 Update DOR policies and procedures related to documenting the exceptional and unforeseen circumstances that preclude making a timely eligibility determination, as well as the agreed upon eligibility extension in the service record.

DOR believes its existing policies and procedures, fully implemented since the 2018 RSA monitoring visit, are currently sufficient and have proven effective as noted in its monthly eligibility monitoring reports.

DOR's policies and procedures were updated in December of 2016. (RAM Chapter 30, section 3023 Eligibility Determination Extension). These detail the requirement for documentation in the service record of any exceptional and unforeseen circumstances that preclude making a timely eligibility determination, including the process for completing an eligibility determination

extension. DOR's Aware Reference Guide, specifically chapter three, provides procedural instructions on the completion and documentation of eligibility determination extensions in the electronic service record.

The monthly overdue eligibility reports generated centrally as a management tool include reporting on cases with expired extensions. These are included in the total number of overdue cases, which in Federal Fiscal Year 2019-20 averaged less than 1% of all cases in application status. At no time was DOR's total monthly average of all overdue cases over 1.6%.

RSA Response: As stated in the monitoring report, DOR's performance and the supporting documentation provided during the period of review did not support DOR's assertion that the use of eligibility extensions resulted in 100 percent compliance with the Federal 60-day standard for eligibility determination from the date of application. RSA maintains the finding and corresponding corrective actions. DOR will be required to implement all four corrective actions and provide supporting documentation to be reviewed and approved by RSA to resolve all corrective actions associated with this finding, including updating internal control procedures and DOR policies and procedures specific to eligibility determination and eligibility extensions.

Request for Technical Assistance: DOR does not request technical assistance on the above corrective actions.

2.2 Internal Controls and Accuracy in Reporting

Issue: Was DOR capturing and reporting accurate data from the service record that ensured the validity of data reported.

Requirements: In accordance with 34 C.F.R. § 361.12, VR agencies must employ methods of administration for the proper and efficient administration of the VR portion of the Unified or Combined State plan and carry out all functions for which the State is responsible under the plan. These methods must include procedures to ensure accurate data collection and financial accountability. In addition, 2 C.F.R. § 200.303 requires that VR agencies develop an internal controls process to provide a reasonable assurance regarding the achievement of objectives in the effectiveness and efficiency of operations, reliability of reporting for internal and external use, established and implemented as a measure of checks and balances to ensure proper expenditures of funds, including the evaluation and monitoring of compliance with statutes, regulations, and the terms and conditions of Federal awards.

RSA's PD-16-04, issued on September 27, 2016, and revised on June 14, 2017, clarifies that, in accordance with 34 C.F.R. § 361.47, VR agencies must maintain verifying documentation in an individual's service record, particularly regarding the eligibility determination, development of the IPE, VR services provided, and service record closure. The internal controls developed and implemented by the agency must extend beyond tracking of the data reported through the RSA-911, but also must include the necessary supporting documentation in accordance with 34 C.F.R. § 361.47.

Further, 34 C.F.R. § 361.41(b)(2) establishes that an individual is considered to have submitted an application when the individual or the individual's representative as appropriate –

- (i)(A) Has completed and signed an agency application form;
- (B) Has completed a common intake application form in a one-stop center requesting vocational rehabilitation services; or
- (C) Has otherwise requested services from the designated State unit.

Analysis: During the on-site portion of the review, RSA requested 30 individual service records for review that were closed in September 2017. Results of that review indicated that 20 of 30 service records (66.67 percent) contained documentation that supported the application date reported on the RSA-911.

During the on-site portion of the review, DOR stated that it was its policy to report the application date as the date that the hard copy of the signed application was received in the agency office (date stamped as received), if submitted via the U.S. Postal Services. On the other hand, if an application is completed during an initial intake or in a DOR office, the date of application is reflected as the actual date the application was signed by the participant. However, 10 of the 30 service records (33.33 percent) used the date on which the counselor or supervisor signed and dated the application. DOR indicated that in these instances, the application was mailed to the consumer for signature and returned by mail after a telephone intake interview, or the application was taken home by a student after meeting with the counselor to obtain parental signature and was then returned by U.S. mail. For the purposes of determining date of application, DOR stated that it considers the date of application to be the date upon which the individual meets all three components of the application submission process in accordance with C.F.R. § 361.41(b)(2) and CCR 7041. DOR stated that it uses a standardized “initial interview” case note in its case management participant module to document the reason for any difference in the date of application between the electronic record of services and the hardcopy application. However, RSA was not able to substantiate this process through the case service record reviews. RSA noted that in most cases where the date of application was reported inaccurately, using the correct date would have started the 60-day time period at a later date and may have resulted in a higher percentage of eligibility determinations meeting the compliance requirement.

Also, 13 of the 30 individual service records reviewed did not contain documentation supporting the date of those IPEs reported in the RSA-911. Most often, the date reported was the date of the counselor and/or supervisor signature and the participant’s signature was one day to two weeks later. During the on-site review, DOR indicated that the case management system used by the agency self populates the date when an IPE is created in the system, which becomes the IPE date reported in the RSA-911. DOR stated its system did not allow for the input of or change to an alternate date. DOR also reported that most IPE documents were mailed for participant signatures, particularly when parents also were required to sign when students were under the age of majority. After the on-site review, CA DOR communicated that policy and case management updates in January 2015 allowed for staff to designate the IPE effective date based on the later signature of either the consumer or rehabilitation counselor on the IPE. However, RSA was not able to substantiate this process through the case service record reviews.

Accuracy in identifying and reporting individualized VR services provided to all individuals is essential to ensure that appropriate and allowable services are provided to individuals according to the mandatory components of an approved IPE (34 C.F.R. § 361.46); and the requirements for

maintaining the record of services (34 C.F.R. §§ 361.47(a)(6) and (7) are met, with regards to the IPE.

As discussed in the performance overview section, DOR reported almost a third of all individuals in receipt of services whose cases were closed during the review period as having received “other services”, not otherwise specified. Similarly, over 20 percent of individuals under the age of 25 at service record closure received “other services” in FFYs 2015 and 2016.

At the time of the on-site review, DOR indicated that it had begun a major effort to identify and recode services that are provided to consumers through TPCAs and contract providers. Additionally, DOR reported that contract providers do not have a mechanism for reporting itemized services for each individual in receipt of such services. This will be addressed further in Section 5.C of the report.

Conclusion: DOR had not developed nor implemented policies and procedures for collecting accurate data, and for verifying the accuracy and reliability of the data through the required supporting documentation. Additionally, DOR had not developed internal controls to evaluate and monitor its compliance with DOR policies and procedures, in accordance with 2 C.F.R. § 200.303. As such, and based on the individual service records review, as well as DOR’s existing procedures, RSA determined that DOR was not in compliance with the requirements in 34 C.F.R. § 361.12 or 2 C.F.R. § 200.303.

Corrective Actions:

RSA requires that DOR:

- 2.2.1 Develop and implement policies and procedures to obtain and maintain supporting documentation in an individual’s service record pursuant to the requirements of 34 C.F.R. § 361.47;
- 2.2.2 Develop and implement internal controls for supporting documentation and maintaining required information in each case service record;
- 2.2.3 Evaluate, develop and implement changes to the agency’s case management system to ensure the accurate collection of all applicable IPE implementation dates (signature, initiation of services and amendments); and
- 2.2.4 Develop and implement internal controls to ensure information reported on required reports (such as the RSA-911) is supportable with accurate documentation.

Agency Response: Below are DOR’s specific responses to each corrective action.

2.2.1 Develop and implement policies and procedures to obtain and maintain supporting documentation in an individual’s service record pursuant to the requirements of 34 C.F.R. § 361.47;

DOR reviewed its existing policies and procedures to ensure they are accurate and clear on the requirements of obtaining and maintaining appropriate supporting documentation in the individual’s service record. While DOR believes the policies and procedures are clear in RAM

Chapter 30 related to supporting documentation, DOR managers and staff will be provided reminders on the requirements by December 1, 2020.

2.2.2 Develop and implement internal controls for supporting documentation and maintaining required information in each case service record;

DOR developed and implemented additional enhanced controls in 2017 to ensure application date and IPE effective dates are being recorded and documented correctly. In order to ensure compliance with these policies, DOR included, in the DOR's case record review protocol and tool, the requirements for supporting documentation and the accurate recording of date of application and plan development. Repeat training was provided to managers and staff on these requirements, including the signature date requirements. This training was completed prior to June 30, 2019.

In June 2018, DOR established a Data Integrity Work Group that continues to meet weekly to ensure data verification and supporting documentation for federal reporting, including the ETA 9169 Report.

DOR continues to monitor staff's compliance with these requirements through Team Manager review of all cases at time of closure and during the biannual case record review of no less than 10 percent of all open cases. Counselors unable to meet these requirements are provided training and may lose post-approval authority requiring all case decisions be reviewed by the Team Manager.

2.2.3 Evaluate, develop and implement changes to the agency's case management system to ensure the accurate collection of IPE completion dates

DOR noted at the time of the RSA monitoring visit that the electronic case management system no longer automatically populated the IPE start date upon completion of the IPE, but that the IPE effective start date was the date inputted by the counselor, or manager, which was the latter signature date once both the counselor and the consumer have signed the plan. While this change occurred prior to the RSA visit, it was noted that several cases that were reviewed had IPEs completed prior to the modification of the electronic case record system resulting in the findings noted above. DOR notes that the changes made to case management system do provide for the correct IPE implementation date to be entered and documented in the electronic case records system.

2.2.4 Develop and implement internal controls to ensure information reported on required reports (such as the RSA-911) is supportable with accurate documentation.

DOR received a Program Determination Letter from RSA dated February 7, 2019 noting the concerns about IPE implementation dates in the case management system not being consistent with the signature dates on the hard-copy IPE. DOR developed and submitted a Corrective Action Plan (CAP) to RSA on March 25, 2019 that included provision of training and implementation of additional procedures with a target goal of over 95% compliance with signature requirements. On June 6, 2019, in alignment with the CAP, DOR submitted documentation affirming completion of the noted CAP items. Specifically, DOR submitted a

copy of the communication and instructions provided to the team managers and counseling staff regarding existing policy and the requirement that the latter of the two signature dates on the IPE must match the date in the case management system. Additionally, DOR developed additional internal controls through additional case monitoring and provided a copy of the revised biannual case monitoring tool with the added signature date requirement review section to ensure team managers completing case record reviews are monitoring case records for compliance.

DOR affirmed to RSA that the team managers reviewed the signature policy with all counseling staff and provided training on the policy prior to June 30, 2019.

In July 2019, DOR commenced monitoring of the biannual record review of the IPE signature date requirement. The monitoring results indicated that 95.4% of the 2,721 case records reviewed had matching IPE signature and case record dates on the electronic case management system.

Furthermore, DOR's current policies and procedures include the requirement of accurate data recording and reporting and include internal controls and monitoring. (RAM Chapter 30)

DOR's current internal controls include an extensive case record review process. Team Managers have the responsibility of ensuring consumer case records are documented appropriately and accurately. Managers perform a case record review of all cases being prepared for closure and perform biannual quality reviews of a minimum of 10% (annual total) of all open cases in their unit. Any errors or identified training needs are reported biannually to the appropriate District Administrator and ultimately to the applicable Division Deputy Director.

As noted above, to ensure statewide consistency in data collection and reporting, in June 2018, DOR established a Data Integrity Work Group that continues to meet weekly to ensure data verification and supporting documentation for federal reporting including the ETA 9169 Report.

RSA Response: RSA maintains Finding 2.2 Internal Controls and Accuracy in Reporting and corresponding corrective actions, and appreciates the status updates provided by DOR under each corrective action. RSA looks forward to reviewing DOR's revised policies, procedures and trainings provided to staff since the on-site portion of the monitoring review.

As stated in the FFY 2018 Monitoring and Technical Assistance Guide (MTAG), a corrective action plan (CAP) will be developed by DOR and RSA within 45 days from the issuance of the final report. RSA will review and approve the CAP, including evaluation measures and supporting documentation required to resolve all corrective actions associated with this finding. RSA appreciates that DOR developed a CAP (March 25, 2019) in response to a Program Determination Letter from RSA dated February 7, 2019 that noted concerns about IPE implementation dates in the case management system not being consistent with the signature dates on the hard-copy IPE prior to the issuance of the monitoring report. RSA will continue to monitor DOR's progress toward compliance with this requirement through the CAP developed in response to this Section 107 monitoring report. Once the monitoring report is published, RSA will populate a draft CAP with the findings and corresponding corrective actions included in this report, which are final at that time. RSA and DOR will work collaboratively to develop RSA-approved evaluation measures and identify the supporting documentation necessary to resolve each corrective action.

Request for Technical Assistance: DOR does not request technical assistance on the above corrective actions.

F. Technical Assistance

Use of the “Other Services” Category

While on-site, RSA and DOR discussed the high incidence of services reported as “other services” on the RSA-911. From FFY 2016 through the first three quarters of FFY 2017, DOR reported over 30 percent of its services provided to all individuals served as “other services.” This percentage is slightly higher for individuals served who were 25 and older at case closure (approximately 37 percent), when compared to individuals served who were under 25 at case closure (20 percent for FFYs 2015 to 2016, and 18.3 percent in FFY 2017). RSA and DOR discussed the fact that the inability to code, track, and report individualized services provided through TPCAs affects the agency’s ability to accurately account for services provided to each individual and report the cost of those services as required on the RSA-911. Additionally, this affects the agency’s ability to accurately meet the requirements to account for all of the required pre-employment transition services provided to students and the cost associated with those required services (34 C.F.R. §§ 361.48(a) and 361.65(a)(3)).

RSA provided technical assistance to DOR regarding ways to improve use of the case management system in order to ensure appropriate accounting codes, costs, and services are captured in the system for services provided through the TPCAs and are reported appropriately on the required reports.

RSA provided additional technical assistance regarding fiscal information reported by DOR used to determine compliance with the requirements to reserve not less than 15 percent of the award for the provision of pre-employment transition services. To ensure services are allowable under the authority for which the funds are used, it is incumbent upon the agency to be able to demonstrate which funds paid for which services and if the individuals met the requirements for the receipt of such services.

During the course of monitoring activities, RSA provided additional technical assistance to DOR as described below:

- RSA provided guidance regarding the agency’s ability to manage its order of selection (OOS) in order to improve agency performance;
- RSA clarified that service records should contain case note documentation that confirms counselor discussion and interaction with consumers, as well as consumer agreement, at specific points in the VR process;
- RSA provided technical assistance regarding the percentage of individuals exiting the system for reasons specified as “all other reasons.” and
- RSA provided technical assistance regarding the process and importance of projected quarterly median earnings for joint performance reporting requirements under Section 116 of WIOA.

SECTION 3: FOCUS AREA – VR SERVICES, INCLUDING PRE-EMPLOYMENT TRANSITION SERVICES AND TRANSITION SERVICES, FOR STUDENTS AND YOUTH WITH DISABILITIES

A. Purpose

The Rehabilitation Act, as amended by WIOA, places heightened emphasis on the provision of services to students and youth with disabilities, including pre-employment transition services to students with disabilities under Section 113, to ensure they have meaningful opportunities to receive training and other VR services necessary to achieve employment outcomes in competitive integrated employment. Pre-employment transition services are designed to help students with disabilities to begin to identify career interests that will be explored further through additional vocational rehabilitation services, such as transition services. Through this focus area RSA assessed the VR agency's performance and technical assistance needs related to the provision of VR services, including transition services to students and youth with disabilities and pre-employment transition services to students with disabilities; and the employment outcomes achieved by these individuals.

B. Service Delivery Overview

The VR agency must consider various requirements under the Rehabilitation Act and its implementing regulations in designing the delivery of VR services, including pre-employment transition services and transition services. For example, pre-employment transition services provided under Section 113 of the Rehabilitation Act and 34 C.F.R. § 361.48(a) are available only to students with disabilities. However, transition services provided for the benefit of a group of individuals under Section 103(b)(7) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(7) may be provided to both students and youth with disabilities. Youth with disabilities who are not students may receive transition-related services identified in an individualized plan for employment (IPE) under Section 103(a) of the Rehabilitation Act, but may not receive pre-employment transition services because these services are limited to students with disabilities. On the other hand, students with disabilities may receive pre-employment transition services with or without an IPE under Section 113 of the Rehabilitation Act, or may receive pre-employment transition services and/or transition services under an IPE in accordance with Section 103(a)(15) of the Rehabilitation Act. A discussion of DOR's service delivery system and implementation of VR services, including pre-employment transition services and transition services follows.

Structure of Service Delivery

DOR provides VR services, including transition services and pre-employment transition services, through a team approach composed of a team manager, five qualified rehabilitation counselors, a service coordinator or business specialist, and two office technicians. Each high school is assigned a DOR staff liaison to facilitate outreach, referrals for services, attendance at IEP meetings, and as a consultation and technical assistance resource for educators. At the time of the on-site portion of the monitoring review, DOR implemented pilots in two districts where by two

staff were assigned to each district (4 staff in total) to provide and coordinate the provision of pre-employment transition services. During that time, DOR had identified and trained staff to be reassigned to 105 vocational rehabilitation teams (2 staff to each team for a total of 210 redirected staff) to provide and coordinate the provision of pre-employment transition services..

In addition to services provided directly through DOR staff, DOR also provides services, including pre-employment transition services and core vocational rehabilitation services, through individual service providers (ISPs), TPCAs and contractual agreements.

DOR provides VR services through over 230 TPCAs. Specific to pre-employment transition services, 107 Transition Partnership Program (TPP) TPCA agreements are mechanisms through which DOR provides transition services and pre-employment transition services with school districts and private and non-profit providers through case service contracts.. Eight of the arrangements are with mental health organizations, and private and non-profit case service contracts. For an additional description of service provision within the TPCAs, please refer to section 5 of this monitoring report

In addition to TPCAs, two contracts were implemented, through a RFP to provide self-advocacy instruction during the summer of 2017. One contract with a center for independent living (CIL) in Long Beach included multiple sessions. The other contract provided one session, specifically to meet the needs of individuals with blindness and visual impairments through a community rehabilitation program (CRP) in Fresno. Thirty-nine (39) additional (non- TPCA) “We Can Work (WCW)” contracts were awarded to provide work-based learning experiences for students with disabilities. These WCW contracts provided collaborations between the DOR and schools and/ or school districts not engaged through TPCAs.

Outreach and Identification of Students and Youth

Although DOR reported that most of its outreach is to students and youth with disabilities through vendors and through TPCA partners, agency staff also outreach to secondary students and high school staff while attending IEP and 504 meetings, and through career fairs and similar events. In addition, DOR staff maintain a presence on community college campuses. Outreach is also facilitated through regional centers that serve individuals with intellectual and developmental disabilities, and through DOR representatives who serve on youth committees of local workforce boards. At the time of the on-site review, DOR stated it was in the process of designing strategies for outreach to Hispanic students and youth with disabilities identified as an underserved group by DOR’s most recent comprehensive statewide needs assessment.

DOR policy, Rehabilitation Administrative Manual (RAM) Chapter 30, section 3042.1 Statewide Outreach, dated December 2017, indicates that outreach efforts may include, but are not limited to, foster care homes and short-term residential therapeutic facilities to reach youth in foster care; juvenile justice facilities to reach adjudicated youth; native youth; homeless youth; students in nontraditional educational programs, such as charter schools, continuation schools, and home school programs; parents and communities of students with disabilities; and other entities that serve students and youth with disabilities. Outreach is also conducted through the Department of Social Services to reach students and youth served by the corrections and foster care programs.

DOR created a new website available at [Youth Services](#) offering assistance in career exploration and career planning, identifying individual strengths, and describing available VR services.

Provision of Pre-Employment Transition Services

DOR initially provided pre-employment transition services, or DOR Student Services, to students with disabilities from the ages of 16 through 21 who had applied or been determined eligible for VR services as, DOR communicated, it had no mechanism available to track and report pre-employment transition services provided to students who had not applied for VR services. In August 2017, DOR began a pilot in one district to serve potentially eligible students using a new module in its case management system for a potentially eligible student referred to as a “PE case type”. Since August 2017, DOR reported it gradually phased in the use of the PE case type, but at the time of the on-site review had not yet completed the use of the PE case type in all district offices.

During the period August through September 2017, DOR drafted and revised policies and procedures for the provision of pre-employment transition services with assistance from RSA and the Workforce Innovation Technical Assistance Center (WINTAC). DOR policies address pre-employment transition services as “DOR Student Services.”

The policies covering DOR Student Services, dated December 2017 and January 2018, include identification of the five required activities and examples of each of those activities. The policies state that DOR Student Services will be made available statewide through direct provision of these services by DOR staff. At the time of the on-site review, DOR RAM Chapter 30, section 3044.1 discussed providing and arranging for DOR Student Services, including the reporting of staff time and travel spent on providing or arranging for these services. Further, policies describe the circumstances under which a student with a disability receiving DOR student services may continue to receive those services should he or she apply for VR services, and be assigned to a closed priority category under the DOR order of selection for services.

In addition and during the period of review, RAM Chapter 30, section 3044.2 described the activities considered pre-employment transition services coordination activities. The policy provides guidance on the distinction between DOR Student Services and VR services, articulating the differing referral processes for those services, and reviewing DOR student services options.

At the time of the on-site review, RAM Chapter 30, section 3048 clarified that if a student receiving pre-employment transition services requires individualized VR services beyond the scope of pre-employment transition services, then the student must apply and be determined eligible for VR services in order to receive those services under an approved IPE. In addition, the policy states that if a potentially eligible student applies for VR services and is determined ineligible, he or she is no longer considered potentially eligible for VR services, and may not receive DOR Student Services or VR services.

Additional policies indicate that financial participation policies do not apply to a potentially eligible student and his or her family; and describe under what circumstances a PE case type record would be closed.

DOR provides DOR Student Services required activities through several mechanisms, including direct provision of services by DOR counselors, TPPs, CILs, and contracted vendors. DOR staff work in partnership with six different types of cooperative employment programs (e.g., College to Career (C2C), Transition Partnership Projects (TPP), WorkAbility (i.e., WA II, WA III (Community Colleges) and WA IV (Universities), and Mental Health Cooperative Programs (MH)), listed under the TPCA section of the RAM in Chapter 12, section 1232. After the on-site review, DOR stated that the C2C program does not provide pre-employment transition services and is not a comprehensive transition program; however, it is used to provide transition services. However, as mentioned in more detail in Section 5.C of this report, DOR cannot separate and report the distinct services provided through TPCA vendors. Additionally, in some TPCAs, DOR is unable to differentiate Student Services provided versus regular VR services within those agreements for tracking and reporting purposes. The methods used to provide the required activities under pre-employment transition services are described below.

Job Exploration Counseling: These required activities are provided by DOR counselors and business specialists, as well as school personnel; and also through TPPs, and contracted vendors within the TPCAs. Counselors may administer interest testing to assist a student in beginning exploration, or may use and interpret interest tests administered by school districts. Counselors and other professionals provide local labor market information to identify careers and jobs relating to the student's interests and use various methods to explore these careers.

Work-based Learning Opportunities: TPPs and We Can Work (WCW) programs provide opportunities for paid and unpaid short-term employment consistent with the student's interests, as well as opportunities for company tours, information interviews and job shadowing. VR counselors and business specialists also provide and arrange for the provision of these opportunities. In addition, DOR leverages other community employment programs such as summer youth programs and work-based learning experiences.

Counseling on Opportunities for Enrollment in Comprehensive Transition or Postsecondary Educational Programs at Institutions of Higher Education: DOR VR counselors directly provide this required activity which is a traditional aspect of their work. Specifically, DOR counselors provide information and counseling on opportunities for enrollment to students who are interested in a campus experience that combines academics, work opportunities, and peer social activities. Postsecondary education programs are also described by DOR counselors to students and their families in terms of academic requirements, curricula, and living arrangements. Finally, DOR staff refer students to college disability support services programs, admissions counselors, and other college representatives for further exploration of opportunities at institutions of higher education.

Workplace Readiness Training: These activities are provided through TPPs and directly by DOR staff, and sometimes occur in collaboration with school personnel, including counseling staff. Workplace readiness training often occurs in conjunction with work experiences, including the importance of punctuality, appropriate workplace communication, reporting time and attendance, and expected attire.

Instruction in Self-Advocacy: DOR issued a RFP for instruction in self-advocacy. Two contracts were implemented to provide instruction in self-advocacy during the summer of 2017. One

contract with a CIL in Long Beach included multiple sessions. The other contract provided one session, specifically to meet the needs of individuals with blindness and visual impairments through a CRP in Fresno. The curricula included understanding one's rights, advocating for oneself, civic responsibility and others.

DOR described its plans to designate two dedicated counselor positions with pre-employment transition services caseloads in each district office for the purpose of directly providing pre-employment transition services and as a way to facilitate accurate reporting of staff time. DOR communicated during the on-site visit that dedicated pre-employment transition services caseloads would develop partnerships and expertise and strengthen the delivery of pre-employment transition services.

DOR is also required to report each required activity provided to each individual in receipt of pre-employment transition services, as required on the RSA-911. At the time of the review, and as mentioned in more detail in Section 5 of this report, the agency did not have the capability to track each service provided to each student within its case management system. As such, DOR did not have mechanisms in place to collect and report accurate data for required activities provided at the individual level, as required.

This lack of ability to track and account for an individual service provided under a TPP or through DOR case service providers affects the agency's ability to account for the provision of pre-employment transition services. Specifically, DOR cannot translate the provision of pre-employment services under a TPP or TPCA into the number of students receiving such services required and reported on the RSA-911 or the cost per service.

At the time of the on-site review, DOR had not paid for authorized activities or pre-employment transition coordination activities with the funds required to be reserved for the provision of pre-employment transition services.

Provision of Transition Services

Individualized transition services are provided to assist a student or youth in planning for, preparing for, and achieving a specific vocational goal of his or her choice and are identified on the individual's IPE. Some of these services are similar to those provided under pre-employment transition services, but are focused on the individual and inform long-range planning and employment options that match both the individual's interests as well as his or her strengths and concerns.

DOR considers transition services to be individualized VR services provided to students and youth with disabilities to facilitate their movement from school to post-school education, training, and employment. Thus, there are only a few policies specific to the provision of transition services. California Code of Regulations (CCR), title 9, defines transition services, and CCR, title 9, 7149 includes transition services as one of the VR services provided by the agency. DOR policy provides for coordination of transition services with services provided under IDEA, and are included in the formal interagency agreement with the State educational agency. Further, specific transition services needed to achieve an employment outcome or

projected post-school outcome are to be included in the IPE according to policy in RAM Chapter 30, section 3048.3.

Transition services are provided directly by DOR staff, as well as through partnerships, contractual agreements, and individual service providers. Transition services are provided in individual settings to students and youth with disabilities who have applied or been determined eligible for VR services, and are associated with the development and implementation of the students' IPEs. At the time of the on-site visit, DOR did not provide transition services directly by DOR staff to groups of students and youth with disabilities. Students and youth with disabilities, assisted by DOR staff, seek and obtain available comparable services and benefits that support the individual's IPE.

State Educational Agency (SEA) Agreement

DOR executed a SEA agreement with the California Department of Education (CDE) in October 2018 that replaced the previous SEA agreement. The 2018 SEA agreement included requirements added by the 2014 WIOA amendments to the Rehabilitation Act. Additionally, at the time of the on-site visit, local level agreements were in development to coordinate efforts under the California Competitive Integrated Employment Blueprint (see the description in Section 4 of this report) and the Section 511 documentation sharing process. See Section 3.E of this report for more information.

IPE Development for Students and Youth with Disabilities

DOR policy and the agreement with the CDE state that IPEs will be developed within 90 days of eligibility determination (or within 90 days of removal from the OOS waiting list, if applicable) and before the student leaves school. In addition, DOR policy indicates that the IPE will be developed in consideration of and coordinated with the student's IEP or 504 plan, if applicable. The policy also includes the use of a projected vocational goal for students and youth with disabilities to assist them in exploring their career interests. The policy further states that the IPE must be amended to state a specific vocational goal once the career development process is complete. In addition, the IPE must describe the DOR Student Services and specific VR services and supports needed to achieve the projected or specific employment outcome.

Information is gathered from the school, student or youth, parents and other sources regarding the individual's interests, existing assessments, information from field trips, and other information to assist the DOR team in exploring options with the youth taking into consideration the local labor market in order to develop the best possible IPE.

DOR performance data for students and youth with disabilities as well as staff statements indicate that, for most students and youth with disabilities, services have been provided with an emphasis on employment readiness, placement, and retention. Counselors refer students and youth with disabilities to work incentives planners for assistance in understanding their benefits, impact of earnings on benefits, and making a plan for gradually moving toward full-time employment without public support.

C. Observations and Recommendations

RSA's review of DOR's performance in this focus area resulted in the identification of the following observations and recommendations to improve performance.

3.1 Quality of Employment Outcomes for Youth with Disabilities

During the on-site monitoring visit, DOR stated that services to youth with disabilities focused on a goal of immediate job placement and closure after completing secondary school. Of those individuals under the age of 25 at service record closure who were in receipt of services, 85.4 percent received job search assistance, 28.5 percent received job placement services, and 27.8 percent received college, community college, or occupational/vocational training services in FFY 2016. RSA and DOR discussed that focusing on immediate job placement after school and closure may result in limiting the provision of educational and vocational training services to a small percentage of individuals in this age group. DOR indicated that the provision of education and training services may not have been reported accurately.

RSA and DOR staff discussed the potential effects on the performance of the VR program with the emphasis on immediate job placement for individuals in this age group. For example, immediate job placement after completion of high school, in most cases, has resulted in employment outcomes in positions paying State minimum wage or slightly higher. The quarterly median wages earned by individuals under the age of 25 at closure was \$3,900 in FFY 2016 or \$300 per week. This level of earnings is not a living wage. In addition, these weekly earnings contributed to a lower median quarterly earnings figure for all individuals exiting the VR program in the second and fourth quarters after exit, which is one of the common performance measures used in evaluating the performance of the VR program.

RSA clarified that the emphasis, based upon performance data reported on the RSA-911 report, would limit performance for youth on credential attainment and measurable skills gain to a high school diploma or equivalent and any vocational credential attained as part of the high school curriculum. It may also limit skills gain to any vocational skill gained while in high school.

Recommendations 3.1

RSA recommends that DOR:

- 3.1.1 Reevaluate agency emphasis to focus on attaining a career, including supporting the education and training of youth for careers;
- 3.1.2 Revise staff performance evaluation criteria to support the shift in agency emphasis;
- 3.1.3 Update staff processes to ensure emphasis is placed on job placement during and after high school as obtaining work experience rather than as achieving an employment outcome;
- 3.1.4 Update staff processes to ensure emphasis is placed on staff working with students and youth with disabilities to develop an IPE for a career goal that includes work experience placements in addition to education or training or other services to prepare for a career; and,
- 3.1.5 Update staff processes to ensure they encourage staff to assist youth with disabilities in accessing career pathway opportunities, including registered apprenticeships.

Agency Response: DOR appreciates and will consider RSA’s recommendations in its programming efforts. Below are specific responses to each recommendation.

3.1.1 Reevaluate agency emphasis to focus on attaining a career, including supporting the education and training of youth for careers

Since RSA’s monitoring visit in 2018, DOR has been shifting focus from direct placement to career development, including post-secondary training and education, and skills development for youth. In addition to pre-employment transition services (called DOR Student Services) being provided to students with disabilities by DOR Staff, DOR education partners have shifted from direct placement into entry-level occupations to the provision of services to potentially eligible students and providing more career development and post-secondary training and education opportunities to youth. .

Additionally, DOR developed and has been providing a menu of service offerings for students with disabilities, that include career counseling, counseling in post-secondary training and education opportunities, workplace readiness training, and work-based learning opportunities. DOR has particularly enhanced the type and number of work experiences to ensure students with disabilities explore employment and gain valuable work experience that supports career development. This includes paid work experience opportunities coordinated by DOR staff, providers, local education agencies (LEAs) and local America’s Job Centers of California (AJCCs). For State Fiscal Year 2019-20, over 5000 paid work experiences were provided to students with disabilities.

Also, in 2018 and 2019 DOR partnered with state labor partners, and local unions and apprenticeship programs to hold over 20 apprenticeship “events” to educate consumers and students, DOR staff, and the community about high-wage, high-skilled occupations in traditional and non-traditional apprenticeship occupations.

3.1.2 Revise staff performance evaluation criteria to support the shift in agency emphasis

DOR is actively working to assist staff to better understand the common performance measures, through the creation of real time dashboards that display data on the common performance measures at the state, local, and individual caseload level. Starting in Federal Fiscal Year 2020 through 2021, DOR managers, in their annual appraisal of staff, will utilize the new common performance measures in establishing goals with staff. These will be included in applicable staff’s annual Individual Development Plans.

3.1.3 Update staff processes to ensure emphasis is placed on job placement during and after high school as obtaining work experience rather than as achieving an employment outcome

Providing multiple and varied work experiences to students with disabilities across the state has been a particular area of focus for DOR staff to help students with disabilities to make informed choices about their future after exiting high school. In addition to the work experiences available through DOR’s Transition Partnership Programs, DOR staff also make work experiences

available to students with disabilities through the We Can Work contracts and approved Community Rehabilitation Programs. Following RSA's monitoring visit, DOR established, with the California Employment Training Panel, the Summer Training Employment Program for Students (STEPS) to provide work readiness training and paid work experience to students with disabilities. The services through STEPS are delivered through a partnership between local DOR offices and AJCCs. In its first year, six grants totaling \$1.5 million were awarded to provide 332 students with work readiness skills training and paid work experience opportunities in the community. This was increased to over \$3.0 million in the two subsequent years, serving over 600 students in 2019 and projecting to serve 700 students in 2020.

Work experience offered through the various programs described above may include paid/unpaid employment, paid/unpaid internships, work exploration, and job shadowing to allow students with disabilities to have meaningful options related to their interests.

3.1.4 Update staff processes to ensure emphasis is placed on staff working with students and youth with disabilities to develop an IPE for a career goal that includes work experience placements in addition to education or training or other services to prepare for a career

DOR has been working to enhance the IPE process and modify the IPE format to allow for the inclusion of work experience as an intermediate objective or as a plan service to support career exploration and preparation. While direct placement may continue to be a requested service among a segment of adult consumers, DOR fully embraces the focus on career exploration for students with disabilities and the changes this will have on the traditional linear approach to IPE development.

3.1.5 Update staff processes to ensure they encourage staff to assist youth with disabilities in accessing career pathway opportunities, including registered apprenticeships.

In recognition of the role pre-apprenticeship and apprenticeship programs play in facilitating entry to high-demand, high-wage professions, DOR specifically targeted staff awareness of apprenticeship opportunities through summer long apprenticeship drives in both 2018 and 2019. DOR partnered with state-level labor partners, and local unions and apprenticeship programs to hold over 20 apprenticeship "events" to educate consumers and students, DOR staff and the community about high-wage, high-skilled occupations in traditional and non-traditional apprenticeship occupations.

In 2019, state law was passed to add the DOR Director, along with the Executive Director of the State Council on Developmental Disabilities, to the State's Interagency Advisory Committee on Apprenticeships as ex officio members to address the job and apprenticeship rates for Californians with disabilities.

As a result of these and other related efforts, DOR has seen an increase in the number of individuals noted as presently enrolled in a registered apprenticeship program from 12 in January of 2018 up to 158 in September of 2020. This does not include the number of individuals remaining enrolled in high school apprenticeship preparation or pre-apprenticeship programs.

Request for Technical Assistance: DOR does not request technical assistance on the above recommendations.

3.2: Inaccurate Reporting of Pre-Employment Transition Services

Although DOR communicated that it is providing pre-employment transition services through various mechanisms (e.g., TPPs, contracts and directly by VR counselors) to students with disabilities, and reported expenditures for such services on the SF-425, during the fourth quarter of PY 2017, performance data reported on the RSA-911 report do not reflect the provision of pre-employment transition services to each individual in receipt of such services as reported to RSA during monitoring activities by DOR.

- During the fourth quarter of PY 2017 (April 1, 2018-June 30, 2018), DOR reported providing pre-employment transition services to 701 individuals, of which 110 were potentially eligible for VR services. Of those individuals reported as being in receipt of pre-employment transition services on the RSA-911 report, 19 received job exploration counseling, 628 received work-based learning opportunities, 18 received counseling on enrollment opportunities in postsecondary education programs at institutions of higher education, 18 received workplace readiness training, and 18 received instruction in self-advocacy.
- As discussed in Section 2 of this report, DOR reported during the on-site review that approximately 14,000 students with disabilities received pre-employment transition services through TPPs in FFY 2017. Of those students, DOR reported that 43 potentially eligible students received pre-employment transition services during the first two quarters of FFY 2018 on the RSA-911 report. However, the specific required activities received by each of those 43 individuals was not collected or reported to a level of specificity beyond “other services.”
- DOR reported expending \$45,412,069 on the provision of pre-employment transition services on its FFY 2016 Final SF-425 report.
- RSA provided technical assistance regarding the scope of pre-employment transition services further summarized in Section 3.E of this focus area.

Recommendation 3.2: Inaccurate Reporting of Pre-Employment Transition Services

RSA recommends that DOR:

- 3.2.1 In accordance with the corrective action steps required in Section 5.C of this report, once the steps have been addressed and necessary systems implemented, assure the new capacities are used to accurately track client information and reporting.

Agency Response: DOR appreciates and will consider RSA’s recommendation in its programming efforts.

Request for Technical Assistance: DOR does not request technical assistance on the above recommendation.

D. Findings and Corrective Actions

RSA's review of DOR's performance in this focus area resulted in the identification of the following findings and the corresponding corrective actions to improve performance.

3.1 Provision of Pre-Employment Transition Services Statewide

Issue: Was DOR making pre-employment transition services available to students with disabilities statewide.

Requirement: Regulations in 34 C.F.R. § 361.48(a)(1) require the designated State unit to make pre-employment transition services available statewide to all students with disabilities regardless of whether the student has applied or been determined eligible for vocational rehabilitation services.

Analysis: Initially, DOR provided pre-employment transition services to students with disabilities who had applied for VR services but not to students who had not applied for VR services and considered to be potentially eligible.

In the fourth quarter of FFY 2017, DOR began a pilot of a new module in its case management system, named a Potentially Eligible (PE) case type, in one district office. On October 1, 2017, DOR expanded the use of the new module to five district offices. At the time of the on-site portion of the review, RSA learned that the use of the PE case type had not yet been implemented in all DOR district offices and staff in these remaining offices had no mechanism available to track and report the provision of pre-employment transition services to potentially eligible students.

During the on-site portion of the review, RSA spoke with DOR counselors, a portion of which were involved in pilot sites for use of the PE case type. Some counselors stated that they were hesitant to provide pre-employment transition services directly without a curriculum and further stated that DOR central office had not yet made available a curriculum.

In addition to TPP TPCAs, DOR uses contracts with schools who are not partners in such arrangements to provide required work experience activities. Specifically, DOR established We Can Work Contracts with school districts to provide work-based learning opportunities and provided instruction in self-advocacy during the summer of 2017 through contracts with a CIL in Long Beach and a CRP in Fresno. However, these arrangements in themselves do not make pre-employment transition services geographically available statewide.

Conclusion: DOR is not meeting the requirement at 34 C.F.R. § 361.48(a)(1) to make pre-employment transition services available statewide because it has not made these services available statewide to potentially eligible students and because it cannot yet provide services geographically statewide.

Corrective Action: RSA requires that DOR:

- 3.1.1 Provide the necessary training and supports to facilitate the use of the PE case type in every district office;

- 3.1.2 Train staff of DOR, schools, service providers, and partners regarding DOR’s mandate to provide pre-employment transition services to potentially eligible students and define who those students are; and,
- 3.1.3 Regularly evaluate the provision of pre-employment transition services by each district office to determine the number and type of educational settings of potentially eligible students being served as well as to determine geographic areas in which students are not receiving these services in order to address those areas and to achieve availability statewide.

Agency Response: Below are DOR’s specific responses to each corrective action.

3.1.1 Provide the necessary training and supports to facilitate the use of the PE case type in every district office

DOR fully implemented the use of the PE Case Type statewide over two years ago in 2018, ensuring that students with disabilities statewide may be served through the PE Case Type. Initiated in 2017 and completed in July of 2018, DOR partnered with WINTAC, education partners, and internal subject matter experts to provide comprehensive training related to key service delivery components as well as technical and administrative functions of the PE Case Type. Additional information related to training and training materials are available upon request.

3.1.2 Train staff of DOR, schools, service providers, and partners regarding DOR’s mandate to provide pre-employment transition services to potentially eligible students and define who those students are.

Following the RSA monitoring visit in 2018, DOR provided comprehensive training and facilitated discussions with DOR staff, State Education Officials, Special Education Local Program Area (SELPA) Directors, LEAs and other service providers and partners to support the identification of and provision of pre-employment transition services to potentially eligible students. Methodologies for training included in-person training throughout the state and distance training.

In December of 2018, DOR, the California Department of Education (CDE), and the California Transitions Alliance jointly developed and implemented the Bridge to the Future Institute. This training institute provided critical and timely transition training presentations and materials for representatives of more than 1,100 students with disabilities, DOR, LEAs, SELPAs and community rehabilitation partners.

Additionally, DOR and CDE collaboratively fund and provide a core series of regional training and technical assistance curriculum to local DOR and LEA staff and partners, further building knowledge and expertise.

Finally, DOR established in June 2018, monthly technical support calls for DOR staff to share best practices and innovative service delivery, identify challenges, and provide policy and technical subject matter expertise support.

3.1.3 Regularly evaluate the provision of pre-employment transition services by each district office to determine the number and type of educational settings of potentially eligible students being served as well as to determine geographic areas in which students are not receiving these services in order to address those areas and to achieve availability statewide.

DOR has achieved statewide implementation of the pre-employment transition services, otherwise known as DOR Student Services. DOR regularly evaluates staff time providing direct service delivery and purchased services and additionally tracks the number of cases receiving Student Services opened and served throughout each fiscal year. At the time of the RSA monitoring visit, there were less than 200 individuals being served through the PE Case type. This has increased to 25,596 individuals being served statewide between July 1, 2019 and June 30, 2020.

The redirected 210 staff providing DOR Student Services and the leadership in each district additionally work to ensure that students with disabilities in public and non-public settings have access to DOR Student Services. DOR liaisons exist with each SELPA and partnerships have been developed with Charter Schools. Liaisons also exist with specialized educational institutions such as the California Schools for the Deaf and the California School for the Blind, and for outreach activities to Child Welfare, Juvenile Justice, and parent organizations. Specifically, to support students served within the Child Welfare/Foster Care system, DOR is actively engaged in a statewide approach to ensure collaboration between each county's CDE Foster Youth Coordinating Programs, the Department of Developmental Services, and the Departments of Health Care Services and Social Services.

Innovations of services continue, including refinement of remote service delivery for students with disabilities necessitated by COVID-19. Information on accessing DOR Student Services is also available on the DOR website.

RSA Response: RSA maintains the finding and corresponding corrective actions. RSA looks forward to developing the CAP, reviewing DOR actions taken to date and relevant supporting documentation, and collaborating with DOR as it works toward resolving this finding through the implementation of the corrective actions outlined above.

Request for Technical Assistance: DOR does not request technical assistance on the above corrective actions.

E. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to DOR as described below.

Interagency Agreement with the State Educational Agency (SEA)

RSA provided technical assistance on the SEA agreement to representatives from DOR and the CDE during the on-site portion of the review. RSA reviewed a draft agreement between DOR and the CDE and offered the following technical assistance:

- RSA advised DOR and CDE to replace language on Section 511 with a description of the process to be used to provide documentation of completed activities. RSA’s review of the agreement determined that the language described the content of documentation to be shared with the VR agency under the WIOA amendments to the Rehabilitation Act, but did not describe the mechanism or process to be used in sharing that documentation.
- RSA requested that DOR and CDE identify and include criteria for determining the financially responsible agency if either could provide a service. RSA highly recommended that criteria be stated in the agreement because the services provided by the school under IDEA and VR transition services overlap and has been a source of disagreement in many situations.

RSA also requested that the partners strengthen language in the agreement indicating that DOR provides or arranges for the provision of pre-employment transition services in consultation/collaboration with schools. RSA suggested that this language be revised to more accurately reflect the dual responsibility for the provision of pre-employment transition services.

RSA made an additional suggestion that all requirements of local partners be placed in the same section of the report to make clearer those responsibilities.

Focus on Youth who are not Students

Since the final regulations were issued implementing the WIOA amendments to the Rehabilitation Act, much of DOR staff attention has been devoted to the arrangements for providing pre-employment transition services. For services to out-of-school youth with disabilities, DOR has placed emphasis on providing information and referral services in an effort to maximize the use of comparable services and benefits.

RSA suggested that DOR consider a more balanced approach to serving out-of-school youth, particularly in light of the agency’s decision to form dedicated caseloads for pre-employment transition services. The WIOA amendments did not change the fact that VR agencies serve out-of-school youth. Under the amendments, primary emphasis of VR services for youth is for students with disabilities and primary emphasis of the WIOA Title I Youth program is for out-of-school youth, but each of these programs may still provide services to both groups. RSA suggested that DOR consider a stronger VR partnership with the Title I Youth program to maximize the ability of the partnership to serve both students and youth with disabilities.

Provision of Pre-Employment Transition Services

RSA provided technical assistance related to the nature and scope of pre-employment transition services (34 C.F.R. § 361.48(a)(2)) as well as tracking and accounting for such services (34 C.F.R. § 361.65(a)(3)), and provided examples of services from the preamble to the final regulations (81 FR 55629, 55694-55695 (August 19, 2016)). At this time, RSA also refers DOR to the notice of interpretation on the flexibility in the use of Federal VR funds for pre-employment transition services published in the [Federal Register](#) on February 27, 2020.

RSA also provided technical assistance related to the following:

- Mechanisms that VR counselor staff, TPCAs, TPPs and CILs use to make required activities available to students with disabilities who are potentially eligible or eligible for VR services, and those receiving services under an IPE;
- Scope of pre-employment transition services; and
- Statewide availability of pre-employment transition services to students who are potentially eligible (non-applicants and applicants) for VR services (34 C.F.R. § 361.48(a)(1)).

RSA further clarified that pre-employment transition services do not include administrative costs (34 C.F.R. § 361.65).

Additionally, RSA provided technical assistance regarding requirements to accurately identify the source of funds for Federally-funded activities (2 C.F.R. § 200.302(b)(3)), including supporting the distribution of employee salary if the employee works on more than one cost objective (2 C.F.R. § 200.430(i)(1)(vii)) so that staff are able to accurately track time spent on required, authorized, or coordination activities.

Policies and Procedures

RSA provided technical assistance regarding the following:

- Procedures for outreach to and referral of students potentially eligible for VR services to the VR program, and referral and application processes for students with disabilities starting at the age of 14 (34 C.F.R. §§ 361.22(b)(4) and 361.41(a));
- Inclusion of data elements required to be submitted with student referrals for the provision of pre-employment transition services;
- DOR policies and procedures should include required, authorized, and pre-employment transition coordination activities and tracking staff time spent on required, authorized, and pre-employment transition coordination activities (34 C.F.R. § 361.48(a)(2)(3) and (4));
- Tracking and reporting the provision of each required activity provided to each student in receipt of such services, whether provided in-house or purchased by DOR;
- Group and individualized transition services for students and youth with disabilities (34 C.F.R. §§ 361.49(a)(7) and 361.48(b)(18)); and
- The requirement for agencies to serve potentially eligible students and the requirements for continuation of pre-employment transition services initiated prior to an individual being assigned to a closed order of selection priority category (34 C.F.R. § 361.36(e)(3)(i) and (ii)).

SECTION 4: FOCUS AREA – STATE SUPPORTED EMPLOYMENT SERVICES PROGRAM

A. Purpose

WIOA made several significant changes to Title VI of the Rehabilitation Act that governs the Supported Employment program. The amendments to Title VI are consistent with those made throughout the Rehabilitation Act to maximize the potential of individuals with disabilities, especially those individuals with the most significant disabilities, to achieve competitive integrated employment and to expand services for youth with the most significant disabilities. Through this focus area RSA assessed the VR agency performance and technical assistance needs related to the provision of supported employment services to individuals with the most significant disabilities and extended services for youth with the most significant disabilities; and the employment outcomes achieved by these individuals.

B. Overview of Service Delivery and Performance of the Supported Employment Program

Delivery of Supported Employment Services

DOR provides supported employment services to youth and adults statewide. According to staff, these services are provided using designated supported employment counselors and program liaisons within the agency's 14 district regions in partnership with the Department of Developmental Services (DDS). Additionally, DOR staff indicated they use a streamlined intake process through outreach and collaboration with supported employment service providers, regional DDS service centers, and education programs administered by CDE throughout the state. DOR reported that the majority of supported employment services are provided in collaboration with DDS and its service providers. DOR and DDS share resources and responsibility for individuals who are eligible for both programs.

DOR and DDS make available information and instructions on accessing supported employment programs through their respective online websites or through the respective staff for individuals with intellectual disabilities (ID) or developmental disabilities (DD). At the time of this review, DOR indicated that it did not have TPCAs that solely provided supported employment services. However, supported employment services are provided through the TPCAs in which CA DOR coordinates services with community rehabilitation program service providers and DDS.

According to DOR, the individual and the counselor determine through ongoing discussion if a supported employment services plan is appropriate. The process of determining the supported employment service needs begins with a comprehensive assessment for individuals determined to have a most significant disability and who have had difficulty with achieving competitive integrated employment, or where the process to achieve such employment has been interrupted or intermittent, and who require extensive supported employment services and extended services in order to obtain and maintain employment (DOR Policy RAM Chapter 30, Section 3053).

During the on-site monitoring visit, DOR managers, supervisors, and counselors confirmed that supported employment services begin at the point of job placement with an employer. DOR

provides these ongoing support services using a fee-for-service arrangement through certified community rehabilitation program service providers. DOR employs supported employment subject matter experts for the purpose of assisting general caseload carrying counselors. These subject matter experts are positioned throughout the State, at least one for each district.

DOR staff indicated that, based on internal data, individuals receive ongoing support services for an average of 20 to 21 months, with only a few individuals having received services for up to the 24 months allowed under the Rehabilitation Act. In addition, DOR stated that supported employment counselors rely on monthly progress reports from service providers to ascertain if an extension beyond the 24-month time frame is needed and whether it meets the criteria of special circumstances under which an extension of time may be authorized. These progress reports, along with information from meetings with the individual and/or parents, are used to identify areas needing improvement.

DOR management and field staff noted that supported employment services include supportive job coaching needed to maintain the employment, including supportive skills training on the job, job loss intervention, and discrete post-employment supports not available through the extended services provider for individuals over the age of 25.

Managers also informed RSA that their counselors work within a structured team approach, and within each team every member is required to review closure reports and to sign off on them before a team manager reviews a supported employment case for purposes of closure. DOR staff further explained that this process requires a team manager approval within its case management system, checking off that each individual on the team has completed the required review. Documentation is then placed in the hard copy case file, indicating that the team has completed its review and approval process (DOR policy RAM Chapter 30, section 3073 (i.e., supported employment closure process) and (at the time of the on-site) draft RAM Chapter 31, section 3180.

DOR uses a fact sheet describing the process to transfer DOR participants who are eligible for DDS services and who have achieved stabilization in supported employment funded by DOR to DDS for extended services funded by DDS regional centers. The document explains that once the individual or youth with a disability reaches stabilization in the job for 60 days, DOR transfers the individual to the regional center-funded extended services. After 60 days in extended services, DOR then closes the supported employment case. The fact sheet and supporting documentation are not formal interagency agreements or memoranda of understanding as required by 34 C.F.R. § 361.24(f). Those interagency agreements are outlined in the agency's competitive integrated employment (CIE) Blueprint.

DOR's service delivery structure complies with State requirements, the Lanterman Developmental Disabilities Service Act (Welfare and Institutions Code, Section 4500, et seq.) This State law is unique to California and provides Californians with an ID/DD diagnosis prior to the age of 18 years the right to access services and supports through regional service centers administered by DDS to facilitate their living independently in their communities throughout their lifetime. In 2009, California passed an amendment to the Lanterman Act that established the Employment First Policy and following this on October 9, 2013, the Governor signed another

amendment establishing an “Employment First Policy” in the Lanterman Developmental Disabilities Services Act.

In addition, the CIE Blueprint provides an outline for local partners, including local educational agencies, DOR district offices, and regional DDS centers, for establishing Local Partnership Agreements (LPA). The CIE Blueprint also includes an MOU documenting the ways in which local partners work together to streamline service delivery increasing CIE opportunities for individuals with ID/DD.

DOR refers youth with the most significant disabilities in need of extended services to the DDS regional centers for funding of extended services prior to DOR closure of the individual’s service record.

As a result of State legislation, DOR, DDS, and CDE entered into an agreement (CIE Blueprint) consistent with the California Employment First Policy and other laws to make employment in an integrated setting at competitive wages a high priority. This agreement was finalized May 2, 2017, and is a proactive interagency plan to increase employment opportunities for individuals with ID/DD. This collaborative agreement, referred to as an MOU on all three agencies websites, contains an initial effective date, is signed by all Departments, and includes no expiration date or timeframe for renewal. The MOU identifies goals and targeted outcomes through the State fiscal year 2020, such as improving collaboration and coordination between the three departments; increasing opportunities for individuals with ID/DD who choose CIE; and supporting the ability of individuals with ID/DD to make informed choices, and to prepare for transition to and engage in CIE were noted .

Policies and Procedures

DOR created a Workforce Innovation and Opportunity Act (WIOA) “Toolbox” for field staff. The document contained resources addressing most of the significant changes made to the Rehabilitation Act, including an informational memorandum, Workforce Innovation and Opportunity Act – Supported Employment, dated March 19, 2015, which provided details about significant changes to supported employment requirements created by the WIOA amendments and DOR’s interpretation of the requirements. This memorandum outlined procedures related to the extension of the timeframe for providing supported employment services for individuals with the most significant disabilities; the focus on services for youth with the most significant disabilities, including extended services; and requirements for formal agreements between DOR and the State agency responsible for administering the State Medicaid plan and the State agency with primary responsibility for providing services and supports for individuals with ID/DD consistent with 34 C.F.R. § 361.24(f). However, the interim memorandum is not consistent with Federal requirements and must be updated to reflect Federal requirements and final DOR policies. DOR policies for the provision of Supported Employment services (RAM Chapter 31) was in draft form at the time of the on-site visit.

Performance of the Supported Employment Program

A summary analysis of the performance of the Supported Employment program (see Appendix C) revealed the following information:

While the number of individuals who achieved an employment outcome in supported employment increased between FFYs 2015 and 2016 from 1,049 to 1,566, the percentage of those individuals reported as achieving competitive employment decreased slightly from 73.3 percent to 72.4 percent in the same FFYs. For the first three quarters in FFY 2017, the percentage of those reported as achieving competitive employment outcomes increased to 97.8 percent. DOR management stated this was consistent with its internal data and projected that FFY 2017 performance would continue to decrease in terms of the number of individuals achieving a supported employment outcome, but with an increase of those reported as achieving competitive employment. DOR suggested that limited performance in this area may have been a result of its CIE Blueprint implementation activities, cases closed for individuals who did not achieve employment, and coding issues within its case management system.

In addition, DOR had difficulty providing an explanation for the wide discrepancy between the number of supported employment outcomes versus the number of competitive employment outcomes in supported employment. As noted in Appendix C, for FFY 2015, 275 supported employment outcomes were not coded as competitive supported employment outcomes, and in FFY 2016, 432 supported employment outcomes were not coded as competitive. DOR suggested that some anomaly in how the data was captured, given California's changes in minimum wage standards across the State, might be involved, or that DOR may have been incorrectly reporting according to instructions for data elements under the retired policy directive for the RSA-911 report (PD 14-01).

In the first three quarters of FFY 2017, the five services most often provided to individuals having achieved a competitive supported employment outcome were job search assistance at 90 percent, on-the-job supports at 82.7 percent, job placement assistance at 77.5 percent, VR counseling and guidance at 73.1 percent, and assessments at 45.4 percent. DOR stated that situational assessments were used most often with this population.

C. Observations and Recommendations

RSA's review of DOR's performance in this focus area resulted in the identification of the following observations and recommendations to improve performance.

4.1 Accuracy of Reported Supported Employment Performance Data

DOR reported an increase in the number of individuals obtaining supported employment outcomes at exit from FFY 2015 through FFY 2016, while the percentage of those achieving competitive employment in supported employment decreased during the same reporting period. This difference was difficult for the agency to explain given that DOR stated that it was not using the integrated employment on a short-term basis provision under 34 C.F.R. § 363.1(c).

Recommendations 4.1

RSA recommends that DOR:

- 4.1.1 Update agency processes for coding and reporting supported employment outcomes achieved at exit;
- 4.1.2 Update internal controls to ensure agency processes include internal reviews of data reported; and
- 4.1.3 Update requirements for closure of a service record at exit for supported employment outcomes and train staff on supported employment outcome requirements.

Agency Response: DOR appreciates and will consider RSA’s recommendations in its programming efforts.

Request for Technical Assistance: DOR does not request technical assistance on the above recommendations.

D. Findings and Corrective Actions

RSA’s review of the DOR’s performance in this focus area did not result in the identification of findings for this focus area.

E. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to DOR as described below.

- RSA provided clarification that Title VI supported employment funds may only be used after placement of an individual in competitive integrated employment or in an integrated employment situation working on a short-term basis toward competitive wage earnings;
- RSA provided technical assistance and input to DOR regarding draft supported employment policies; and
- RSA recommended that DOR clarify its policies in accordance with the discussion in the preamble to the final regulations at 81 FR 55706 (August 19, 2016) to ensure that they are consistent with the intent and requirements of the implementing regulations for the definition of “competitive integrated employment” at 34 C.F.R. § 361.5(c)(9)(ii) and the requirement for providing extended services at 34 C.F.R. § 363.4(2).

SECTION 5: FOCUS AREA – ALLOCATION AND EXPENDITURE OF STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAM FUNDS

Through this focus area, RSA assessed the fiscal accountability of the VR and Supported Employment programs to ensure that funds are being used only for allowable purposes and that the grantee have sound internal controls and reliable reporting systems. RSA also used this focus area as an opportunity to provide technical assistance with respect to ensuring that the grantee maximizes available resources for program needs. In so doing, RSA examined whether DOR's use of program funds support the achievement of employment outcomes for individuals with disabilities, including youth with disabilities and individuals with the most significant disabilities.

RSA's review of DOR's performance in this focus area resulted in the identification of an Observation and Findings related to the following general areas:

- State accounting system;
- TPCAs under 34 C.F.R. § 361.28;
- reporting requirements under Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA;
- allocation of personnel and other costs under 2 C.F.R. §§ 200.405, 200.430, and 200.431; and
- internal controls under 2 C.F.R. §§ 200.302 and 200.303, and monitoring of grant-supported activities under 2 C.F.R. § 200.328.

Below, RSA describes its Observation and each of its Findings regarding the above general areas, and related Corrective Actions, separately in more detail.

Observation – Antiquated State Accounting System

DOR uses three fiscal systems to track obligations, authorizations for services, and Federal and non-Federal expenditures. The State accounting system DOR uses to process billing and pay expenditures is over 30 years old. As a result, DOR's process of maintaining and reporting Federal and non-Federal obligations, unobligated balances, liquidations, unliquidated obligations, and expenditures is predominately done manually.

Since DOR's State accounting system does not permit the agency to assign obligations and liquidations to a particular Federal or non-Federal funding source, within the period of performance of the award, the agency has developed a manual process to ensure all obligations and liquidations are appropriately accounted for within the correct period of performance. This process includes merging obligations and authorizations from different systems into a single spreadsheet, manually reviewing each transaction to determine the appropriate assignment to a FFY award based upon the date and type of obligation, in accordance with Federal requirements (34 C.F.R. § 76.707). DOR manually assigns the FFY and Federal award to each obligation.

A similar procedure is used to process liquidations. When invoices are received and prepared for payment, the source of funds is based upon the FFY assigned manually at the time of obligation. While the manual process is cumbersome and increases the agency's risk for improper assignment of expenditures to a Federal award, it was apparent during RSA's on-site review that DOR had made efforts to mitigate those risks by developing detailed written processes for the assignment of obligations and liquidations in order to ensure Federal requirements are met. However, the antiquated accounting system used to track obligated and liquidated funds makes it difficult for the agency to streamline the process despite DOR's efforts to do so by updating its fiscal policies and procedures and, DOR's reliance on manual processes increases the risk that Federal funds might not be appropriately tracked and accounted for.

Due to the agency's heavy reliance on TPCAs for the delivery of services to VR program participants, DOR cannot know, with certainty, at the beginning of each SFY how much funds will be needed to cover all costs that will be incurred under the TPCAs for those services. So, at the beginning of each SFY, DOR encumbers an estimated amount of funds for its TPCAs (i.e., estimates the amount of obligations that will be incurred under those TPCAs) based upon an estimated cost per individual projected in the agreements. At the end of the SFY, when the case is closed, or if no activity has occurred for the contractor within a designated time frame, the system automatically disencumbers the remaining obligations. In other words, this automated system, which is designed to assist the agency, treats all remaining obligations as though they have "fallen through" when, in truth, they may represent an authorization for a service that has not yet been paid or billed (i.e., an unliquidated obligation) and payment is not required until some future date (e.g., for tuition, training, or equipment). This process, coupled with the manual process of obligating Federal funds, makes it difficult for the agency to accurately account for authorizations, obligations, unobligated balances and expenditures, as required in 2 C.F.R. § 200.302(b)(3). For example, the agency is required to report the amount of obligations incurred during the reporting period on the SF-425 financial reports. By using the auto-disencumbering process, the agency disencumbers obligations before determining whether the services for which the obligations were incurred were provided and will require future payment. As a result, the amount DOR reports as unliquidated obligations may not accurately reflect the true amount of outstanding obligations for costs incurred during the reporting period. This process also results in having awards closed prior to receiving a bill for services rendered.

It is RSA's understanding that the State has developed a timeline for updating the accounting systems for its State agencies, including DOR; however, implementation has been significantly delayed. We encourage the State to ensure the new State system be used and expedite this timeline, if possible, for the benefit of DOR. In so doing, the State will be better able to ensure that the antiquated systems which DOR uses for tracking authorizations, services rendered, and payments for those services will not impede its ability to comply with Federal requirements related to tracking and reporting expenditures and obligations.

Findings and Corrective Actions

5.1 Not All Third-Party Cooperative Arrangements (TPCAs) Satisfied Federal Requirements

Issue: Whether DOR satisfied TPCA requirements in 34 C.F.R. § 361.28, with respect to those TPCAs that are a three-way arrangement with both a public agency and a private service provider when DOR – not the public cooperating agency -- had the direct contractual relationship with the private service provider. This area of review is included on page 53 of the MTAG.

Requirements: VR regulations at 34 C.F.R. § 361.28(a) permit VR agencies to enter into TPCAs for providing or contracting for the provision of VR services with another State agency or a local public agency that is providing part or all of the non-Federal share in accordance with requirements at 34 C.F.R. § 361.28(c). “Public,” as applied to an agency, organization, or institution, means that the agency, organization, or institution is under the administrative supervision or control of a government other than the Federal government (34 C.F.R. § 77.1(c)). Conversely, “private,” as applied to an agency, organization, or institution, means that it is not under Federal or public supervision or control (*id.*). The definitions in 34 C.F.R. part 77 apply to all programs administered by the U.S. Department of Education, including the VR program.

As a recipient of Federal VR funds, DOR assures in its VR services portion of its Unified State Plan that it will have methods of administration to ensure the proper and efficient administration of the VR program. These procedures must ensure accurate data collection and reporting and financial accountability (34 C.F.R. § 361.12). Pursuant to 2 C.F.R. § 200.302(a), DOR must have a financial management system that is capable of accounting for all funds under the VR program and for preparing reports required by the VR program.

Analysis: When RSA reviewed the general area of TPCAs as part of its monitoring activities, RSA learned that most, if not all, of DOR’s contractual agreements, whether they be with private or public entities, are called TPCAs, regardless of whether the underlying arrangement satisfies the requirements of 34 C.F.R. § 361.28. For example, during the on-site visit RSA thought the “We Can Work” contracts with public entities were TPCAs; however, DOR management informed RSA that these contracts are not TPCAs. RSA explained to DOR that its confusion was caused by language contained in Exhibit A of the contracts, which states the purpose as “VR Third Party Cooperative/Case Service Agreements.” For purposes of this Finding, we focus exclusively on the aspects of those agreements that do not satisfy the requirements of a TPCA at 34 C.F.R. § 361.28, rather than on the terminology used by DOR. However, because “TPCA” is a term of art which has distinct legal requirements for purposes of the VR program under 34 C.F.R. § 361.28, we highly recommend DOR revise its contracting procedures, as well as the contractual arrangements themselves, to eliminate use of the phrase “TPCA” unless the agreement satisfies the legal requirements of such under 34 C.F.R. § 361.28. For example, DOR could call the agreements with private service providers, regardless of whether they are subcomponents of a TPCA, “Vendor/Case Service Agreements.” In so doing, DOR will be able to eliminate potential confusion when working with RSA on these matters and will be able to clearly demonstrate which agreements are intended to satisfy the requirements of 34 C.F.R. § 361.28 by the “TPCA” terminology used in the agreements themselves, and therefore are not out of compliance with TPCA requirements.

During its monitoring activities, RSA learned that DOR uses numerous types of agreements with State or other public agencies via the authority to enter into TPCAs under 34 C.F.R. § 361.28(a). Under each of these TPCAs, the State or public agency either provides match directly to the VR agency and/or uses certified expenditures for staff time providing VR services, as it is permitted

to do pursuant to 34 C.F.R. § 361.28(c). Furthermore, RSA learned that under the TPCAs entered into by DOR with other public agencies, some make clear that the public agency itself provides the services under the TPCA, whereas under others, a private entity provides some or all of the VR services on behalf of the public agency under the TPCA. Both types of arrangements, if executed properly, are permitted under 34 C.F.R. § 361.28.

However, with respect to those TPCAs that use a private entity for the provision of VR services on behalf of the cooperating public agency, RSA's review revealed that at least some of them are three-way agreements between DOR, the public agency, and the private service provider. Under these three-way agreements, RSA's review revealed the public agency provides DOR with the match amount (through certified expenditures for its staff time and/or transfer of non-Federal funds), in accordance with 34 C.F.R. § 361.28(c), but the public agency does not provide or arrange for the provision of VR services as it is required to do under 34 C.F.R. § 361.28(a). Rather, RSA learned through its monitoring activities that, in many of these three-way agreements, DOR itself – not the public cooperating agency, as it would be required to do under 34 C.F.R. § 361.28(a), when it is not providing the services directly under the TPCA -- contracts with a private CRP to provide the VR services. In these particular three-way arrangements, DOR itself – not the public agency that is a second party to the TPCA -- selects the private CRP that will provide services under the TPCA, contracts directly with it by incorporating the Case Service Provider Agreement into the TPCA, and pays the private entity directly, all of which is inconsistent with Federal requirements at 34 C.F.R. § 361.28(a). DOR uses contract language from the TPCA in the Case Service Provider Agreement too, thereby reinforcing the three-way nature of these particular arrangements which does not satisfy Federal requirements.

Based on RSA's review of these particular three-way arrangements, and the financial transactions that occurred under all parts of those arrangements (i.e., those between DOR and the public agencies and between DOR and the private entities, as well as the lack of such transactions between the public agencies and private entities), it is clear that DOR uses the TPCAs with the public agencies as the funding vehicle to generate match from public agencies and to pay private entities directly. From the information RSA reviewed as part of its monitoring activities, RSA learned that DOR district offices receive invoices directly from private entities for the VR services provided under these three-way TPCAs and the district offices, in turn, pay the private entities directly for those services. In other words, the public agencies are not part of these invoice and payment transactions. As such, these three-way agreements are not consistent with the requirements for a TPCA at 34 C.F.R. § 361.28.

The regulations at 34 C.F.R. § 361.28(a) make clear that DOR, as the VR agency, is permitted to enter into a TPCA with another "State agency or local public agency" for the provision of VR services. There is no requirement in the VR regulations that the public cooperating agency provide the VR services directly. In fact, the regulations make clear that DOR may enter into a TPCA with another State agency or a local public agency "for the purpose of "contracting for the provision of [VR] services" (34 C.F.R. § 361.28(a)). In other words, DOR is permitted to enter into a TPCA with a public cooperating agency that, in turn, contracts with a private entity for the provision of the VR services to be provided on its behalf under the TPCA. But that contractual relationship would be between the public agency and the private entity only. Such a contract would be supportive to the TPCA but would not be part of the TPCA between DOR and the

public cooperating agency. In a properly executed TPCA, DOR would have no contractual relationship with a private service provider because 34 C.F.R. § 361.28(a) does not permit such an arrangement. Rather, DOR's only relationship would be with the public cooperating agency.

In the event a public cooperating agency chooses to enter into a contractual relationship with a private entity for the provision of VR services under a properly executed TPCA, the public agency must be solely responsible for selecting the private service provider, arranging for the services to be provided, and paying for the services that the private entity provides on behalf of the public agency. In this manner as would be proper, there would be no contractual relationship between DOR and the private entity whatsoever. In contrast, many of the TPCAs that RSA reviewed were arrangements in which DOR contracted with the public agency and the private entity, thereby creating a three-way arrangement; DOR chose the private entities, determined the services they would provide, and paid them directly. The cooperating public agency did none of these things despite the fact under a properly executed TPCA, in accordance with 34 C.F.R. § 361.28(a), it should have done all of these things. Because the three-way TPCAs, as just described, do not satisfy the requirements of 34 C.F.R. § 361.28, it raises questions whether the match generated under these arrangements is allowable.

In the alternative to the scenario described above in which a cooperating public agency enters into a contract with a private entity for the provision of VR services on its behalf as part of a TPCA, DOR could enter into vendor service contracts directly with private entities to provide VR services to VR program participants. However, these contractual relationships are not done by DOR under the guise of a TPCA and would not satisfy the requirements of 34 C.F.R. § 361.28 as an allowable source of match under the VR program. In this alternative approach, the private entity would be a vendor of services chosen directly by DOR and would be paid directly by DOR. When RSA asked DOR during the monitoring activities whether any of the Case Service Agreements with private entities, which were incorporated into these three-way TPCAs, were really vendor (e.g., fee-for-service or flat fee) contracts rather than TPCAs, DOR insisted to RSA that they were part of the TPCAs and were necessary for the generation of matching funds for the VR program. DOR also indicated the structure of these three-way agreements reflect a continuum of integrated services within the State, in which the VR agency, public agencies, and private entities work together seamlessly to ensure VR program participants receive the services they need and to improve performance outcomes under the VR program. As stated above, DOR could accomplish the same end goal and reflect the same continuum of services by executing a proper two-way TPCA with a public agency which, in turn, enters into a supportive contractual relationship with a private service provider. In so doing, all three entities could work together seamlessly for the benefit of VR program participants but with clear contractual relationships permitted by 34 C.F.R. § 361.28(a).

As a recipient of Federal VR funds, DOR assures in its VR services portion of its Unified State Plan that it will have methods of administration to ensure the proper and efficient administration of the VR program. These procedures must ensure accurate data collection and reporting and financial accountability (34 C.F.R. § 361.12). Pursuant to 2 C.F.R. § 200.302(a), DOR must have a financial management system that is capable of accounting for all funds under the VR program and for preparing reports required by the VR program. Given these requirements, DOR must be able to allocate its costs properly – both personnel costs and those costs incurred under

contractual arrangements with vendors -- so the agency can report its expenditures properly for the VR program.

Conclusion: While RSA recognizes the need for cooperation at the State level between the VR agency, other public agencies, and private entities to ensure the provision of quality VR services to VR program participants, DOR must administer its program in a manner that satisfies Federal requirements (34 C.F.R. § 361.12 and 2 C.F.R. § 200.303(a)). With respect to TPCAs, this would mean that DOR's agreements must be with other State agencies or local public agencies only (34 C.F.R. § 361.28(a)). To be clear, 34 C.F.R. § 361.28 only permits a TPCA relationship to exist between DOR and a "public agency." Therefore, a valid TPCA is a two-way agreement only between DOR and a public agency. Under a valid TPCA, the public cooperating agency could provide the services directly itself or it could contract with another entity to provide the services on its behalf. A three-way agreement that includes a private entity as a third partner in the TPCA relationship between DOR and a public agency, particularly one in which there is an integral contractual relationship between DOR and the private entity, as was true of many of the TPCAs that RSA reviewed during its monitoring activities, would not constitute a valid TPCA pursuant to 34 C.F.R. § 361.28. As such, these three-way agreements raise questions as to whether they are an allowable source of match under the VR program since the fundamental requirements for a TPCA have not been satisfied. To the extent the TPCA resulted in unallowable match, the expenditures would be considered questioned costs. However, as noted, the common use of the "TPCA" term in all of DOR's contracts made it difficult for RSA to determine, with certainty, which arrangements were truly intended to be TPCAs and which were not. This uncertainty raises questions about the amount of match generated under these arrangements.

Corrective Action Steps: RSA requires that DOR:

- 5.1.1 Within 2 months of the issuance of the Final Report, analyze, and submit for RSA review and approval a summary of, the 149 cooperative arrangements with public agencies, including the 14 separate but related contracts with private providers, to determine the legal authority for that arrangement and the legal authority for the match provided under that arrangement, thereby ensuring each of the arrangements is generating valid sources of match under the VR program. For example, determine whether the arrangement is a TPCA with a public agency under 34 C.F.R. § 361.28, an "establishment" contract under section 103(b)(2) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(1), or a vendor service agreement under various authorities through which the provider transfers cash to the VR agency to deposit into its account in accordance with 34 C.F.R. § 361.60(b)(3)(iii);
- 5.1.2 If it is determined that any of the 14 contracts involving private providers are three-way agreements with DOR and purported to be TPCAs, but the established three-way arrangement does not satisfy the specific requirements set forth at 34 C.F.R. § 361.28 for a TPCA, immediately thereafter cease relying on the contract or modify the contract to ensure the requirements of 34 C.F.R. § 361.28 are satisfied. For example, amend the contract so that invoicing and payment for services are handled directly between the public cooperating agency and the private provider only, and DOR's contractual relationship is only with the public cooperating agency to determine the services to be provided and the individuals to be served, as well as to oversee the expenditures incurred

- by the cooperating agency and the cooperating agency's staff providing services under the TPCA. In so doing, DOR will be able to ensure that the contractual relationship with the private provider is between the cooperating public agency and the private entity only;
- 5.1.3 If it is determined that any of the contracts, particularly any of the 14 contracts involving private providers, are not valid vehicles for generating match under the VR program, immediately thereafter cease using any non-Federal expenditures incurred or non-Federal funds transferred under those agreements as match under the VR program until those agreements are revised to ensure all applicable requirements for generating match under the VR program are satisfied;
 - 5.1.4 Within 3 months of RSA's approval of DOR's summary of the 149 cooperative arrangements with public agencies, revise all SF-425s for FFYs 2016 through the current FFY, as needed, to ensure that non-Federal funds reported are those only from allowable sources. RSA will use the revised SF-425s, as applicable, to determine whether the State of California satisfied its match and MOE requirements for that period and will take any action as necessary once its review is complete; and
 - 5.1.5 As noted above, RSA highly recommends when revising service contracts to meet requirements in 5.1.1 – 5.1.3, that DOR revise all service contracts to remove use of the term "TPCA" except in those circumstances where the contractual relationship satisfies the requirements of 34 C.F.R. § 361.28(a). In so doing, DOR can eliminate potential for confusion in the future.

Agency Response: Given the complexity of the interrelated corrective actions, DOR is responding to corrective action steps 5.1.1 through 5.1.5 in total. DOR reaffirms its commitment to three essential pillars of the VR program: (1) ensure that individuals with disabilities receive the necessary VR services to achieve their employment goals; (2) maximize existing federal and non-federal share funding to expand VR services available to individuals with disabilities; and (3) establish cooperative relationships with state and local public agencies and non-profit organizations to provide necessary and specialized VR services to meet the unique needs of certain populations. Currently, DOR has 149 cooperative contracts with public entities that are specifically designed to leverage existing, allowable funding sources to maximize VR services provided to approximately 24,000 Californians with disabilities annually in different geographical regions within the state. Through these cooperative contracts, DOR partners with county behavioral health programs, county welfare programs, school districts, community colleges, and public state universities. Fourteen (14) of the 149 public entity cooperative contracts include separate but related contracts with one or more local nonprofit community rehabilitation programs (CRPs).

RSA reports that two years ago during its March 2018 monitoring activities, it *learned* that DOR uses the term "Third Party Cooperative Arrangements" or "TPCAs" to refer to numerous contractual agreements with public entities and CRPs and that some of these agreements, without identifying which agreements, may not meet all the conditions to qualify as TPCAs under 34 C.F.R. § 361.28. However, for over 30 years, DOR has administered this same cooperative contract model consistent with RSA review and guidance related to TPCAs and 34 C.F.R. § 361.28. On numerous occasions RSA has reviewed DOR's TPCAs in detail, including monitoring visits of 2003, 2004, 2009, and 2014; DOR did not receive a 2014 monitoring report. In each of the monitoring reviews, where DOR received recommendations or findings related to

TPCAs, even when citing 34 C.F.R. § 361.28, never were concerns raised about the partnership formula, but rather focused on subdivisions (a)(1), (a)(2), and (c) of Section 361.28. RSA's Draft Federal Fiscal Year 2018 Monitoring Report is the first instance in which RSA has notified DOR in writing that some of DOR's TPCAs may not qualify as TPCAs under 34 C.F.R. § 361.28, specifically those where the cooperative relationship involves DOR contracting with both the public entity and the CRP. Furthermore, DOR was not provided an exit conference at the time of the 2018 monitoring visit, resulting in the need to await the draft report, not provided until more than two years later on August 25, 2020.

As RSA states in its report, under 34 C.F.R. § 361.28 as it is currently written, to qualify as a TPCA, the designated state unit contracts with a public entity for the provision of VR services and the public entity may provide the VR services directly or contract with a CRP to provide the VR services. In 2016, this regulation changed without notice as to whether the change was substantive or clarifying in nature. Specifically, up to 2016, the language read "arrangement for providing or administering vocational rehabilitation services" and was revised to read "arrangement for providing or contracting for vocational rehabilitation services." Moreover, DOR has relied on RSA's monitoring and guidance in relation to these cooperative arrangements and contracts for decades.

DOR has begun reviewing the 149 cooperative agreements in light of RSA's new guidance contained in the Draft Federal Fiscal Year 2018 Monitoring Report. RSA, in this draft report, states: "However, as noted, the common use of the "TPCA" term in all of DOR's contracts made it difficult for RSA to determine, with certainty, which arrangements were truly intended to be TPCAs and which were not." While DOR acknowledges that not all contracts may qualify as TPCAs under 34 C.F.R. § 361.28, these contracts are with appropriate entities, leveraging non-federal share or providing VR services to individuals with disabilities. The agreements are allowable contracting arrangements even if the language in some of these contracts may need to be revised through new contracts or amendments to existing contracts to ensure that they accurately label or describe the type of contract consistent with federal regulations. For example, some contracts might need to specify that they are a TPCA between DOR and a public entity pursuant to 34 C.F.R. § 361.28, while others might be a Case Service Contract between DOR and a CRP consistent with 34 C.F.R. § 361.31, or a contract between DOR and a public entity in which the public entity is transferring a cash transfer consistent with 34 C.F.R. §§ 361.22, 361.24, 361.27, or 361.60(b).

While DOR will continue to review its cooperative agreements to ensure that the type of contract and regulatory authority are correctly identified in them, DOR invites RSA's cooperation, specifically in relation to reasonable timeframes for revising or amending contracts as appropriate. It is premature to commit to and possibly a low yield activity to revise the SF-425s for FFYs 2016 through the current FFY for the following reasons:

- All funding involved and services provided to individuals with disabilities through these cooperative agreements was appropriate and allowable.
- DOR has relied on RSA's monitoring and guidance in administering its current cooperative contract model for over 30 years. This is the first instance RSA has raised

concern in writing, even though these same contracts have been the subject of repeated reviews by RSA over the years without any findings.

- RSA’s monitoring activities were conducted two and a half years ago for periods dating as far back as 2015, and the current report requires immediate action without regard to the organizational structures of the cooperative partners (i.e., school districts and county behavioral health programs and their boards, community colleges, and public state universities), as well as the additional workload, demands, and staffing shortages our partners are experiencing due to the current global pandemic, reductions in staffing related to the national and state budget crisis, and state and local emergencies due to wildfires.
- RSA’s required immediate changes to the current cooperative contracts do not take into consideration the impact of service delivery for DOR consumers receiving services through these agreements. Service delivery continuity and provider familiarity is vital to the DOR consumers, and their opportunities to obtain competitive integrated employment.
- RSA has not identified the specific contracts it found not to qualify as TPCAs.
- The expenditures pursuant to the cooperative agreements are allowable case service expenditures.
- Any non-federal share received by cooperative partners that do not qualify as TPCAs is an allowable transfer of allotment under 34 C.F.R. 361.60(b).
- The Rehabilitation Act of 1973, as amended, and implementing federal regulations require designated state units to collaborate with state and local agencies and nonprofits to better serve individuals with disabilities.
- Good public policy demands that VR agencies leverage existing funds, expand, align, and improve services to individuals with disabilities to support achievement of competitive integrated employment.

Good public policy and the public interest demands that RSA and DOR work cooperatively to ensure that approximately 24,000 individuals with disabilities served under DOR’s existing cooperative agreements continue to receive VR services without interruption or delay and to resolve any concerns in a collaborative, seamless manner within a reasonable timeframe.

RSA Response: RSA appreciates the agency’s dedication to the VR program, the individuals it serves, and its efforts in working toward addressing the corrective action items identified prior to receiving the final monitoring report, as described in DOR’s Response. However, for the reasons discussed below, RSA sustains the findings, but we have revised and consolidated some of the required Corrective Actions in light of DOR’s Response.

The agency is correct that RSA monitored California on several occasions prior to 2018 and that findings regarding the contractual relationships of TCPAs were not raised in previous monitoring reports. However, each monitoring cycle targets specific Federal requirements to ensure compliance. One of the fiscal focuses during this monitoring cycle was sources of match and, hence, the intense review of the many contractual relationships utilized by DOR to generate non-Federal expenditures used as match under the VR program.

Under the VR program there are limited mechanisms for generating match through contractual relationships. Available mechanisms include: those entered into upon receiving a waiver of statewideness from RSA pursuant to section 101(a)(4) of the Rehabilitation Act and 34 C.F.R. §§ 361.25, 361.26, and 361.60(b)(3)(ii); TPCAs pursuant to 34 C.F.R. § 361.28; establishment, development, or improvement of a CRP, pursuant to section 103(b)(2) of the Rehabilitation Act and 34 C.F.R. §§ 361.49(a)(1) and 361.60(b)(3)(i); an interagency transfer from another public agency; or a private contribution from a private entity pursuant to 34 C.F.R. § 361.60(b)(3)(iii). Each of these mechanisms has its own requirements that must be satisfied to constitute a valid arrangement for generating match for purposes of the VR program. Therefore, it is essential that DOR know the authority under which each contract is executed and the mechanism for generating the match so that it can ensure each arrangement satisfies all applicable Federal requirements.

While DOR asserts that its contracts are with appropriate entities and are allowable contracting arrangements and allowable sources of match under the VR program, RSA is unable to determine that to be true from the contracts its fiscal specialists reviewed during the on-site monitoring visit. If DOR had clear and unambiguous contractual documents and arrangements, RSA would have been able to distinguish between the different contractual arrangements. Specifically, if the contractual arrangements were clear and unambiguous, RSA would have been able to distinguish between those arrangements that were entered into as TPCAs versus other contractual arrangements. In so doing, RSA would have been able to determine which contractual arrangements were relying on the TPCA authority, as opposed to another authority, to generate allowable match, versus those contracts that were not allowable sources of match. However, as described in more detail in the Analysis section of this Finding, DOR's contracts use confusing language and create complicated contracting arrangements lacking clarity.

Given the assertions made by DOR in its Agency Response to the Finding and the confusion noted by RSA as a result of the ambiguous wording used in DOR's various contractual arrangements, as well as the complicated three-way contractual relationships, RSA has revised the Corrective Actions to require an additional action step that we believe is necessary. Because DOR relies heavily on these contractual arrangements to generate match for the VR program, it is essential that both DOR and RSA understand the legal authority for each of the arrangements to ensure each is valid. To that end, RSA requires the assistance of DOR in understanding the full contractual relationships which was not obvious from RSA's own review of the contracts during the on-site monitoring activities, if DOR wishes to maintain that all contractual relationships are legal sources of match.

This new required corrective action step not only provides the foundation for all other action steps required for this Finding but helps ensure compliance in the future. Specifically, within two months of the issuance of the Final Report, DOR must analyze, and submit for RSA review and approval a summary of, the 149 cooperative arrangements with public agencies, including the 14 separate but related contracts with private providers, to determine the legal authority for each arrangement and the legal authority for the match provided under each arrangement. Since DOR received the draft monitoring report in August 2020 and acknowledges in its response that it has already begun to review the 149 contracts, the review should not be an undue burden to the

agency. The two-month deadline accounts for DOR's work already initiated in this area, which provides DOR with approximately 7 months in total to complete the review and summaries.

In addition, DOR asserts the required corrective actions do not take into account procurement requirements and procedures in the State of California because DOR asserts that RSA was requiring immediate changes. We want to make clear that DOR must only cease relying on those TPCAs, executed as three-way arrangements in which an integral contractual relationship is between DOR and a private entity. We clarified, in the revised Corrective Actions, that DOR must cease using these agreements and relying on the match generated under them only if they are determined to be an impermissible TPCA or another contractual arrangement that is not a valid source of generating match. Such a determination will be made once DOR submits its summary of the contractual arrangements to RSA for review and approval. However, if any contracts are determined to be impermissible, changes to the documents or the effected matching contributions must be made immediately thereafter or cease to be used altogether. Only with such swift action can we be ensured that DOR is relying on allowable sources of non-Federal funds for drawing down Federal funds. However, as noted in the Analysis of the Finding itself, RSA makes clear that it would be possible to modify these three-way arrangements in such a way to ensure the continuity of services and relationships, as well as the generation of match, while ensuring compliance with all Federal requirements. RSA makes other clarifying edits throughout the Corrective Actions to make clear that further corrective actions are required generally only to the extent necessary, based on the summary of the 149 contractual arrangements reviewed and approved by RSA, as added in action step 5.1.1.

We disagree with DOR's assertion that it is premature to commit to revise the SF-425s or that revisions would yield low results. Because of DOR's heavy reliance on these contractual arrangements to generate match, the arrangements may have a significant impact on match and maintenance of effort (MOE) under the VR program. RSA wishes to stress that revisions to the SF-425s are required, only if it is determined that impermissible sources of match were utilized for that fiscal year. If RSA determines through an RSA approved summary that all non-Federal expenditures contained within the SF-425s are from permissible sources of match, then revisions to the SF-425s would not be necessary.

Moreover, because DOR raised the issue that 34 C.F.R. § 361.28(a) was amended without notice as to whether the change was substantive or clarifying in nature, RSA wishes to direct DOR to 80 FR 21059, 21072 (April 15, 2015) (Notice of Proposed Rulemaking). The preamble clearly articulates that the amendment of the provision was a minor clarification. In addition, there was a 60-day comment period for this proposed rulemaking. Therefore, RSA is not persuaded by DOR's assertion that confusion in this area may exist, and any such confusion alleged by DOR has no bearing on this Finding. It is important to note that at no time could DOR or any other VR agency engage directly with a private entity in a TPCA, regardless of the minor word changes made in 34 C.F.R. § 361.28(a).

Finally, as a recipient of Federal VR funds, DOR assures in its VR services portion of its Unified State Plan that it will have methods of administration to ensure the proper and efficient administration of the VR program. These procedures must ensure accurate data collection and reporting and financial accountability (34 C.F.R. § 361.12). Pursuant to 2 C.F.R. § 200.302(a),

DOR must have a financial management system that is capable of accounting for all funds under the VR program and for preparing reports required by the VR program. For this reason, it is essential that DOR understand the authority under which it enters into contractual relationships under the VR program and the authorities it uses to generate match for the program. Only in so doing can it ensure that the non-Federal expenditures it reports on the SF-425s are accurate and valid sources of match.

Based upon DOR's responses, RSA has modified the corrective action items as indicated, but the finding is sustained due to the confusion and lack of clarity in DOR's contracts and contractual arrangements that RSA noted while on-site and which DOR provided no evidence to the contrary with its Agency Response. RSA recognizes the time and effort necessary to make the required adjustments and will work with the agency during the course of completing these corrective action steps, including providing technical assistance as necessary, to ensure all required actions are addressed. However, the burden remains on DOR to show RSA that all the contractual arrangements are with appropriate entities and allowable under the VR regulations.

Request for Technical Assistance: DOR looks forward to a collaborative discussion.

5.2 Failure to Collect Required Data with respect to Services Provided under TPCAs

Issue: Whether DOR did not implement procedures that would enable it to collect certain data elements required by Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA when, under the TPCAs, the service providers were responsible for determining the VR services that each VR participant would receive.

Requirements: The VR regulations at 34 C.F.R. § 361.13(c) require that DOR be solely responsible for certain functions critical to the VR program. Among those, DOR must be solely responsible for all decisions affecting eligibility for VR services, the nature and scope of available services, and the provision of these services (34 C.F.R. § 361.13(c)(1)(i)). In addition, DOR must be solely responsible for the allocation and expenditure of VR funds (34 C.F.R. § 361.13(c)(1)(iv)). DOR is not permitted to delegate these responsibilities to another individual or agency (34 C.F.R. § 361.13(c)(2)).

Section 101(a)(10)(A) of the Rehabilitation Act requires DOR to assure in its VR services portion of its Unified State Plan that it will submit reports in the "level of detail" required by RSA regarding applicants for and eligible individuals receiving services under the VR program. Section 101(a)(10)(C) of the Rehabilitation Act requires DOR to submit performance reports that include, among others, the following specific data: the number of individuals with open cases (disaggregated by those who are in training and by those who are in postsecondary education) and the types of services those individuals are receiving; the number of students with disabilities who are receiving pre-employment transition services; and additional information, obtained either through a complete count or a sampling, related to its applicants and eligible individuals served regarding the types of services provided. Section 101(a)(10)(F) of the Rehabilitation Act requires DOR to assure in its VR services portion of its Unified State Plan that it will include complete counts of all data required regarding its applicants and eligible individuals, except in the narrow instances where a sampling is permitted.

Pursuant to Section 106(a) of the Rehabilitation Act, the VR program's evaluation standards and performance indicators are subject to the performance accountability system set forth in Section 116 of WIOA. Section 116(d)(2) of WIOA requires that a State's performance report, among other things, include the following data: the number of program participants who received career and training services, respectively, during the most recent program year and the three preceding program years, as well as the amount of program funds spent on each type of service; the number of program participants who exited from career and training services, respectively, during the most recent program year and the preceding three program years; and the average cost per participant of those participants who received career and training services, respectively, during the most recent program year and the three preceding program years. In TAC-17-01, dated August 17, 2017, the U.S. Departments of Education and Labor provided joint technical assistance to grantees that costs related to career services and training services must be determined and reported separately to satisfy the requirements of WIOA (see pages 35-37).

Analysis: During its monitoring activities, RSA reviewed many of DOR's TPCAs to get a better understanding of how they operate in the State of California. According to its review, RSA noted that the TPCAs typically span three SFYs and contained three separate budgets: a service budget, a certified expenditure budget, and a DOR budget. These budgets operate as respectively as a service budget, operational budget and program budget for the providers. . The TPCAs specify the types of services that will be provided, in general, and the entity that will provide those services. When DOR authorizes a VR participant to receive services under a TPCA, RSA learned that DOR assigns each participant to a vendor (i.e., service provider) in its Case Management System in a group authorization for services. DOR does not authorize specific services for each of the participants served under those agreements in its Case Management System.

For example, when DOR learns of students with disabilities who are interested in receiving pre-employment transition services but who have not yet been determined eligible for the VR program and who do not have an approved Individualized Plan for Employment (IPE), DOR assigns them to a group authorization in the Case Management System for a particular vendor that provides pre-employment transition services. With respect to these students, DOR does not authorize the students with disabilities to receive particular pre-employment transition services (e.g., work-based learning experiences, work readiness training, or peer mentoring to name a few). Furthermore, because these students have not yet been determined eligible for the VR program, they would not have an approved IPE that would itemize the agreed upon services to be provided in accordance with Section 102(b) of the Rehabilitation Act. Rather, under the process established by DOR, the public entity determines which pre-employment transition services the students will receive, and the length of those services.

As another example, for those individuals with disabilities who have been determined eligible for the VR program, DOR works with them to develop an IPE in accordance with the requirements of Section 102(b) of the Rehabilitation Act. Specifically, DOR and the individual will reach an agreement as to those VR services that are necessary for the individual to achieve an employment outcome (Section 103(a) of the Rehabilitation Act). Once the IPE is developed and the services are determined, DOR assigns each individual to a vendor as part of a group authorization for services in the Case Management System. As stated above, the system is not capable of determining the services associated with an individual to the authorizing services for those individuals, within a TPCA agreement. Once assigned to a vendor of services, the provider

determines the specific nature of those services and the length of those services. When the invoices are received, they are assigned to an authorization as if created as a group authorization. There is no way to break out the actual cost per service per individual.

Given this established process, DOR receives a list of the services provided and the total amount of costs incurred by the providers in delivering those services when the providers submit invoices to DOR for payment. Based on the invoices that RSA reviewed, which were submitted by the service providers under the TPCAs for payment, the invoices contained only the names of the VR program participants served, a list of all services provided by the vendor, and the time period during which the services were provided. The invoices do not specify the services that each participant received and the number of hours the service provider worked with each participant during that time period. In other words, the invoices submitted for payment by the vendor reflect all services provided by the vendor during the specific time period, but are not specific to any particular participant in terms of services provided, hours spent working with the participant, or the cost incurred in serving each participant. To report a per participant cost per service, as it is required to do for certain services in accordance with Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA, RSA learned that DOR averages the cost per participant under the TPCAs by selecting the individuals who received services within the billing timeframe and dividing the total amount charged for the provision of all services during the time period.

The TPCA invoicing problems are further complicated by the fact that DOR assigns one procedure code in the accounting system for all TPCA providers to cover all expenditures incurred which is paid for with the services budget, regardless of whether those expenditures are for operational, program, or service delivery costs. As a result, services provided using funds from any of the provider budgets, which is permissible, are not coded to a particular consumer as a service, but rather as a program cost, and the accounting system cannot differentiate which service or cost of service was paid from the budget.

The agency has no internal controls for monitoring costs from the three different provider budgets for specific services that may have been provided to specific VR program participants with a budget not typically used for service costs. There was no mechanism to determine which services were provided to which clients by which providers from the operational budget, or whether the operational budget only paid for administrative costs.

DOR must have processes that ensure accurate data collection and financial accountability (34 C.F.R. § 361.12). DOR's lack of ability to track and account for individual services and the cost of each service under a TPCA affects the agency's ability to accurately report VR services provided to individuals under an IPE as well as pre-employment transition services provided to students with disabilities according to the data specifications required by Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA. The agency simply reports all services provided under a TPCA and by their private service vendors as "Other Services." This process not only fails to provide an accurate reporting of the actual services provided, as the agency is required to do under 34 C.F.R. § 361.12, it also has the net effect of distorting the picture the data presents with respect to the delivery of VR services by DOR, as described in more detail in Observation 3.2 in Section 3 of this report.

From the information RSA reviewed during the monitoring process and described above, RSA determined DOR is not able to delineate the provision of VR and pre-employment transition services to the number of individuals or students receiving such services, the actual services provided, and the cost of each of those services. As a result, the agency is unable to report this required information on the RSA-911 or RSA-2, as required by 34 C.F.R. § 361.12 and 2 C.F.R. § 200.328(b). For example, on the RSA-2 and in the RSA-911, DOR reports all services provided from all vendors under a TPCA authority as “Other Services” and the cost associated with those services is an average of total costs billed among clients. The accounting codes can delineate the vendor providing the service, but not the actual service provided. In order to comply with the RSA-2 and RSA-911 reporting requirements, which implement the statutory requirements set forth in Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA, DOR must be able to track costs to the individual and service level.

In addition to the agency’s inability to delineate and report which services were provided to which participant, as described above, most of the TPCAs RSA reviewed covered the provision of both pre-employment transition services and other VR services. In other words, a participant served under a TPCA could be either a student with a disability who had not yet been determined eligible for the VR program or the participant could be an individual with a disability who had been determined eligible and who has an approved IPE. This means that DOR’s Case Management System is not able to keep track of which of those services provided under a TPCA were provided to an eligible individual in accordance with an approved IPE versus those that were provided to a student with a disability as a pre-employment transition service. At the time of the on-site visit, all TPCAs were classified as Employment Service agreements. The vendor invoices that RSA reviewed did not differentiate time and effort worked as either pre-employment transition services or VR services under an IPE, thereby further making it impossible for DOR to differentiate between the two classes of services for reporting purposes. As a result, DOR was unable to accurately report the amount of expenditures incurred for the provision of pre-employment transition services to demonstrate it satisfied the reservation requirement of Section 110(d)(1) of the Rehabilitation Act, and was unable to report data in accordance with the specifications required by Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA.

DOR’s processes for authorizing all VR program participants served under a TPCA, by assigning participants as a group to vendors but not assigning them to specific VR services and coding all TPCA expenditures with the same code are problematic for many reasons. First, DOR must ensure that it reserves and expends at least 15 percent of its VR allotment on the provision of pre-employment transition services to students with disabilities (Sections 110(d)(1) and 113(a) of the Rehabilitation Act). Without the ability to know the specific services each VR program participant is receiving, DOR will be unable to determine, with certainty, whether it has satisfied its Federal mandate to reserve and expend these funds on a particular population (i.e., (students with disabilities) for a particular purpose (i.e., for the provision of pre-employment transition services).

Second, DOR is responsible for ensuring that the services provided by the cooperating public agency are only available to applicants for, or recipients of, services from DOR (34 C.F.R. § 361.28(a)(2)). Therefore, the TPCAs should clearly document the individuals to be served by the cooperating agency so that DOR can ensure all individuals served under the TPCAs are either

applicants or recipients of services under the VR program, and that each individual only receives the level of services for which he or she is able to receive them under the VR program. For example, a student with a disability may receive pre-employment transition services without having applied or being determined eligible for the VR program (Section 113(a) of the Rehabilitation Act and 34 C.F.R. § 361.48(a)(1)). However, that same student with a disability could not receive other VR services unless he or she has applied and been determined eligible for the VR program and had an approved IPE that identified those other services (Section 103(a) of the Rehabilitation Act and 34 C.F.R. § 361.48(b)). On the other hand, a student with a disability who has been determined eligible for the VR program and who has an approved IPE, is eligible to receive all services listed on that IPE and provided by the service provider (Id.). As a result of the process established by DOR with respect to group authorizations of participants to vendors and the format of vendor invoices that contain only lists of names of participants served and services provided in a billing cycle, there is no way for DOR to know, with certainty, when it pays an invoice that all services provided were allowable. For example, it would be possible for a service provider unknowingly to provide, for example, a student with a disability who has neither applied nor been determined eligible for the VR program with services that go beyond the scope of pre-employment transition services. The problem would be compounded when the provider submits the invoices to DOR for payment. Because the invoices do not specify which service each participant received, it would be impossible for DOR to know, with certainty, that each participant received only the level of services to which he or she was eligible under the VR program and to have confidence that the services were allowable. Consequently, it is possible, under the process DOR has established, that some of the payments made under the TPCAs could be questioned.

Finally, DOR's process for allowing service providers to determine which service each participant receives under TPCAs make it impossible for the agency to obtain the data necessary to report data specific to numbers of participants receiving particular types of services and the costs of those services, including at the per participant level, as required by Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116(d)(2) of WIOA. The method DOR uses for calculating participant costs does not satisfy statutory requirements for reporting specific data elements, as required by Section 101(a)(10)(C) of the Rehabilitation Act and Section 116(d)(2) of WIOA. Moreover, Section 101(a)(10)(F) requires that the data reported be complete counts, not just a sampling, except in the narrow circumstances in which a sampling is permitted. DOR's inability to obtain the data required by statute is problematic, not only as a matter of internal controls which will be discussed in more detail in a later Finding, but could also have a negative impact on DOR's ability to report its performance with respect to some of the primary indicators required by Section 106 of the Rehabilitation Act and 116(b)(2)(A)(i) of WIOA. A State's failure to meet its adjusted levels of performance under Section 116(g)(3) of WIOA could result in sanctions being imposed against the State pursuant to Section 116(f) of WIOA.

Conclusion: By not assigning VR program participants, who would be receiving services under TPCAs, to specific VR services, DOR is not able to know, with certainty, the cost of services that the CRPs provided each participant per service to which he or she was eligible to receive under the VR program. Moreover, DOR cannot be certain, without this knowledge, that each service it pays for under the TPCAs is allowable, thereby raising the potential for questioned costs. Finally, without knowing which participant receives which services under the TPCAs, DOR is not able to submit reports that contain complete and accurate data that are specifically

required by Sections 101(a)(10) and 106 of the Rehabilitation Act and Section 116 of WIOA. This lack of complete and accurate data could negatively affect DOR's ability to meet its adjusted levels of performance each year under the VR program, as required by Section 116 (b)(3) of WIOA. Last, this inability to report data accurately, particularly with respect to the provision of pre-employment transition services to students with disabilities, makes it impossible for DOR to report the amount of expenditures it incurs for this purpose to demonstrate it has satisfied the reservation requirement of Section 110(d)(1) of the Rehabilitation Act.

Corrective Action Steps: RSA requires that DOR:

- 5.2.1 Establish a process whereby all VR program participants, including those served under TPCAs, are assigned to specific services in the Case Management System, or in some other mechanism that would enable the agency to satisfy all programmatic and fiscal reporting requirements; and
- 5.2.2 Develop policies and procedures requiring that all service providers, particularly those providing services under TPCAs, submit invoices that detail services provided to each individual and the amount of time spent serving each individual, thereby enabling DOR to obtain the information necessary to ensure that all services provided are allowable and all expenditures incurred are allowable, as well as enabling DOR to submit, within 6 months of the date of the final issuance of the monitoring report, its required fiscal and programmatic reports completely and accurately.

Agency Response: Below are DOR's specific responses to each corrective action.

5.2.1 Establish a process whereby all VR program participants, including those served under TPCAs, are assigned to specific services in the Case Management System, or in some other mechanism that would enable the agency to satisfy all programmatic and fiscal reporting requirements

Historically, DOR has consistently documented, within its electronic records system authorizing case notes that specify services to be provided for each participant. Such authorizing case notes identify the program providing the service(s), the specific services requested and the timeframe for such service.

Following the 2018 monitoring visit, DOR established additional authorizing codes within the electronic records system that specifically delineate, for RSA-911 reporting, services to satisfy all programmatic and fiscal reporting requirements. This approach utilizing a group authorization methodology was reviewed and approved by RSA in 2018 following the on-site visit. The group authorization process ensures that contractors delineate specific services provided to each participant, and both the services and associated costs are documented within the electronic records system as required for mandated reporting. Electronic coding was completed on July 1, 2018 and first reflected on RSA-911 data submission for Program Year 2018, rendering this finding resolved.

The methodology reviewed by RSA in 2018 following their on-site visit provides information that ensures that DOR effectively reports both services and costs down to the consumer level. .

DOR believes that the corrective actions it made following the 2018 monitoring visit address the finding.

5.2.2 Develop policies and procedures requiring that all service providers, particularly those providing services under TPCAs, submit invoices that detail services provided to each individual and the amount of time spent serving each individual, thereby enabling DOR to obtain the information necessary to ensure that all services provided are allowable and all expenditures incurred are allowable, as well as enabling DOR to submit, within 6 months of the date of the final issuance of the monitoring report, its required fiscal and programmatic reports completely and accurately.

As noted in 5.2.1 above, DOR has completed necessary actions. Program Year 2018, Quarter 1 RSA-911 data provides full delineation of services and invoices reflecting cost of providing these services to each individual served.

RSA Response: While DOR states that RSA reviewed and approved the new group authorization process, RSA financial staff never received a copy of the processes and are unable to verify if the changes meet financial requirements for tracking and accounting for Federal funds as noted in the report finding.

RSA appreciates the agency's efforts in working toward addressing the corrective action items identified prior to the receipt of the report. Once the corrective action plan is developed including necessary steps to complete required corrective actions, RSA will work with the agency to determine if updated policies or procedures result in processes that meet all Federal requirements and ensure ongoing compliance.

The finding and the required corrective action items remain unchanged.

Request for Technical Assistance: DOR does not request technical assistance on the above corrective actions.

5.3 Improper Allocation of Personnel and Other costs

Issue: Whether DOR satisfied the requirements for cost allocation in 2 C.F.R. §§ 200.405, 200.430, and 200.431. This area of review is included on pages 50 and 51 of the MTAG.

Requirements: The Uniform Guidance at 2 C.F.R. § 200.405(a) makes clear that a cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable to that cost objective in accordance with the relative benefit received.

Additionally, 2 C.F.R. § 200.430(a) makes clear that compensation (including fringe benefits) for employees are allowable so long as the costs are, in pertinent part: (1) reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; and (2) determined and supported as provided in § 200.430(i). Allowability of fringe benefits are governed by the requirements at 2 C.F.R. § 200.431.

In accordance with 2 C.F.R. § 200.430(i)(1), salaries and wages must be based on records that accurately reflect the work performed. The records must, in pertinent part:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

Finally, as a recipient of Federal VR funds, DOR assures in its VR services portion of its Unified State Plan that it will have methods of administration to ensure the proper and efficient administration of the VR program. These procedures must ensure accurate data collection and reporting and financial accountability (34 C.F.R. § 361.12). Pursuant to 2 C.F.R. § 200.302(a), DOR must have a financial management system that is capable of accounting for all funds under the VR program and for preparing reports required by the VR program.

Analysis: RSA reviewed DOR's written processes and procedures, including those for allocating personnel costs and fringe benefits, and sampled timesheets to ensure the agency was assigning personnel costs and fringe benefits in accordance with the requirements of 2 C.F.R. §§ 200.430 and 200.431. DOR administers multiple programs, including the VR, State Independent Living Services, Independent Living Services for Older Individuals Who are Blind (OIB), and Supported Employment programs. It was clear, from the time sheets RSA reviewed, that some personnel work on multiple programs administered by DOR, as they are permitted to do.

However, RSA determined that not all DOR staff time is allocated to the correct cost objective. Rather, supporting documentation demonstrates VR program funds are used to cover 100 percent of certain personnel costs even though those staff do not work exclusively on the VR program. For example, according to personnel records reviewed by RSA as part of the monitoring activities, compensation for staff who work with multiple cost objectives was charged only to the VR program even though the staff's functions required them to work with all programs DOR administers (i.e., VR, Supported Employment, OIB, and Independent Living Services). Additionally, the salaries of staff in the Office of Strategic Initiative and the Disability Access Services work on multiple programs and activities that benefit more than the VR program, including VR and OIB award activities; however, the documentation RSA reviewed demonstrates that 100 percent of the time worked by these staff was allocated to the VR award. As a result of this review, it was clear the agency did not have sufficient internal controls to verify time and effort worked on all programs administered by the agency, as required by 2 C.F.R. § 200.430(i)(1)(i). The facts also demonstrated that DOR failed to allocate staff time properly between cost objectives, when they work on multiple cost objectives, as it is required to do by 2 C.F.R. § 200.430(i)(1)(vii). Therefore, the compensation paid did not satisfy 2 C.F.R. § 200.430(a)(3) because the evidence does not demonstrate that it is supported by documentation that satisfy the standards of 2 C.F.R. § 200.430(i).

In addition, policies and procedures were not consistent with timesheet implementation. During its review, RSA noted that procedures were out of date because they referenced cost objectives for programs that DOR no longer administered. Moreover, timesheets provided prior to the on-site visit did not align with written processes. During on-site discussions, DOR provided RSA current timesheets which were still inconsistent with written policies and procedures. It was unclear from the timesheets whether the distribution of employee salary supported the appropriate cost objectives, and if the agency's policies and procedures were being consistently implemented within the agency, as is required by 2 C.F.R. § 200.430(i)(1).

During the on-site monitoring, RSA identified other examples of DOR's failure to ensure that processes were in place, particularly with respect to terms of contracts, to ensure that costs would be allocated properly (i.e., in accordance with the relative benefit received by each program (2 C.F.R. § 200.405)), including:

- Operational costs in a TPCA budget may include travel costs, but the contract does not specify that these costs must only be reimbursed with VR funds in accordance with the relative benefit received by the VR program for the travel costs charged. In instances where the contractor serves other providers, the total portion paid for operational activities, like travel costs, must be shared proportionately by all benefitting programs. In other words, DOR cannot use VR program funds to pay the entire cost.
- Requirements outlining allowable and allocable time for vacation or sick leave were not described as being allocable to the VR award based upon the allocation of time worked. For example, in TPCAs and documentation reviewed by RSA, contractual staff under a TPCA being paid directly with Federal funds on leave had leave time 100 percent allocated and paid for with Federal VR funds, even in instances where the provider serves clients other than VR participants, or in instances where another TPCA staff member was providing the services and being paid for the time and effort provided. In the last instance, the VR agency is paying two staff members with VR funds to provide the services only one staff member was initially allocated to provide. Without processes to ensure district staff review these expenditures, DOR does not have sufficient internal controls to ensure they are not reimbursing the vendor for questioned costs in the VR program.
- RSA also reviewed DOR's cost allocation of other direct expenditures and found that the agency was not appropriately allocating all of those expenditures. Costs that benefit more than one cost objective must either be charged based upon the relative benefit received of all benefitting programs, or must be included in the indirect cost rate or cost allocation plan if the time and effort to adequately determine the cost objectives is disproportionate to the results achieved (2 C.F.R. § 200.403 through 200.405, and 200.56). For example, according to documentation that RSA reviewed, the agency paid for all equipment expenditures (e.g., expenditures for scanners, printers, and computer systems) with Federal VR program funds, even though the equipment was used by staff working on more than one cost objective or Federal award. DOR did not cost allocate the equipment across all Federal awards based upon the relative benefit received by each of those programs as it should have done in accordance with 2 C.F.R. § 200.405. If DOR could not readily assign the equipment costs among the different benefitting programs, without

effort disproportionate to the results received, DOR should have included the equipment costs in its indirect costs, as that term is defined at 2 C.F.R. § 200.56, which DOR did not. Additionally, DOR did not allocate only those costs in TPCAs that are allowable under the VR program under such agreements, including reimbursing the vendor for rent with Federal VR funds. Specifically, DOR did not allocate rent based upon the relative benefit received by the VR program.

As a recipient of Federal VR funds, DOR assures in its VR services portion of its Unified State Plan that it will have methods of administration to ensure the proper and efficient administration of the VR program. These procedures must ensure accurate data collection and reporting and financial accountability (34 C.F.R. § 361.12). Pursuant to 2 C.F.R. § 200.302(a), DOR must have a financial management system that is capable of accounting for all funds under the VR program and for preparing reports required by the VR program. Given these requirements, DOR must be able to allocate its costs properly – both personnel costs and those costs incurred under contractual arrangements with vendors -- so the agency can report its expenditures properly for each program it administers.

Conclusion: DOR did not satisfy the general cost allocation and personnel cost allocation requirements of 2 C.F.R. §§ 200.405 and 200.430 because DOR charged personnel, equipment, and other costs only to the VR award that should have been allocated across multiple cost objectives. Additionally, DOR did not have sufficient internal controls to ensure the proper allocation of personnel and other costs.

Corrective Actions: RSA requires that DOR—

- 5.3.1 Immediately cease using VR program funds to pay for the entire amount of direct and personnel costs when those costs must be allocated across multiple cost objectives in accordance with 2 C.F.R. § 200.405, and the VR program is only one of multiple programs benefiting from the cost;
- 5.3.2 Within 6 months from date of issuance of the final monitoring report, revise and implement a written internal control process, consistent with the requirements of 34 C.F.R. § 361.12, 2 C.F.R. §§ 200.302, 200.303, and 200.430(i)(1), to ensure DOR allocates all costs properly; these internal controls should include a monitoring component, consistent with the requirements of 2 C.F.R. § 200.328, so that DOR can monitor its grant-supported activities to ensure ongoing compliance with cost allocation requirements.
- 5.3.3 Within 6 months from date of issuance of the final monitoring report, revise contracts, as necessary, to ensure that costs, such as travel and payment of contractual staff, particularly with respect to when the personnel assigned to the contract is on leave, who work on multiple programs, are allocated across all programs that benefit from such costs;
- 5.3.4 Within 6 months from date of issuance of the final monitoring report, revise the DOR Contract Handbook, as necessary, to clarify proper cost allocation requirements, as set forth in 2 C.F.R. § 200.405, to ensure proper invoicing, and training to the DOR Contract Administrators on the requirement and review of allocable invoicing practices for operational activities applicable to multiple providers; and

5.3.5 Within 8 months from the date of issuance of the final monitoring report, Revise SF-425 reports for FFYs 2017 through the current FFY, as necessary, to ensure they accurately allocate and report personnel and other costs for each of the programs administered by DOR– VR, Supported Employment, and OIB.

Agency Response: Below are DOR’s specific responses to each corrective action.

5.3.1 Immediately cease using VR program funds to pay for direct and personnel costs when those costs must be allocated across multiple cost objectives in accordance with 2 C.F.R. § 200.405, and the VR program is only one of multiple programs benefiting from the cost

Following the RSA monitoring visit in March 2018, DOR developed a cost allocation plan to ensure direct costs such as equipment expenditures (e.g., expenditures for scanners, printers, and computer systems) benefitting multiple programs are properly allocated in accordance with 2 C.F.R. § 200.405. The cost allocation plan for direct costs was implemented in Federal Fiscal Year (FFY) 2018-19.

DOR will develop a cost allocation plan methodology for Office of Strategic Initiative and the Disability Access Services personnel costs to ensure proper allocation of personnel costs and implement the plan in FFY 2021. Additionally, DOR will review if there are other units that need to be allocated across multiple programs and make adjustments as appropriate.

5.3.2 Within 6 months from date of issuance of the final monitoring report, revise and implement a written internal control process, consistent with the requirements of 2 C.F.R. §§ 200.302, 200.303, and 200.430(i)(1), to ensure DOR allocates all costs properly; these internal controls should include a monitoring component, consistent with the requirements of 2 C.F.R. § 200.328, so that DOR can monitor its grant-supported activities to ensure ongoing compliance with cost allocation requirements.

DOR agrees and will complete this corrective action within 6 months from the date of issuance of the final monitoring report.

5.3.3. Within 6 months from date of issuance of the final monitoring report, revise contracts, as necessary, to ensure that costs, such as travel and CARF accreditation fees, are allocated across all programs that benefit from such costs.

DOR has sufficient policies and procedures in place to ensure all contract costs are reasonable and appropriately allocable to the appropriate funding source. For operational activities applicable to the contractor’s multiple sources such as travel, a portion of the costs are billed appropriately specifically for the operational costs directly related to the DOR contract services provided. For example, travel expenses related specifically to TPCA services are charged in full to the TPCA. Travel expenses that may be allocated to multiple funded sources are charged proportionately to the position allocation. Per the DOR Contract Handbook, the contract agency and the DOR Contract Administrator are responsible for verifying there are no other available funding sources or responsible parties to pay all or part of the travel or training costs. Revision to the TPCAs is not necessary as operational activities are allocable to the services received.

In regard to CARF accreditation fees, contractors may charge for full accreditation fees in the circumstance that DOR is the only entity mandating CARF Accreditation and the contractor is only providing services through the contract.

DOR will provide further training to the DOR Contract Administrators on the requirement and review of allocable invoicing practices for operational activities applicable to multiple providers. Moreover, DOR will incorporate additional guidance in the DOR Contract Handbook clarifying the allocable cost requirement for invoicing practices.

DOR affirms that existing policies and procedures are more than sufficient to meet operational need and internal control requirements. DOR asserts that human errors occur and will be mitigated through additional training and DOR provided technical assistance.

5.3.4 Within 8 months from the date of issuance of the final monitoring report, Revise SF-425 reports for FFYs 2017 through current FFY, as necessary, to ensure they accurately allocate and report personnel and other costs for each of the programs administered by DOR– VR, Supported Employment, and OIB.

DOR recognizes that personnel costs from the Office of Strategic Initiative and the Disability Access Services should be allocated across multiple cost objectives. DOR notes that the annual cost of the two units is about \$1 million – this represents 0.2% of DOR’s total budget (\$487 million). This corrective action will create unnecessary administrative burden with insignificant impact to the VR program. Since the adjustment has minimal impact to the VR program, DOR requests not to revise the previous SF-425 reports. Instead, DOR requests to apply the new cost allocation methodology for personnel costs beginning FFY 2021 to ensure accurate allocation and reporting of personnel costs for each of the programs administered by DOR– VR, Supported Employment, and OIB.

RSA Response: RSA appreciates the agency’s efforts in working toward addressing the corrective action items identified prior to the receipt of the report. Once the corrective action plan is developed, including necessary steps to complete required corrective actions, RSA will review any updated processes, policies, or allocation methodology and determine whether updated processes meet all Federal requirements and ensure ongoing compliance. However, for the reasons discussed below, RSA sustains the finding, with some revisions.

First, RSA appreciates the action taken by DOR after RSA’s monitoring visit on March 18, 2018, to develop a cost allocation plan to ensure direct costs such as equipment expenditures (e.g., expenditures for scanners, printers, and computer systems) benefitting multiple programs are properly allocated in accordance with 2 C.F.R. § 200.405. In addition, DOR indicated its willingness to develop a cost allocation plan methodology for the Office of Strategic Initiative and the Disability Access Services’ personnel costs to ensure proper allocation of personnel costs and implement the plan in FFY 2021. Moreover, DOR indicated its willingness to review other units and adjust cost allocation plans as appropriate. These are positive steps in addressing the cost allocation discrepancies observed by RSA during its 2018 monitoring visit.

Second, RSA appreciates DOR's agreement and willingness to take corrective actions as required in this Finding, particularly with respect to the development of internal control policies and procedures, consistent with the requirements of 2 C.F.R. §§ 200.302, 200.303, and 200.430(i)(1). We look forward to reviewing the policies and procedures DOR develops to monitor its grant-supported activities to ensure ongoing compliance with cost allocation requirements. Only with proper internal control policies and procedures will DOR be able to ensure the proper and efficient administration of the VR program, as required by 34 C.F.R. § 361.12.

Third, RSA understands that DOR disagrees with the Finding as it relates to cost allocation under contracts, particularly under the TPCAs. While DOR indicates the existence of a Contract Handbook to ensure cost allocation occurs properly, DOR's response does not directly address the instances of noncompliance seen by RSA. Specifically, in the TPCAs and documentation reviewed by RSA, contractual staff under a TPCA paid directly with Federal funds on leave had leave time 100 percent allocated and paid for with Federal VR funds, even in instances where the provider served clients other than VR participants, and in instances where another TPCA staff member provided the services. Therefore, in the instance where the contractual staff serve clients other than VR participants, the individual's leave should be allocated appropriately among all relevant programs. In addition, it is not clear whether the terms of the TPCAs addressed personnel costs when the assigned personnel under the TPCA is on leave. In addition, DOR did not indicate whether the allocation of travel expenses is addressed in the TCPAs, but only asserted that the agency properly allocates these costs. Because of the ambiguous nature of DOR's contracts and TPCAs, as described in more detail in Finding 5.1, the cost allocation problems RSA noted (such as those with personnel and equipment costs), it is important that the contractors are fully aware of the Federal cost principles requirements governing allocability of costs when submitting invoices to DOR. For this reason, we believe it important that DOR revise its contracts in accordance with corrective action 5.3.3, as necessary, to ensure that cost allocation requirements are transparent for all parties. In doing so, DOR can ensure its payments under contracts will satisfy the Federal cost principles of being allowable, reasonable, and allocable, as required by 2 C.F.R. §§ 200.403 through 200.405.

RSA appreciates DOR's willingness to provide further training to the DOR Contract Administrators on the requirement and review of allocable invoicing practices for operational activities applicable to multiple providers. In addition, DOR indicated its willingness to incorporate additional guidance in the DOR Contract Handbook clarifying the allocable cost requirement for invoicing practices. These are positive steps to ensure proper contract cost allocation and are added to the corrective action required by RSA, given their consistency with the other corrective action required. However, DOR still must address the issue of staffing and allocation of travel expenses through the TPCAs.

Furthermore, RSA appreciates DOR's response to the issue of the allocation of the CARF accreditation fee. Based upon DOR's response, RSA believes it is sufficient to revise the finding and corrective action to remove the CARF accreditation fee. It is RSA's understanding that the CARF registration fee is only at issue for those vendors providing VR services under TPCAs. Since DOR required the CARF registration and it is only applicable to the VR program – and no

other program administered by DOR, it would not be appropriate to allocate the fee amongst the other programs administered by DOR.

Fourth, RSA understands that DOR does not believe corrective action is necessary for addressing \$1 million in Federal VR funds, because it asserts the amount is only 0.2% of its budget and corrective action would create unnecessary administrative burdens for the agency. RSA does not find this argument persuasive, because the agency provided an assurance in its State plan that it would comply with the Federal grant award requirements, and all terms and conditions associated with the award. The requirements specified in this finding represent Federal requirements for all VR grantees in accordance with the Uniform Guidance, the Rehabilitation Act, and the VR program regulations. Agencies are responsible for ensuring all requirements are met as part of the acceptance of Federal funds. This includes ensuring all Federal funds are properly allocated based upon relative benefit received in accordance with 2 C.F.R. § 200.405. There are no exceptions in the Uniform Guidance that make the improper allocation of costs acceptable, no matter how small the percentage of the agency's overall budget.

In addition, DOR is responsible for ensuring its financial management system and internal controls satisfy Federal statutes and regulations, including 2 C.F.R. §§ 200.302 and 200.303, as part of the acceptance of Federal award funds. DOR indicates that its budget is more than \$400 million; however, between FFY 2017- FFY 2020, California received between \$303 million and \$330 million to carry out the VR program, which are the only funds at issue in this Finding. Regardless of whether the improper personnel cost allocation equals a small percentage of DOR's VR grant amount, the \$1 million exceeds the threshold for material compliance. Section 107 of the Rehabilitation Act requires States to substantially comply with the State plan. Because the \$1 million exceeds the threshold amount, DOR did not substantially comply with the State plan. As a fiduciary of taxpayer money, government must ensure the proper use of such funds. Under 34 C.F.R. § 361.12, California provided assurances to the Department in its State Plan that the DSA and DSU would employ all methods necessary to ensure proper and efficient data collection and financial accountability. Therefore, any amount of Federal award funds allocated must be addressed and cannot go uncorrected. For this reason, RSA sustains its required corrective action, and DOR must provide revised SF-425s for the specified timeframes to ensure they accurately allocate and report personnel and other costs for each of the programs administered by DOR— VR, Supported Employment, and OIB. Furthermore, DOR must continue to apply the new cost allocation methodology for personnel costs in FFY 2021 and beyond to ensure accurate allocation and reporting of personnel costs for each of the programs administered by DOR.

In conclusion, while the agency asserts sufficient internal monitoring processes are in place, the on-site monitoring visit resulted in findings and corrective actions. Based upon DOR's responses, RSA has modified the Finding and corrective actions to remove references to the CARF accreditation fees, but the substance of the Finding and all other corrective actions remain unchanged. In addition, RSA added a corrective action item to align with the activities that DOR asserted would be taken in response to the draft Report. We concur those activities will be beneficial in ensuring DOR's ongoing compliance with cost allocation requirements.

Request for Technical Assistance: DOR requests technical assistance with corrective action 5.3.4.

5.4 Insufficient Internal Controls and Program Monitoring

Issue: Whether DOR implemented the internal controls required by 2 C.F.R. §§ 200.302 and 200.303, as well as sufficient monitoring of all grant-supported activities as required by 2 C.F.R. § 200.328, to ensure the agency administers the program in compliance with Federal requirements and the terms and conditions of the award. This area of review is included on pages 50-51 of the MTAG.

Requirement: “Internal controls” means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations (2 C.F.R. § 200.61).

A State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These methods of administration (i.e., the agency’s internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12). Additionally, 2 C.F.R. § 200.303 requires DOR, among other things, to establish internal controls that provide reasonable assurance that the agency is managing the program in a manner consistent with Federal requirements and the terms and conditions of the award; comply with Federal statutes, regulations, and the terms and conditions of the Federal awards; evaluate and monitor the agency’s compliance with Federal requirements and the terms and conditions of Federal awards; and take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

In accordance with 2 C.F.R. § 200.302(a), a State’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the—

- Preparation of reports required by general and program specific terms and conditions; and
- Tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. Furthermore, 2 C.F.R. § 200.302(b)(7) requires DOR to have written procedures for determining allowability of costs in accordance with the Federal cost principles of 2 C.F.R. §§ 200.403 through 200.405 and the terms and conditions of the Federal award.

The Uniform Guidance in 2 C.F.R. § 200.407 includes a list of specific circumstances for which prior written approval from the Federal awarding agency in advance of the occurrence is either required for allowability or recommended in order to avoid subsequent disallowance or dispute based on the unreasonableness or non-allocability. For example, 2 C.F.R. § 200.407(1) identifies

equipment and other capital expenditures as one of many costs for which prior written approval is required. More specifically, 2 C.F.R. § 200.439(b)(1) states that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding or pass through entity. The Uniform Guidance at 2 C.F.R. § 200.62(a)(3) and 2 C.F.R. § 200.302(b)(7) also requires the agency have written internal control and processes for compliance requirements for Federal awards to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Analysis: As a recipient of Federal VR program funds, DOR assures that it will employ methods of administration for the proper and efficient administration of the VR program and for carrying out all functions for which the State is responsible under the program. These methods must include procedures for accurate data collection (34 C.F.R. § 361.12). In addition, as a recipient of Federal funds, in general, DOR must establish effective internal controls that reasonably assure that the agency is managing the VR program in compliance with Federal requirements and the terms and conditions of the award (2 C.F.R. § 200.302(a) and (b)).

Each State must expend and account for the Federal award in accordance with State laws and procedures for accounting for the States own funds. But, the financial management system must be sufficient to permit preparation of reports and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the award (34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a)). Grantees must also be able to demonstrate that all expenditures are allowable within the requirements of the award, necessary to the Federal award, reasonable in nature, and appropriately allocated to the Federal award according to the relative benefits received (2 C.F.R. §§ 200.403 through 200.405).

RSA found several areas of concern that fall within the scope of internal controls and program monitoring. To the extent those concerns are relevant to Findings 5.1 through 5.3, we have addressed them in those contexts. Below, we have identified more general concerns with DOR's internal controls processes.

Insufficient Contract Monitoring: The agency did not have sufficient processes for contract monitoring, including TPCAs, necessary to ensure only allowable VR activities were paid with VR funds. For example, during RSA's on-site discussions regarding contract monitoring and review of supporting documentation, DOR stated it is not uncommon for contractors to dispute noncompliance issues DOR may identify while working with a contractor. For example, DOR provided documentation of a site visit conducted by central office staff. The site visit results stated that the contractor was, among other things: was providing services not specified in the contract; and billing DOR for time and effort worked for positions not specified in the agreement. Despite DOR's findings, the agency informed RSA it provided technical assistance to the contractor to resolve the issue so that the contract could be renewed. DOR did not have internal controls to delineate which of the contract activities were allocable to which cost objective. By not establishing internal control processes for monitoring all contractors and vendors periodically to ensure program accountability, as it is required to do pursuant to 2 C.F.R. § 200.328, DOR was not able to verify that funds were only used for allocable VR purposes.

In addition, RSA found instances in which requirements in DOR's Contract Handbook are not operationalized consistently. For example, the Contract Handbook requires written approval from DOR contract administrators for all claim adjustments, allowable only if the claim adjustment does not exceed a cumulative amount of 10 percent of the annual contract service budget total. However, RSA found invoices with handwritten changes, some of which exceeded the threshold. When asked, district managers could not articulate claim adjustments requirements, how to determine reasonableness of invoices, or if invoices or adjustments to those invoices were in accordance with the terms and conditions of the contract or DOR's Contract Handbook.

Another example includes surplus fund adjustments. The Contract Handbook stipulates when surplus funds from other line items within the budget are allowed in order to defray other costs within the same fiscal year, such as using budgeted travel costs to pay for operational costs. However, RSA found instances where the contractor made changes to line item budgets based upon surplus funds, but DOR had no supporting documentation or explanation to substantiate the change. Additionally, in some instances the invoice amounts were changed, but the total expended on the contract was not updated and the changes were not reflected in subsequent invoices.

Lack of Centralized Monitoring: DOR delegates responsibility for many administrative functions to its district offices (e.g., personnel hiring, development and monitoring of TPCAs, etc.). As a result, DOR coordinates the provision of VR services through district offices that operate semi-autonomously. DOR indicated on-site that the central office gives the districts as much autonomy as possible, providing technical assistance as needed. The district offices, via the district managers, administer the Federal and non-Federal funds based upon a budget approved by the central office. The district managers are the primary individuals responsible for ensuring compliance with requirements. Most of DOR policies and procedures detail district responsibility for operating the VR program, including making the districts responsible for determining allowability of costs and ensuring Federal and State requirements are met, while the central office provides technical assistance, processes invoices for payment, conducts staff training, and reviews performance and fiscal data from the districts, in order to provide guidance on improving processes. District managers stated they self-monitor their assigned districts and that the central office provides a budget, training, and technical assistance when requested. The lack of centralized internal controls resulted in numerous instances of non-compliance identified on-site. RSA and DOR discussed instances where the lack of monitoring oversight of district contract administration resulted in non-compliance that were not discovered or, if discovered, were not corrected systemically in accordance with 2 C.F.R. § 200.303(d)). For example, RSA found examples of inconsistent implementation of requirements, paying more than specified in the contract, written amendments inconsistent with initial contract requirements, payment of services rendered not included in contracts, amendments to total budgets and line items inconsistent across billing cycles, allocation of costs applied inconsistently, hand amended items of cost not in accordance with requirements, etc.

While the district offices are responsible for ensuring Federal and State requirements are met, the central office does not have a monitoring process whereby district offices report compliance data so the central office can analyze the data and impose corrective actions when needed to ensure corrections are made systemically across the agency. Without such processes, the central office

does not have sufficient internal controls to ensure districts are monitoring for compliance and, thereby, operating in compliance with Federal requirements and taking prompt action when needed. In other words, the central office is not monitoring the district offices with respect to its own monitoring requirements, as it should do pursuant to 2 C.F.R. § 200.328.

Missing or Out-of-Date Policies and Procedures: This is a repeat finding for DOR. RSA identified the lack of internal controls during the FFY 2009 monitoring visit and provided technical assistance to the agency regarding the development of a formalized process for timely updating policies and procedures. The absence of updated policies and procedures reflecting WIOA requirements demonstrates that the agency's corrective actions for ensuring accurate and timely revisions to its policies and procedures did not correct previously identified noncompliance. Through on-site discussions with DOR management and reviews of agency policy manuals, RSA found the agency has not maintained numerous policies and procedures to ensure consistency with applicable Federal requirements. DOR policy is maintained in the Rehabilitation Administrative Manual (RAM), which contains more than 30 Chapters regarding the administration of the VR program. At the time of the on-site visit, RSA found that required RAM chapters or implementing procedures either did not exist or were not updated to reflect changes in Federal requirements because of the enactment of WIOA. While discussing policies on-site, the agency acknowledged that policies were outdated and not reflective of actual agency practices. During on-site discussions, DOR stated email bulletins were used to communicate updated practices before the applicable RAM chapter is updated. However, because of the lack of centralized monitoring by the agency of its activities, DOR cannot be confident that its district offices are implementing the email bulletins appropriately. For example, while discussing contract authorizations, RSA reviewed RAM Chapter 11, which indicates that contract authorizations may be backdated up to 500 days. DOR indicated that district staff do not backdate authorizations up to 500 days, and acknowledged the policy needed to be amended. However, without the updated RAM chapter stating otherwise, and the lack of district monitoring, central office staff were unable to verify whether backdating of authorizations occurs and, if so, to what extent.

Lack of Processes to Catch Fiscal Errors: As discussed in more detail in the Observation above, DOR's reliance on manual processes increases the risk that Federal funds might not be appropriately tracked and accounted for. For example, during the on-site visit, RSA identified cash match provided through TPCAs that was miscoded as program income. Financial controls were not sufficient to identify errors such as miscoded accounting entries and incorrectly assigned expenditures.

DOR's auto disencumbering process captures all obligations remaining at a specified time, such as 90 days after the end of the SFY. As RSA noted during the on-site monitoring process, this process is likely to disencumber those obligations for which services have been provided, but are awaiting payment. The agency's internal controls are not sufficient to make the distinctions between these obligations with respect to this automated process, thereby raising questions as to the validity of the data reported by the agency with respect to unliquidated obligations.

Failure to Obtain Prior Written Approval: As part of its monitoring activities, RSA requested the agency's written policies, procedures, or processes to ensure the agency was meeting the prior approval requirements when applicable. DOR provided policies and procedures for

obtaining prior written approval as well as implementation processes for staff. At the time of the on-site visit, DOR had recently implemented written policies and procedures related to obtaining prior written approval. The policies detailed various items of cost requiring prior approval, as well as processes for staff and vendors to obtain prior approval for equipment and participant support costs. In addition, the agency implemented processes to track prior approval requests submitted to RSA, including the development of a request form used by agency staff and vendors detailing the justification for the prior approval request. The form also includes the method of purchase and cost allocation methodology, if applicable, proposed date of purchase or obligation, grant award number, and total cost. The agency assigns a unique tracking number to all requests and includes the State fiscal year and the type of request. Additionally, DOR created an agency email account used solely for tracking prior approval requests received from within the agency and sent to RSA for review and approval.

Upon reviewing the policies and procedures provided by DOR, it was apparent the agency had such policies and procedures for some cost categories, particularly those pertaining to expenditures incurred for the benefit of individuals. However, it did not have policies and procedures in effect for obtaining the prior written approval for all cost categories identified in 2 C.F.R. § 200.407. According to expenditures and contracts RSA reviewed, DOR spent Federal funds on expenditures and obligations that require prior written approval without first receiving that approval. For example, the agency spent direct Federal funds on capital expenditures in accordance with 2 C.F.R. §§ 200.13 and 200.439, to renovate an area of its Orientation Center for the Blind without initially seeking prior written approval as it should have done in accordance with 2 C.F.R. § 200.407(l). Additionally, the agency purchased software equipment that met the definition of equipment in accordance with 2 C.F.R. §§ 200.33 and 200.439, and did not seek prior written approval to obligate those Federal funds, as it should have done pursuant to 2 C.F.R. § 200.407(l).

Lack of Internal Controls with Prior Approval Requests: In addition to spending Federal funds without receiving prior written approval when required by 2 C.F.R. § 200.407, DOR did not have sufficient internal controls to ensure costs submitted to RSA for prior written approval were allowable costs in accordance with the Federal cost principles at 2 C.F.R. §§ 200.403 through 200.405 or in compliance with the agency's own policies and procedures. For example, in one request for prior written approval, DOR submitted participant support costs for a training that exceeded the training costs identified on the training's own website. In another request, DOR submitted costs for a grant award whose period of performance had already ended.

Conclusion: The internal control requirements of 2 C.F.R. §§ 200.302 and 200.303 require DOR to have policies and procedures in place to ensure it complies with Federal requirements and the terms and conditions of the grant award. Moreover, 2 C.F.R. § 200.328(a) requires DOR to monitor its grant-supported activities to ensure compliance with Federal requirements, which would include those related to prior written approval. Without these processes for obtaining prior written approval, internal controls, and monitoring, neither RSA nor DOR can know, with confidence, whether the agency's expenditures are allowable, reasonable, necessary, and allocable. For the reasons described above, DOR's internal controls are not sufficient in all areas to ensure the agency is managing the VR program in accordance with statutory and regulatory requirements, as well as the terms and conditions of the award.

Corrective Action Steps: RSA requires that DOR:

- 5.4.1 Within 6 months after the date of the monitoring report, update and implement policies, procedures, and internal controls reflecting current Federal requirements, as required by 34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7), including those requirements governing requests for prior written approval at 2 C.F.R. § 200.407. Provide copies of updated documents to RSA for review to ensure they are sufficient to meet Federal requirements; and
- 5.4.2 Within 6 months after the date of the monitoring report, develop and implement written internal controls governing oversight of grant-supported activities, particularly with respect to contract monitoring, financial controls, data collection and reporting, and monitoring for agency compliance with Federal requirements, as required by 2 C.F.R. § 200.328(a). Provide internal control documents to RSA for review to ensure they are sufficient to meet Federal requirements. To verify implementation of corrective actions, DOR must provide reliable documentation demonstrating that the internal controls are being implemented and resulting in corrective steps, as needed (e.g., centralized monitoring).

Agency Response: Below are DOR's specific responses to each corrective action.

- 5.4.1 Within 6 months after the date of the monitoring report, update and implement policies, procedures, and internal controls reflecting current Federal requirements, as required by 34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7), including those requirements governing requests for prior written approval at 2 C.F.R. § 200.407. Provide copies of updated documents to RSA for review to ensure they are sufficient to meet Federal requirements;**

DOR has implemented policies and procedures for prior approval requests. DOR will update and provide requested documentation to RSA for review to ensure they are sufficient to meet current Federal requirements as required by 34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7), including requirements governing requests for prior written approval at 2 C.F.R. § 200.407.

- 5.4.2 Within 6 months after the date of the monitoring report, develop and implement written internal controls governing oversight of grant-supported activities, particularly with respect to contract monitoring, financial controls, data collection and reporting, and monitoring for agency compliance with Federal requirements, as required by 2 C.F.R. § 200.328(a). Provide internal control documents to RSA for review to ensure they are sufficient to meet Federal requirements. To verify implementation of corrective actions, DOR must provide reliable documentation demonstrating that the internal controls are being implemented and resulting in corrective steps, as needed (e.g., centralized monitoring).**

DOR has internal controls governing oversight of grant-supported activities, particularly with respect to contract monitoring, financial controls, data collection and reporting, and monitoring for agency compliance with Federal requirements. DOR agrees to review, update, and submit

written internal controls to RSA within 6 months of the date of the monitoring report to ensure they are sufficient to meet Federal requirements as required by 2 C.F.R. § 200.328(a).

In response to RSA's determination that greater internal controls are needed for contract monitoring, including centralized monitoring, DOR believes it is appropriate to provide contract monitoring through local monitoring provided by the District Contract Administrators, in collaboration with the technical support and program review monitoring by DOR's Cooperative Programs Section. This is further supported with assistance from centralized Contracts and Accounting Units.

District Contract Administrators are supported with access to:

- Online tools and resources
- Annual contract training
- Biennial Contract Administrator training
- Quarterly Contract Administrator calls
- Contract Administrator Handbook

The Cooperative Programs Section additionally provides program reviews of between 30-40 programs annually and is available to provide technical assistance visits when requested.

DOR is developing and will implement an additional annual data report for each cooperative program. This data will provide annual information for each Cooperative program to assist with analysis and collaborative monitoring at the local level with technical assistance and support from the Cooperative Programs Section.

In response to RSA's assertion that greater internal controls are needed to ensure timely updating of policies and procedures, DOR acknowledges that it could not produce some documents requested at the on-site review. Interim guidance is essential and DOR will work to ensure that all interim and formal guidance is readily available and usable by all DOR staff, participants, stakeholders and partners. . DOR is in the process of updating state regulations and specific chapters of RAM which will be shared with RSA for review and discussion.

RSA Response: As a recipient of Federal grant award funds, the agency has provided an assurance in the State plan that it will comply with the Federal grant award requirements, and all terms and conditions associated with the award. The requirements specified in this finding represent Federal requirements for all VR grantees in accordance with the Uniform Administrative requirements, EDGAR, and the Rehabilitation Act. Agencies are responsible for ensuring all requirements are met as part of the acceptance of Federal funds. Based upon the population data for the State of California, which RSA uses to calculate Federal funds received, the Federal government recognizes that California has a larger population of individuals with disabilities in the State, and subsequently provides the most amount of Federal funds to meet the needs of the State.

RSA appreciates the agency's efforts in working toward addressing the corrective action items identified prior to the receipt of the report. Once the corrective action plan is developed including necessary steps to complete required corrective actions, RSA will review any updated processes,

policies or allocation methodology and determine if updated processes meet all Federal requirements and ensure ongoing compliance.

While the agency maintains that sufficient internal monitoring processes are in place, the on-site monitoring visit resulted in findings and corrective actions. Additionally, as stated in the finding, the agency is not sufficiently monitoring its own districts, resulting in the lack of internal controls mentioned. As a result, the finding and required corrective action items remain unchanged.

Request for Technical Assistance: DOR requests technical assistance with the review and revision of the internal controls and related documentation.

D. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to DOR as described below.

Internal Controls

RSA provided technical assistance to DOR regarding the definition of and requirements for internal controls. RSA reviewed the requirements for internal controls in the Uniform Administrative Requirements at 2 C.F.R. §§ 200.302(b)(4) and 200.303. In addition to discussing the definition of internal controls, RSA reviewed each item that the non-Federal entity must adhere to in 2 C.F.R. § 200.303 and discussed what constitutes good internal controls. The agency must have written guidance for establishing and maintaining effective internal control over the Federal award available to staff at all levels. Good internal control includes a developed process used to test and verify that the internal controls work for the agency and must include a process for taking prompt action when instances of non-compliance are identified. Additionally, internal control includes a process for updating and maintaining processes and procedures in a timely manner. DOR policy is difficult to update timely due to its rule promulgation process for each RAM Chapter. Subsequently, not all DOR policies are updated to accurately reflect statute, regulations and requirements. RSA and DOR discussed the importance of ensuring interim Directives are timely and maintained to permit DOR staff to access the most up to date requirements for the agency.

Third Party Cooperative Arrangements (TPCAs) and contract monitoring

RSA provided technical assistance to DOR regarding the nature and requirements of TPCAs in 34 C.F.R. § 361.28, including the process the agency uses to determine the type of agreement used to procure services. RSA and DOR discussed alternatives to TPCAs, like fee-for-service contracts, direct reimbursements, and interagency transfers with public entities not providing services, but providing all or part of the non-Federal share. Additionally, RSA and DOR discussed monitoring requirements for different types of contractual agreements. For example, DOR's We Can Work contracts do not meet the requirements for TPCAs, but reference the TPCA authority. These agreements could be fee-for-service agreements or interagency agreements, which could decrease the amount of monitoring and oversight on behalf of the VR agency.

RSA also provided technical assistance regarding monitoring fee-for-service contracts and TPCAs. While the Uniform Administrative Requirements in 2 C.F.R. § 200.317 require States to follow their State procedures for procurements with Federal and non-Federal funds, the Uniform Administrative requirements also state that the non-Federal entity is responsible for evaluating and monitoring their own compliance with the terms and conditions of the grant award (2 C.F.R. § 200.303(c)) which requires monitoring of procured funds. DOR utilizes a Contract Manual for contractors and DOR staff that outlines requirements related to purchased services, including requirements for documentation to be provided by contractors. RSA and DOR discussed including either the requirements related to documentation and monitoring within the signed contract, or referencing the requirements in the Contract Manual in order to strengthen the agency's ability to implement effective internal controls for contract monitoring.

Establishment

RSA provided technical assistance to DOR regarding the purpose and requirements of the establishment authority in 34 C.F.R. §§ 361.5(c)(16) and (17), 361.29 and 361.49(a)(8). This included the pre-planning requirements in 34 C.F.R. § 361.29, requirements to obtain prior approval (2 C.F.R. § 200.407), cost allocation requirements for the non-Federal entity to ensure only allowable expenditures are paid for with Federal VR funds (34 C.F.R. § 361.3 and 2 C.F.R. § 200.403 - 405), implementation requirements (34 C.F.R. § 361.5(c)(16) and (17)), requirements to maintain written policies related to all establishment activity (34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7)), and best practices for monitoring expenditures within the establishment project.

Prior Approval

RSA provided technical assistance to DOR regarding prior approval requirements in the Uniform Guidance (2 C.F.R. § 200.407). RSA reviewed the list of activities outlined in 2 C.F.R. § 200.407 that may require prior approval and reviewed the requirements under each activity with DOR to determine if prior approval was applicable to its grant awards. Under each activity, RSA and the agency discussed possible costs, with specific examples, that may require prior approval. In particular, RSA and DOR reviewed items of costs requiring prior approval that are not purchased services for clients or equipment purchases for the agency but, are administrative costs, such as unrecovered or indirect costs used for match (2 C.F.R. § 200.306(c)). RSA and DOR reviewed the agency's policy related to prior approval to determine if it addressed key elements, including:

- The process the agency has for obtaining prior approval;
- The process fiscal staff and contract staff use to determine if a cost should have received prior approval;
- Who in the agency needs to be aware of prior approval and who determines when prior approval is required; and
- Who compiles and reviews the requests with applicable information and sends the approval request to RSA.

Lastly, RSA and DOR discussed prior approval requirements for equipment, specifically information technology systems (as defined in 2 C.F.R. § 200.33) and the requirements related to

participant support costs including the definition of conferences outlined in 2 C.F.R. § 200.432 which defines a conference as a meeting, retreat, seminar, symposium, workshop or event whose primary purpose is the dissemination of technical information.

Obligations and Liquidations

RSA provided technical assistance to DOR regarding their current process to obligate funds to the correct FFY award and liquidate funds from those obligations, including processes that may streamline the current manual practices. This included the creation and utilization of automatic processes and queries that would assist in streamlining the cumbersome manual process.

Cost allocation

RSA provided technical assistance to DOR regarding cost allocation requirements for items such as information technology systems and other equipment (2 C.F.R. § 200.405). A cost is allocable to a Federal award or other cost objective if the goods or services are chargeable or assignable to that award in accordance with the relative benefit received. For equipment, such as IT systems, utilized by staff that work on multiple cost objectives such as the VR and OIB awards, and by staff whose time and effort is covered through a cost allocation plan or indirect cost rate, the non-Federal entity must ensure the cost of the equipment is not paid for with one Federal award, but must ensure allocation of costs for the equipment is based on the relative benefit received from all staff that utilize that equipment. This may include a cost allocation methodology for assigning costs that reflects the proportional amount of time assignable and chargeable to each award, or via the indirect cost rate or cost allocation plan (2 C.F.R. §§ 200.405(d) and 200.416). Additionally, RSA and DOR discussed the process to reconcile costs in order to demonstrate that costs charged to each Federal award or via an indirect cost rate or cost allocation plan were based upon the relative benefit received (2 C.F.R. § 200.303(c)).

SECTION 6: FOCUS AREA – JOINT WORKFORCE INNOVATION AND OPPORTUNITY ACT FINAL RULE IMPLEMENTATION

A. Purpose

The Departments of Education and Labor issued the Workforce Innovation and Opportunity Act (WIOA) Joint Rule for Unified and Combined State Plans, Performance Accountability, and the One-Stop System Joint Provisions; Final Rule (Joint WIOA Final Rule) to implement Title I of WIOA. These joint regulations apply to all core programs of the workforce development system established by Title I of WIOA and the joint regulations are incorporated into the VR program regulations through subparts D, E, and F of 34 C.F.R. part 361.

WIOA strengthens the alignment of the public workforce development system’s six core programs through unified strategic planning requirements, common performance accountability measures, and requirements governing the one-stop delivery system. WIOA places heightened emphasis on coordination and collaboration at the Federal, State, local, and tribal levels to ensure a streamlined and coordinated service delivery system for job seekers, including those with disabilities, and employers.

In FFY 2018, the Employment and Training Administration in the U.S. Department of Labor, the Office of Career, Technical, and Adult Education, and RSA developed the “WIOA Shared Monitoring Guide.” RSA incorporated its content into the FFY 2018 monitoring of the VR program in this focus area. RSA assessed the VR agency’s progress and compliance in the implementation of the Joint WIOA Final Rule through this focus area.

B. Implementation of WIOA Joint Final Rule

This focus area consists of the following topical areas: WIOA Partnership; Governance; One-Stop Operations; and Performance Accountability. To gather information pertinent to these topics, RSA staff reviewed a variety of documents including the Program Year (PY) 2016 Unified or Combined State Plan; Memoranda of Understanding (MOUs) including the One-Stop Center Operating Budget and Infrastructure Funding Agreement (IFA) related to the one-stop service delivery system; and other supporting documentation related to the four topical areas.

WIOA Partnership

WIOA requires States and local areas to enhance coordination and partnerships with local entities and supportive service agencies for strengthened service delivery, including through Unified/Combined State Plans. Beyond the partnerships reflected in the Governance and One-Stop Operations sections of this focus area, Federal partners thought it was important for Federal agencies to inquire about the broader partnership activities occurring to implement many of the approaches called for within WIOA, such as career pathways and sector strategies. These require robust relationships across programs and with businesses, economic development, education, and training institutions, including community colleges and career and technical education local entities and supportive service agencies. Exploring how these activities are led and sustained may be useful in assessing how these initiatives are progressing within a State.

DOR described a high level of collaboration among the workforce partners at all levels. All partners consider individuals with disabilities as their customer and demonstrate an obligation to serve them. DOR has increased activity with AJCs, such as participating in review of proposals responding to RFPs and forming collaborative, working relationships between job developers and business specialists across programs to share customers and business contacts. At the time of this review, the apprenticeship workgroup planned to look at developing non-traditional apprenticeship programs. The partners have also worked on creating a common application form.

California was one of six States operationalizing a co-enrollment strategy as part of an opportunity offered by the U.S. Departments of Labor and Education. The partners were working to serve students and youth with disabilities as co-enrollees, particularly in light of the WIOA Title I Youth Program funding dedicated to out of school youth (75 percent) and the reserved VR funding to provide pre-employment transition services to students with disabilities (15 percent of the Federal allotment). In addition, the CALSKILLS initiative is an effort to develop a comprehensive, integrated and interoperable data collection and performance system about skill and credential attainment across programs.

The Governor designated the California Employment Development Department (EDD) as the lead agency for workforce development activities in the State. EDD, in collaboration with the State Workforce Development Board (SWDB), issued guidance in October of 2016 and January of 2017 to assist Local Workforce Development Boards (LWDBs) in developing local partnership agreements addressing program contributions to support the one-stop delivery system, including determining funding for infrastructure costs. Fourteen regional planning commissions were formed based on employment sectors to plan and implement strategies that address regional workforce development needs, including regional sector strategies. The regional commissions are comprised of representatives of LWDBs, including representatives from DOR, business, and educational institutions. Regional commissions and LWDBs must each develop workforce development plans for their catchment areas.

Governance

The State Workforce Development Boards (SWDBs) and Local Workforce Development Boards (LWDBs), which should include representation from all six core programs, including the VR program, set strategy and policies for an aligned workforce development system, which partners with the education continuum, economic development, human services, and businesses. The VR representative on the SWDB must be an individual who has optimum policy making authority for the VR program, and each LWDB is required to have at least one representative from programs carried out under Title I of the Rehabilitation Act (other than Section 112 or part C of that title).

The California SWDB is composed of 43 representatives that meet Federal requirements. The VR program representative on the SWDB is the director of DOR who has optimum policy making authority for the VR program. The board meets quarterly to review progress on the Unified State Plan goals and engages in meaningful, action-oriented and problem-solving dialogue. DOR has representation on regional planning commissions as well that plan and implement workforce sector strategies.

LWDB

California has 45 local workforce boards and each of those boards executed an MOU by the required date signed by core workforce partners addressing collaborative efforts, shared costs, and infrastructure funding. A DOR staff member, usually the district manager, is a member of each of the 45 LWDBs and provides a strong voice for individuals with disabilities and their workforce needs.

DOR business services/employment specialists coordinate services with one-stop staff to serve employers and to develop and implement career pathways. For example, a joint event for partner staff was held in Van Nuys (including Hollywood) at the CBS studios called “Lights, Camera, Action.” Staff learned about employment in the industry and industry staffing needs. In addition, partners coordinated efforts in serving Apple, Universal, and Comcast, plus others. Internships are addressed frequently. In addition, Facebook requested that DOR staff and their workforce partners attend an evening event in the Bay area to talk about hiring needs, talent pool, etc. Facebook, Apple, Intel and HP were participants. Similar efforts are developing with the trucking industry.

One-Stop Operations

The one-stop delivery system brings together workforce development, educational, and other human resource services in a seamless customer-focused service delivery network that enhances access to services and improves long-term employment outcomes for individuals receiving assistance. One-stop partners administer separately funded programs as a set of integrated streamlined services to customers.

There are 55 comprehensive one-stop centers in California, identified as America’s Job Centers of California (AJCC) with 180 affiliate AJCC one-stop centers. Some comprehensive and affiliate AJCCs may also be designated as specialized AJCCs that address the specific needs of dislocated workers, youth, or key industry sectors or clusters. Every AJCC has monthly operational meetings and all core partners are required to attend. During these meetings, the partners address how they will work together, including a referral process, a point of contact for each program, and communication strategies. Partners also learn about each program’s eligibility process and criteria. Results of these meetings are reported at regional meetings.

California chose to separate the MOU development process into two phases, described as Phase I and Phase II MOUs, to address funding arrangements to support the operation of the AJCCs. Phase I MOUs described service coordination and collaboration of local workforce partners. These MOUs described how the required partners in each local area work together to address shared customers and services as part of one-stop operations. Components of Phase I MOUs included services provided through the one-stop and how the services will be coordinated, methods for referring customers, methods to ensure access to one-stop services, and administration and management of the one-stop, including site supervision, media releases and communication, as well as methods for dispute resolution.

Phase II MOUs addressed infrastructure funding to support the one-stop delivery system and all 45 LWDBs developed Phase II MOUs. Different methodologies were used by LWDBs to

establish each partner's proportionate share of infrastructure costs for each comprehensive AJCC. For example, some were based on the partner's use of physical space in the AJCC and some were based on each partner's expenditures in the catchment area as a portion of all partner expenditures in the area. There were no shared costs in Phase II MOUs as all partners agreed that determining proportional benefit received was too difficult. Disability coordinators in AJCCs are paid through a Disability Employment Initiative grant. These positions will be sustained in the future as staff of an Employment Network (EN) under Ticket to Work, as AJCCs have become employment networks. Costs related to physical and programmatic accessibility were included as a line item in the Phase II MOUs. Thus, such costs are paid across all partners.

Partners, including DOR, provided input in the development of AJCC certification requirements, particularly regarding programmatic and physical accessibility. DOR met with partner staff to discuss the needs of individuals with disabilities at the AJCCs.

DOR staff either provide VR services on-site in AJCCs or are electronically connected. DOR will provide auxiliary aides and services for a DOR consumer the agency refers to an AJCC if necessary for the individual to access services they need.

Performance Accountability

Section 116 of WIOA establishes performance accountability indicators and performance reporting requirements to assess the effectiveness of States and local areas in achieving positive outcomes for individuals served in the workforce development system. WIOA requires that these requirements apply across all six core programs, with a few exceptions. RSA reviewed the VR agency's progress and implementation of performance accountability measures and data sharing and matching requirements.

The SWDB has staff analysts that collect and interpret performance data. The State is pilot testing each of the three suggested measures for effectiveness in serving employers.

C. Observations and Recommendations

RSA's review of DOR's performance in this focus area did not result in the identification of observations or recommendations to improve performance.

D. Findings and Corrective Actions

RSA's review of DOR's performance in this focus area did not result in the identification of findings and corrective actions to improve performance.

E. Technical Assistance

During the course of monitoring activities, RSA provided technical assistance to DOR as described below.

Shared Costs in the One-Stop Delivery System MOU

RSA provided technical assistance to DOR regarding the requirements of the MOU for the one-stop delivery system, specifically related to funding the costs of the services and the operating costs of the system as defined in 34 C.F.R. §361.500(b)(2). The MOU is the product of local discussion and negotiation, and is an agreement developed and executed between the LWDB and the one-stop partners, with the agreement of the chief elected official and the one-stop partners, relating to the operation of the one-stop delivery system in the local area. The MOU must include a description of services to be provided through the one-stop delivery system, including the manner in which the services will be coordinated and delivered through the system; and agreement on funding the costs of the services and the operating costs of the system, including: funding of infrastructure costs of one-stop centers in accordance with 34 C.F.R. §§361.700 through 361.755; and funding of the shared services and operating costs of the one-stop delivery system described in 34 C.F.R. §361.760.

RSA and DOR discussed the differences and requirements for shared costs defined at 34 C.F.R. §361.760 and infrastructure costs defined in 34 C.F.R. §361.700. Infrastructure costs are non-personnel costs that are necessary for the general operation of the one-stop facility. Shared costs are “additional costs relating to the operation of the one-stop delivery system. These other costs must include applicable career services and may include other costs, including shared services.

Shared services' costs may include the costs of shared services that are authorized for and may be commonly provided through the one-stop partner programs to any individual, such as initial intake, assessment of needs, appraisal of basic skills, identification of appropriate services to meet such needs, referrals to other one-stop partners, and business services. Shared operating costs may also include shared costs of the LWDB's functions. Contributions to the additional costs related to operation of the one-stop delivery system may be cash, non-cash, or third-party in-kind contributions, consistent with how these are described in 34 C.F.R. §361.720(c). Shared costs must be allocated according to the proportion of benefit received by each of the partners, consistent with the Federal law authorizing the partner's program, and consistent with all other applicable legal requirements, including Federal cost principles in 2 C.F.R. part 200 (or any corresponding similar regulation or ruling) requiring that costs are allowable, reasonable, necessary, and allocable. Any shared costs agreed upon by the one-stop partners must be included in the MOU.

One-Stop Infrastructure Costs

RSA provided technical assistance to DOR regarding the requirements for one-stop infrastructure costs. As a required one-stop partner, a VR agency must contribute toward the one-stop system's infrastructure costs (34 C.F.R. § 361.400(b)(4)) in a manner that is based on:

- a reasonable cost allocation methodology by which infrastructure costs are charged to each partner based on proportionate use and relative benefit received;
- Federal cost principles; and
- any local administrative cost requirements in the Federal law authorizing the partner's program. (This is further described in 34 C.F.R. § 361.700) (34 C.F.R. § 361.420(b)(2)).

These costs may be funded under either the local funding mechanism or the State funding mechanism (34 C.F.R. § 361.710). Under the local funding mechanism, the Local Workforce Development Board (LWDB), chief elected officials, and one-stop partners negotiate in an effort to determine the method(s) of calculating amounts each partner will contribute toward one-stop infrastructure funding, consistent with 34 C.F.R. § 361.715. The amount to be contributed by each partner must be included in the MOU (34 C.F.R. § 361.715(a)(2)). In addition, partner shares must be periodically reviewed and reconciled against actual costs incurred, and adjusted to ensure that actual costs charged to any one-stop partners are proportionate to the use of the one-stop center and relative to the benefit received by the one-stop partners and their respective programs or activities (34 C.F.R. § 361.715(a)(4)).

DOR has not requested additional technical assistance in this focus area.

APPENDIX A: PROGRAM AND FISCAL PERFORMANCE DATA TABLES

This appendix contains the program and fiscal performance data tables used throughout the review. Data were drawn from the RSA-113 (Quarterly Cumulative Caseload Report), the RSA-911 (Case Service Report), and SF-425 (Federal Financial Report). The RSA-113 report is a quarterly submission that provides cumulative information at the end of the Federal fiscal year. The data from the RSA-113 cover both open and closed cases as reported to RSA at the end of the Federal fiscal year. The RSA-911 contains information on cases closed during the Federal fiscal year covered by the report and does not include information related to those cases remaining open in the next Federal fiscal year.

Table 1. California Combined Agency Summary Statistics from RSA 113: FFYs 2015-2017

Row	Performance category	2015	2016	2017
1	Number of total applicants	39,224	38,849	40,656
2	Number of total eligible individuals	36,698	36,240	38,110
3	Agency implementing order of selection (Y/N)	Yes	Yes	Yes
4	Number of individuals on order of selection waiting list at year-end	8	0	7
5	Percent eligible of individuals had IPE who received no services	20.1%	19.2%	20.0%
6	Number of individuals in plan receiving services	65,246	61,641	62,153

Data source: RSA-113

Table 2a. California Combined Agency Case Status Information, Exit Status, and Employment Outcomes for All Individuals at Closure-FFYs 2015-2017

Row	Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Exited as applicants	4,026	10.4	4,050	11.7	2,930	10.4
2	Exited from trial work experience	483	1.2	437	1.3	382	1.4
3	Exited with employment	13,416	34.6	13,521	38.9	9,795	34.7
4	Exited without employment	13,489	34.8	9,806	28.2	9,478	33.6
5	Exited from OOS waiting list	8	0.0	2	0.0	0	
6	Exited without employment outcomes, after eligibility, before an IPE was signed or before receiving services	7,350	19.0	6,938	20.0	5,647	20.0
7	Employment rate*		49.9		58.0		50.8
8	Competitive employment outcomes	11,660	86.9	12,399	91.7	8,899	90.9
9	Average hourly earnings for competitive employment outcomes**	\$12.47		\$12.87		\$13.49	
10	Average hours worked for competitive employment outcomes	30.3		30.4		30.4	
11	Median hourly earnings for competitive employment outcomes	\$10.00		\$10.30		\$11.00	
12	Median hours worked for competitive employment outcomes	30.0		30.0		30.0	
13	Quarterly median earnings for competitive employment outcomes***	\$4,290.00		\$4,550.00		\$4,680.00	
14	Competitive employment outcomes meeting SGA	7,647	65.6	8,257	66.6	6,026	67.7
15	Competitive employment outcomes with employer-provided medical insurance	1,623	13.9	1,593	12.8	1,188	13.3

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

**Using RSA-911: Total number of individuals who exited with employment divided by total number of individuals who received services multiplied by 100.*

***Using RSA-911: Sum of the Weekly Wage at Closure / sum of the Hours Worked in a Week at Closure for individuals achieving a competitive employment outcome.*

****Using RSA-911: Weekly earnings at closure (Data Element 197) multiplied by hours worked in a week at closure (Data Element 198) for individuals who achieved a competitive employment outcome multiplied by 13. Then the values are listed in order, from the lowest to the highest value. The value in the middle of this list is the median quarterly earnings, so there is the same quantity of numbers above the median number as there is below the median number.*

Table 2b. California Combined Agency Case Status Information, Exit Status, and Employment Outcomes for Individuals below Age 25 at Closure -FFYs 2015-2017

Row	Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Exited as applicants	848	6.9	958	8.6	788	8.9
2	Exited from trial work experience	120	1.0	101	0.9	79	0.9
3	Exited with employment	4,709	38.5	4,859	43.6	3,432	38.8
4	Exited without employment	4,538	37.1	3,369	30.2	2,934	33.2
5	Exited from OOS waiting list	3	0.0	0		0	
6	Exited without employment outcomes, after eligibility, before an IPE was signed or before receiving services	2,010	16.4	1,861	16.7	1,614	18.2
7	Employment rate*		50.9		59.1		53.9
8	Competitive employment outcomes	4,240	90.0	4,684	96.4	3,398	99.0
9	Average hourly earnings for competitive employment outcomes**	\$10.23		\$10.87		\$11.49	
10	Average hours worked for competitive employment outcomes	28.3		28.8		28.8	
11	Median hourly earnings for competitive employment outcomes	\$9.00		\$10.00		\$10.50	
12	Median hours worked for competitive employment outcomes	29.0		30.0		30.0	
13	Quarterly median earnings for competitive employment outcomes***	\$3,510.00		\$3,900.00		\$4,062.50	
14	Competitive employment outcomes meeting SGA	2,286	53.9	2,711	57.9	2,018	59.4

Row	Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
15	Competitive employment outcomes with employer-provided medical insurance	392	9.2	435	9.3	307	9.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

**Using RSA-911: Total number of individuals who exited with employment divided by total number of individuals who received services multiplied by 100.*

***Using RSA-911: Sum of the Weekly Wage at Closure / sum of the Hours Worked in a Week at Closure for individuals achieving a competitive employment outcome.*

****Using RSA-911: Weekly earnings at closure (Data Element 197) multiplied by hours worked in a week at closure (Data Element 198) for individuals who achieved a competitive employment outcome multiplied by 13. Then the values are listed in order, from the lowest to the highest value. The value in the middle of this list is the median quarterly earnings, so there is the same quantity of numbers above the median number as there is below the median number.*

Table 2c. California Combined Agency Case Status Information, Exit Status, and Employment Outcomes for Individuals Age 25 and Older at Closure -FFYs 2015-2017

Row	Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Exited as applicants	3,146	11.9	3,053	13.0	2,140	11.0
2	Exited from trial work experience	363	1.4	336	1.4	303	1.6
3	Exited with employment	8,707	32.8	8,662	36.8	6,363	32.8
4	Exited without employment	8,951	33.8	6,437	27.3	6,544	33.8
5	Exited from OOS waiting list	5	0.0	2	0.0	0	
6	Exited without employment outcomes, after eligibility, before an IPE was signed or before receiving services	5,340	20.1	5,077	21.5	4,033	20.8
7	Employment rate*		49.3		57.4		49.3
8	Competitive employment outcomes	7,420	85.2	7,715	89.1	5,501	86.5
9	Average hourly earnings for competitive employment outcomes**	\$13.75		\$14.09		\$14.73	
10	Average hours worked for competitive employment outcomes	31.5		31.3		31.3	
11	Median hourly earnings for competitive employment outcomes	\$11.00		\$11.50		\$12.00	
12	Median hours worked for competitive employment outcomes	35.0		34.0		34.0	
13	Quarterly median earnings for competitive employment outcomes***	\$4,725.50		\$5,070.00		\$5,200.00	
14	Competitive employment outcomes meeting SGA	5,361	72.3	5,546	71.9	4,008	72.9

Row	Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
15	Competitive employment outcomes with employer-provided medical insurance	1,231	16.6	1,158	15.0	881	16.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

**Using RSA-911: Total number of individuals who exited with employment divided by total number of individuals who received services multiplied by 100.*

***Using RSA-911: Sum of the Weekly Wage at Closure / sum of the Hours Worked in a Week at Closure for individuals achieving a competitive employment outcome.*

****Using RSA-911: Weekly earnings at closure (Data Element 197) multiplied by hours worked in a week at closure (Data Element 198) for individuals who achieved a competitive employment outcome multiplied by 13. Then the values are listed in order, from the lowest to the highest value. The value in the middle of this list is the median quarterly earnings, so there is the same quantity of numbers above the median number as there is below the median number.*

Table 3a. California Combined Agency Source of Referral for All Individuals at Closure-FFYs 2015-2017

Row	Source of Referral	2015 Percent	2016 Percent	2017* Percent
1	Educational Institutions (elementary/secondary)	18.9	19.2	19.0
2	Educational Institutions (postsecondary)	4.8	4.8	5.0
3	Medical Health Provider (Public or Private)	3.7	3.2	3.3
4	Welfare Agency (State or local government)	0.6	0.4	0.4
5	Community Rehabilitation Programs	9.5	9.9	9.9
6	Social Security Administration (Disability Determination Service or District office)	1.6	1.4	1.5
7	One-stop Employment/Training Centers	3.1	3.1	2.6
8	Self-referral	23.7	23.7	23.7
9	Other Sources	16.0	13.7	13.3
10	American Indian VR Services Program	0.0	0.1	0.1
11	Centers for Independent Living	0.3	0.3	0.2
12	Child Protective Services	0.0	0.0	0.0
13	Consumer Organizations or Advocacy Groups	0.3	0.6	0.6
14	Employers	0.0	0.1	0.1
15	Faith Based Organizations	0.1	0.2	0.2
16	Family/Friends	2.9	5.0	5.7
17	Intellectual and Developmental Disabilities Providers	3.0	3.6	3.6
18	Mental Health Provider (Public or Private)	9.0	7.1	7.0
19	Public Housing Authority	0.0	0.0	0.0
20	State Department of Correction/Juvenile Justice	0.6	1.1	1.0
21	State Employment Service Agency	0	0	0
22	Veteran's Administration	0.6	0.8	0.8
23	Worker's Compensation	0.1	0.1	0.1

Row	Source of Referral	2015 Percent	2016 Percent	2017* Percent
24	Other State Agencies	0.8	0.9	1.0
25	Other VR State Agencies	0.1	0.2	0.3
26	Total Identified Referral Sources	100.0	99.6	99.6
27	Other Referral Sources (unknown)	0.0	0.4	0.4

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 3b. California Combined Agency Source of Referral for Individuals below Age 25 at Closure -FFYs 2015-2017

Row	Source of Referral	2015 Percent	2016 Percent	2017 Percent
1	Educational Institutions (elementary/secondary)	56.5	56.9	57.0
2	Educational Institutions (postsecondary)	6.4	6.2	6.8
3	Medical Health Provider (Public or Private)	1.1	1.0	1.0
4	Welfare Agency (State or local government)	0.1	0.1	0.1
5	Community Rehabilitation Programs	4.8	4.7	4.5
6	Social Security Administration (Disability Determination Service or District office)	0.3	0.3	0.2
7	One-stop Employment/Training Centers	0.8	0.6	0.5
8	Self-referral	10.1	9.4	8.5
9	Other Sources	9.2	8.3	7.9
10	American Indian VR Services Program	0.0	0.0	0.0
11	Centers for Independent Living	0.1	0.1	0.1
12	Child Protective Services	0	0.0	0.1
13	Consumer Organizations or Advocacy Groups	0.2	0.4	0.5
14	Employers	0	0.0	0.1
15	Faith Based Organizations	0.0	0.1	0.0
16	Family/Friends	2.2	3.7	4.1
17	Intellectual and Developmental Disabilities Providers	3.3	3.8	3.8
18	Mental Health Provider (Public or Private)	3.9	3.1	3.3
19	Public Housing Authority	0	0.0	0.0
20	State Department of Correction/Juvenile Justice	0.2	0.3	0.3
21	State Employment Service Agency	0	0	0
22	Veteran's Administration	0.0	0.0	0.0

Row	Source of Referral	2015 Percent	2016 Percent	2017 Percent
23	Worker's Compensation	0.1	0.0	0.0
24	Other State Agencies	0.5	0.5	0.6
25	Other VR State Agencies	0.1	0.2	0.2
26	Total Identified Referral Sources	100.0	99.7	99.6
27	Other Referral Sources	0.0	0.3	0.4

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 3c. California Combined Agency Source of Referral for Individuals Age 25 and Older at Closure -FFYs 2015-2017

Row	Source of Referral	2015 Percent	2016 Percent	2017 Percent
1	Educational Institutions (elementary/secondary)	1.6	1.4	1.6
2	Educational Institutions (postsecondary)	4.0	4.1	4.2
3	Medical Health Provider (Public or Private)	4.8	4.3	4.4
4	Welfare Agency (State or local government)	0.8	0.6	0.5
5	Community Rehabilitation Programs	11.7	12.4	12.4
6	Social Security Administration (Disability Determination Service or District office)	2.2	2.0	2.1
7	One-stop Employment/Training Centers	4.2	4.3	3.6
8	Self-referral	29.9	30.4	30.7
9	Other Sources	19.2	16.3	15.8
10	American Indian VR Services Program	0.0	0.1	0.1
11	Centers for Independent Living	0.4	0.3	0.3
12	Child Protective Services	0.0	0	0.0
13	Consumer Organizations or Advocacy Groups	0.3	0.7	0.6
14	Employers	0.0	0.1	0.1
15	Faith Based Organizations	0.2	0.2	0.3
16	Family/Friends	3.3	5.6	6.5
17	Intellectual and Developmental Disabilities Providers	2.8	3.5	3.5
18	Mental Health Provider (Public or Private)	11.4	9.1	8.7
19	Public Housing Authority	0.0	0.0	0.0
20	State Department of Correction/Juvenile Justice	0.8	1.5	1.3
21	State Employment Service Agency	0	0	0
22	Veteran's Administration	0.9	1.2	1.2

Row	Source of Referral	2015 Percent	2016 Percent	2017 Percent
23	Worker's Compensation	0.2	0.2	0.1
24	Other State Agencies	1.0	1.1	1.1
25	Other VR State Agencies	0.2	0.2	0.4
26	Total Identified Referral Sources	100.0	99.6	99.6
27	Other Referral Sources	0.0	0.4	0.4

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 4a. California Combined Agency Outcomes by Disability Type for All Individuals at Closure - FFYs 2015-2017

Row	Disability Type	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Visual - Individuals served	1,572	5.8	1,433	6.1	1,584	8.2
2	Visual - Employment rate		64.5		74.1		73.0
3	Auditory and Communicative - Individuals served	1,887	7.0	1,777	7.6	1,399	7.3
4	Auditory and Communicative - Employment rate		54.6		62.2		54.4
5	Physical - Individuals served	4,666	17.3	3,872	16.6	3,200	16.6
6	Physical - Employment rate		41.2		50.7		39.9
7	Intellectual and Learning disability - Individuals served	10,407	38.7	9,242	39.6	7,011	36.4
8	Intellectual and Learning disability - Employment rate		53.6		60.9		54.0
9	Psychosocial and psychological- Individuals served	8,370	31.1	6,996	30.0	6,066	31.5
10	Psychosocial and psychological- Employment rate		46.2		53.7		46.2

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 4b. California Combined Agency Outcomes by Disability Type for Individuals below Age 25 at Closure - FFYs 2015-2017

Row	Disability Type	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Visual - Individuals served	149	1.6	136	1.7	111	1.7
2	Visual - Employment rate		40.3		52.2		45.9
3	Auditory and Communicative - Individuals served	602	6.5	585	7.1	443	7.0
4	Auditory and Communicative - Employment rate		45.7		53.8		47.2
5	Physical - Individuals served	402	4.3	376	4.6	277	4.4
6	Physical - Employment rate		39.8		51.3		42.6
7	Intellectual and Learning disability - Individuals served	6,674	72.2	5,889	71.6	4,490	70.5
8	Intellectual and Learning disability - Employment rate		53.0		61.1		56.4
9	Psychosocial and psychological- Individuals served	1,418	15.3	1,239	15.1	1,043	16.4
10	Psychosocial and psychological- Employment rate		47.5		55.0		49.8

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 4c. California Combined Agency Outcomes by Disability Type for Individuals Age 25 and Older at Closure - FFYs 2015-2017

Row	Disability Type	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
1	Visual - Individuals served	1,423	8.1	1,297	8.6	1,473	11.4
2	Visual - Employment rate		67.0		76.4		75.0
3	Auditory and Communicative - Individuals served	1,285	7.3	1,192	7.9	956	7.4
4	Auditory and Communicative - Employment rate		58.8		66.4		57.7
5	Physical - Individuals served	4,264	24.1	3,496	23.2	2,923	22.6
6	Physical - Employment rate		41.4		50.6		39.6
7	Intellectual and Learning disability - Individuals served	3,733	21.1	3,353	22.2	2,521	19.5
8	Intellectual and Learning disability - Employment rate		54.5		60.6		49.7
9	Psychosocial and psychological- Individuals served	6,952	39.4	5,757	38.1	5,023	38.9
10	Psychosocial and psychological- Employment rate		46.0		53.4		45.5

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 5a. California Combined Agency Number of Days from Application to Eligibility Determination for All Individuals at Closure - FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017* Number	2017* Percent
0 – 60 days	29,428	85.9	26,414	87.3	21,748	87.3
More than 60 days	4,835	14.1	3,853	12.7	3,172	12.7
Total eligible	34,263	100.0	30,267	100.0	24,920	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 5b. California Combined Agency Number of Days from Application to Eligibility Determination for Individuals below Age 25 at Closure - FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
0 – 60 days	10,069	89.4	9,087	90.1	7,191	90.1
More than 60 days	1,191	10.6	1,002	9.9	789	9.9
Total eligible	11,260	100.0	10,089	100.0	7,980	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 5c. California Combined Agency Number of Days from Application to Eligibility Determination for Individuals Age 25 and Older at Closure - FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
0 – 60 days	19,359	84.2	17,327	85.9	14,557	85.9
More than 60 days	3,644	15.8	2,851	14.1	2,383	14.1
Total eligible	23,003	100.0	20,178	100.0	16,940	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 6a. California Combined Agency Number of Days from Eligibility* Determination to IPE for All Individuals Served at Closure- FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
0 – 90 days	3,886	95.4	11,375	91.1	11,878	88.8
More than 90 days	188	4.6	1,115	8.9	1,496	11.2
Total served	4,074	100.0	12,490	100.0	13,374	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*Eligibility occurred on or after July 22, 2014

Table 6b. California Combined Agency Number of Days from Eligibility* Determination to IPE for Individuals Served below Age 25 at Closure- FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
0 – 90 days	1,112	93.4	3,851	89.1	4,068	87.8
More than 90 days	78	6.6	471	10.9	566	12.2
Total served	1,190	100.0	4,322	100.0	4,634	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*Eligibility occurred on or after July 22, 2014

Table 6c. California Combined Agency Number of Days from Eligibility* Determination to IPE for Individuals Served Age 25 and Older at Closure- FFYs 2015-2017

Number of Days	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
0 – 90 days	2,774	96.2	7,524	92.1	7,810	89.4
More than 90 days	110	3.8	644	7.9	930	10.6
Total served	2,884	100.0	8,168	100.0	8,740	100.0

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*Eligibility occurred on or after July 22, 2014

Table 7a. California Combined Agency VR Services Provided for All Individuals Served* at Closure – FFYs 2015-2017

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
1	Training- Graduate degree training	0.3%	0.4%	0.6%
2	Training- Bachelor degree training	11.9%	9.7%	9.0%
3	Training- Junior or community college training	15.4%	15.0%	15.5%
4	Training- Occupational or vocational training	15.7%	14.7%	14.8%
5	Training- On-the-job training	1.8%	1.9%	1.6%
6	Training- Apprenticeship training	0.2%	0.2%	0.0%
7	Training- Basic academic remedial or literacy training	1.6%	1.3%	1.3%
8	Training- Job readiness training	18.6%	19.4%	17.5%
9	Training- Disability-related skills training	3.5%	3.8%	4.3%
10	Training- Miscellaneous training	9.0%	8.8%	8.5%
11	Career- Assessment	41.1%	39.7%	42.1%
12	Career- Diagnosis and treatment of impairment	32.9%	30.5%	29.3%
13	Career- Vocational rehab counseling and guidance	65.7%	67.4%	65.9%
14	Career- Job search assistance	66.8%	67.7%	62.7%
15	Career- Job placement assistance	30.4%	30.2%	25.9%
16	Career- On-the-job supports-short term	9.6%	10.5%	8.2%
17	Career- On-the-job supports-SE	8.0%	8.6%	6.2%
18	Career- Information and referral services	28.7%	30.9%	29.9%
19	Career- Benefits counseling	4.6%	4.6%	4.1%
20	Career- Customized employment services	1.8%	1.7%	1.7%
21	Other services- Transportation	71.1%	69.1%	68.7%
22	Other services- Maintenance	35.9%	37.4%	35.3%
23	Other services- Rehabilitation technology	9.9%	10.4%	11.7%

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
24	Other services- Reader services	0.1%	0.1%	0.1%
25	Other services- Interpreter services	1.8%	2.2%	2.1%
26	Other services- Personal attendant services	0.1%	0.1%	0.0%
27	Other services- Technical assistance services	0.9%	0.9%	0.8%
28	Other services- Other services	31.6%	31.2%	31.3%

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*For individuals who were determined eligible, placed on an IPE, and received a service under the IPE.

**VR Services include both those provided and purchased by the VR agency as well as those provided by comparable service providers

Table 7b. California Combined Agency VR Services Provided for Individuals Served* below Age 25 at Closure- FFYs 2015-2017

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
1	Training- Graduate degree training	0.1%	0.2%	0.1%
2	Training- Bachelor degree training	6.8%	5.1%	4.4%
3	Training- Junior or community college training	14.8%	14.1%	14.5%
4	Training- Occupational or vocational training	9.1%	8.6%	8.4%
5	Training- On-the-job training	3.1%	3.0%	2.8%
6	Training- Apprenticeship training	0.2%	0.3%	0.0%
7	Training- Basic academic remedial or literacy training	2.1%	1.6%	2.1%
8	Training- Job readiness training	31.5%	33.9%	31.6%
9	Training- Disability-related skills training	2.7%	2.9%	3.0%
10	Training- Miscellaneous training	7.8%	7.0%	5.9%
11	Career- Assessment	41.6%	40.4%	44.2%
12	Career- Diagnosis and treatment of impairment	15.2%	13.1%	12.0%
13	Career- Vocational rehab counseling and guidance	70.2%	74.8%	73.2%
14	Career- Job search assistance	85.3%	85.4%	81.9%
15	Career- Job placement assistance	28.5%	28.5%	24.2%
16	Career- On-the-job supports-short term	6.5%	7.3%	5.4%
17	Career- On-the-job supports-SE	8.0%	7.6%	5.6%
18	Career- Information and referral services	31.1%	36.0%	35.7%
19	Career- Benefits counseling	2.0%	2.1%	1.8%
20	Career- Customized employment services	2.9%	3.1%	3.0%
21	Other services- Transportation	55.0%	54.7%	55.8%
22	Other services- Maintenance	25.5%	26.9%	24.8%
23	Other services- Rehabilitation technology	3.0%	3.4%	3.2%

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
24	Other services- Reader services	0.1%	0.0%	0.0%
25	Other services- Interpreter services	1.0%	1.1%	1.0%
26	Other services- Personal attendant services	0.0%	0.1%	0.0%
27	Other services- Technical assistance services	0.2%	0.3%	0.2%
28	Other services- Other services	21.3%	20.7%	18.3%

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*For individuals who were determined eligible, placed on an IPE, and received a service under the IPE.

**VR Services include those provided and purchased by the VR agency.

Table 7c. California Combined Agency VR Services Provided for Individuals Served* Age 25 and Older at Closure - FFYs 2015-2017

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
1	Training- Graduate degree training	0.4%	0.6%	0.8%
2	Training- Bachelor degree training	14.6%	12.2%	11.3%
3	Training- Junior or community college training	15.7%	15.5%	16.0%
4	Training- Occupational or vocational training	19.1%	17.9%	18.0%
5	Training- On-the-job training	1.1%	1.2%	1.0%
6	Training- Apprenticeship training	0.2%	0.1%	0.0%
7	Training- Basic academic remedial or literacy training	1.3%	1.1%	0.9%
8	Training- Job readiness training	11.9%	11.5%	10.6%
9	Training- Disability-related skills training	3.9%	4.3%	5.0%
10	Training- Miscellaneous training	9.7%	9.8%	9.7%
11	Career- Assessment	40.8%	39.3%	41.1%
12	Career- Diagnosis and treatment of impairment	42.1%	39.9%	37.8%
13	Career- Vocational rehab counseling and guidance	63.4%	63.3%	62.3%
14	Career- Job search assistance	57.2%	58.1%	53.2%
15	Career- Job placement assistance	31.4%	31.1%	26.8%
16	Career- On-the-job supports-short term	11.2%	12.3%	9.6%
17	Career- On-the-job supports-SE	7.9%	9.2%	6.5%
18	Career- Information and referral services	27.4%	28.1%	27.0%
19	Career- Benefits counseling	6.0%	6.0%	5.2%
20	Career- Customized employment services	1.3%	1.0%	1.1%
21	Other services- Transportation	79.5%	76.9%	75.1%
22	Other services- Maintenance	41.4%	43.2%	40.5%
23	Other services- Rehabilitation technology	13.4%	14.2%	15.9%

Row	Services Provided**	2015 Percent	2016 Percent	2017 Percent
24	Other services- Reader services	0.1%	0.1%	0.1%
25	Other services- Interpreter services	2.3%	2.7%	2.7%
26	Other services- Personal attendant services	0.1%	0.1%	0.1%
27	Other services- Technical assistance services	1.2%	1.3%	1.1%
28	Other services- Other services	37.0%	36.9%	37.7%

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*For individuals who were determined eligible, placed on an IPE, and received a service under the IPE.

**VR Services include those provided and purchased by the VR agency.

Table 8a. California Combined Agency Standard Occupational Classification (SOC) Codes Percentages of Employment Outcomes and Median Hourly Earnings for All Individuals Who Achieved Competitive Employment Outcomes at Closure - FFYs 2015-2017

Row	SOC for Competitive Integrated Employment Outcomes	2015 Percent	2015 Median Hourly Wage	2016 Percent	2016 Median Hourly Wage	2017 Percent	2017 Median Hourly Wage
1	Architecture and Engineering Occupations	0.5	\$20.00	0.5	\$23.00	0.5	\$21.00
2	Arts, Design, Entertainment, Sports, and Media	1.3	\$14.00	0.9	\$15.72	1.3	\$16.40
3	Building and Grounds Cleaning and Maintenance	5.3	\$10.00	5.1	\$10.00	4.6	\$11.00
4	Business and Financial Operations Occupations	1.2	\$17.88	1.1	\$18.00	1.1	\$17.38
5	Community and Social Services Occupations	3.8	\$14.00	4.2	\$15.00	4.3	\$15.00
6	Computer and Mathematical Occupations	1.1	\$16.00	1.2	\$17.00	1.2	\$17.00
7	Constructive and Extraction Occupations	2.2	\$13.00	1.7	\$14.00	1.6	\$13.75
8	Education, Training, and Library Occupations	3.0	\$15.00	2.8	\$15.00	3.1	\$15.13
9	Farming, Fishing, and Forestry Occupations	0.3	\$9.36	0.3	\$10.08	0.6	\$10.50
10	Food Preparation and Serving Related Occupations	8.1	\$9.00	8.6	\$10.00	7.6	\$10.50
11	Healthcare Practitioners and Technical Occupations	1.9	\$16.49	2.0	\$18.00	2.1	\$16.46
12	Healthcare Support Occupations	3.5	\$10.95	2.9	\$12.00	2.8	\$12.00
13	Installation, Maintenance, and Repair Occupations	4.2	\$10.00	3.0	\$10.84	2.5	\$12.00
14	Legal Occupations	0.3	\$18.00	0.2	\$19.23	0.3	\$17.30
15	Life, Physical, and Social Science Occupations	0.4	\$17.00	0.4	\$18.71	0.4	\$22.03
16	Management Occupations	1.6	\$16.35	1.7	\$17.30	1.5	\$19.00
17	Military Specific Occupations	0.9	\$15.00	0.4	\$15.00	0.4	\$12.00

Row	SOC for Competitive Integrated Employment Outcomes	2015 Percent	2015 Median Hourly Wage	2016 Percent	2016 Median Hourly Wage	2017 Percent	2017 Median Hourly Wage
18	Office and Administrative Support Occupations	24.2	\$9.50	27.8	\$10.00	28.3	\$10.51
19	Personal Care and Service Occupations	4.5	\$10.00	4.6	\$10.00	4.5	\$10.59
20	Production Occupations	10.0	\$9.76	10.9	\$10.00	11.0	\$10.67
21	Protective Service Occupations	3.1	\$10.00	2.8	\$10.50	3.1	\$11.25
22	Randolph-Sheppard vending facility clerk*	0.0	\$25.00	0		0	
23	Randolph-Sheppard vending facility operator*	0.0	\$9.80	0		0.0	\$28.85
24	Sales and Related Occupations	8.6	\$9.00	8.1	\$10.00	8.1	\$10.50
25	Transportation and Material Moving Occupations	10.0	\$10.75	8.9	\$11.20	9.2	\$12.03
26	Total competitive employment outcomes		\$10.00		\$10.30		\$11.00

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*RSA specific occupational classifications

Table 8b. California Combined Agency Standard Occupational Classification (SOC) Codes Percentages of Employment Outcomes and Median Hourly Earnings for Individuals below Age 25 Who Achieved Competitive Employment Outcomes at Closure - FFYs 2015-2017

Row	SOC for Competitive Integrated Employment Outcomes	2015 Percent	2015 Median Hourly Wage	2016 Percent	2016 Median Hourly Wage	2017 Percent	2017 Median Hourly Wage
1	Architecture and Engineering Occupations	0.2	\$16.00	0.1	\$17.00	0.2	\$16.00
2	Arts, Design, Entertainment, Sports, and Media	0.8	\$10.00	0.5	\$11.17	0.6	\$11.25
3	Building and Grounds Cleaning and Maintenance	3.7	\$9.28	3.7	\$10.00	2.9	\$10.50
4	Business and Financial Operations Occupations	0.4	\$15.00	0.2	\$21.05	0.4	\$16.00
5	Community and Social Services Occupations	0.6	\$14.00	0.7	\$13.00	0.9	\$12.48
6	Computer and Mathematical Occupations	0.3	\$12.00	0.6	\$13.50	0.5	\$13.00
7	Constructive and Extraction Occupations	1.3	\$12.00	1.3	\$12.50	1.3	\$12.00
8	Education, Training, and Library Occupations	1.5	\$11.00	1.3	\$11.78	1.7	\$12.53
9	Farming, Fishing, and Forestry Occupations	0.6	\$9.00	0.7	\$10.00	1.1	\$10.50
10	Food Preparation and Serving Related Occupations	13	\$9.00	13.2	\$10.00	11.2	\$10.50
11	Healthcare Practitioners and Technical Occupations	0.9	\$12.19	0.6	\$10.45	0.8	\$12.22
12	Healthcare Support Occupations	3	\$10.00	2.5	\$11.00	2.4	\$11.25
13	Installation, Maintenance, and Repair Occupations	4.7	\$9.50	3.3	\$10.00	3.6	\$11.00
14	Legal Occupations	0	\$13.25	0.1	\$12.76	0.1	\$18.00
15	Life, Physical, and Social Science Occupations	0.2	\$12.00	0.3	\$13.13	0.1	\$12.00
16	Management Occupations	0.4	\$11.50	0.7	\$15.00	0.4	\$13.60
17	Military Specific Occupations	0.5	\$11.00	0.3	\$14.55	0.5	\$11.53

Row	SOC for Competitive Integrated Employment Outcomes	2015 Percent	2015 Median Hourly Wage	2016 Percent	2016 Median Hourly Wage	2017 Percent	2017 Median Hourly Wage
18	Office and Administrative Support Occupations	29.5	\$9.00	32.8	\$10.00	34.3	\$10.50
19	Personal Care and Service Occupations	5.7	\$9.26	5.1	\$10.00	5.4	\$10.51
20	Production Occupations	9.1	\$9.10	11.5	\$10.00	10.7	\$10.52
21	Protective Service Occupations	2.7	\$10.00	2.5	\$10.00	3.1	\$11.00
22	Randolph-Sheppard vending facility clerk*	0		0		0	
23	Randolph-Sheppard vending facility operator*	0		0		0	
24	Sales and Related Occupations	14.6	\$9.00	13.2	\$10.00	13	\$10.50
25	Transportation and Material Moving Occupations	6.3	\$9.50	4.8	\$10.00	4.8	\$10.52
26	Total competitive employment outcomes		\$9.00		\$10.00		\$10.50

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*RSA specific occupational classifications

Table 8c. California Combined Agency Standard Occupational Classification (SOC) Codes Percentages of Employment Outcomes and Median Hourly Earnings for Individuals Age 25 and Older Who Achieved Competitive Employment Outcomes at Closure- FFYs 2015-2017

Row	SOC for Competitive Integrated Employment Outcomes	2015 Percent	2015 Median Hourly Wage	2016 Percent	2016 Median Hourly Wage	2017 Percent	2017 Median Hourly Wage
1	Architecture and Engineering Occupations	0.6	\$24.50	0.6	\$24.25	0.6	\$21.28
2	Arts, Design, Entertainment, Sports, and Media	1.5	\$15.00	1.1	\$17.65	1.7	\$17.75
3	Building and Grounds Cleaning and Maintenance	6.2	\$10.00	6.0	\$10.04	5.7	\$11.40
4	Business and Financial Operations Occupations	1.6	\$18.00	1.7	\$18.00	1.5	\$18.54
5	Community and Social Services Occupations	5.7	\$13.95	6.4	\$15.00	6.4	\$15.00
6	Computer and Mathematical Occupations	1.6	\$17.00	1.6	\$20.00	1.6	\$18.00
7	Constructive and Extraction Occupations	2.7	\$14.00	2.0	\$15.00	1.8	\$15.00
8	Education, Training, and Library Occupations	3.9	\$15.00	3.6	\$15.94	3.9	\$16.72
9	Farming, Fishing, and Forestry Occupations	0.2	\$9.98	0.1	\$13.00	0.3	\$11.00
10	Food Preparation and Serving Related Occupations	5.2	\$10.00	5.8	\$10.00	5.3	\$10.60
11	Healthcare Practitioners and Technical Occupations	2.5	\$18.00	2.8	\$18.98	3.0	\$18.03
12	Healthcare Support Occupations	3.8	\$11.00	3.1	\$12.00	3.1	\$12.52
13	Installation, Maintenance, and Repair Occupations	4.0	\$11.00	2.8	\$12.00	1.8	\$13.50
14	Legal Occupations	0.5	\$19.00	0.3	\$20.00	0.5	\$17.15
15	Life, Physical, and Social Science Occupations	0.4	\$19.70	0.4	\$21.83	0.5	\$23.00
16	Management Occupations	2.3	\$16.95	2.3	\$18.78	2.2	\$19.00
17	Military Specific Occupations	1.1	\$15.87	0.5	\$15.00	0.3	\$15.00

18	Office and Administrative Support Occupations	21.3	\$10.00	24.8	\$10.50	24.6	\$11.00
19	Personal Care and Service Occupations	3.8	\$10.50	4.4	\$10.24	4.0	\$11.00
20	Production Occupations	10.5	\$10.00	10.4	\$10.00	11.2	\$11.00
21	Protective Service Occupations	3.2	\$10.42	3.0	\$11.00	3.1	\$11.50
22	Randolph-Sheppard vending facility clerk*	0.0	\$25.00	0		0	
23	Randolph-Sheppard vending facility operator*	0.0	\$9.80	0		0.0	\$28.85
24	Sales and Related Occupations	5.2	\$9.75	5.0	\$10.00	5.1	\$10.50
25	Transportation and Material Moving Occupations	12.1	\$11.50	11.5	\$12.00	11.9	\$12.85
26	Total competitive employment outcomes		\$11.00		\$11.50		\$12.00

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

*RSA specific occupational classifications

Table 9a. California Combined Agency Reason for Exit for All Individuals Who Did Not Achieve an Employment Outcome at Closure- FFYs 2015-2017

Row	Reason for Closure	2015 number	2015 Percent	2016 number	2016 Percent	2017*number	2017* Percent
1	Unable to locate or contact	10,214	40.3	7,379	34.8	6,556	35.6
2	Disability too significant to benefit from VR services - ineligible	968	3.8	909	4.3	830	4.5
3	No longer interested in receiving services or further services	6,244	24.6	9,064	42.7	8,689	47.1
4	Death	145	0.6	138	0.6	90	0.5
5	Transferred to another agency	428	1.7	734	3.5	713	3.9
6	No disabling condition – ineligible	130	0.5	147	0.7	119	0.6
7	No impediment to employment - ineligible	139	0.5	126	0.6	72	0.4
8	Transportation not feasible or available	44	0.2	41	0.2	46	0.2
9	Does not require VR services - ineligible	186	0.7	704	3.3	944	5.1
10	All other reasons	6,564	25.9	1,676	7.9	43	0.2
11	Extended employment	3	0.0	10	0.0	20	0.1
12	Individual in institution other than a prison or jail	54	0.2	93	0.4	79	0.4
13	Individual is incarcerated in a prison or jail	174	0.7	127	0.6	139	0.8

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 9b. California Combined Agency Reason for Exit for Individuals below Age 25 Who Did Not Achieve an Employment Outcome at Closure - FFYs 2015-2017

Row	Reason for Closure	2015 number	2015 Percent	2016 number	2016 Percent	2017 number	2017 Percent
1	Unable to locate or contact	3,317	44.1	2,462	39.1	2,036	37.6
2	Disability too significant to benefit from VR services - ineligible	158	2.1	146	2.3	164	3.0
3	No longer interested in receiving services or further services	1,802	24.0	2,657	42.2	2,454	45.3
4	Death	14	0.2	20	0.3	10	0.2
5	Transferred to another agency	179	2.4	258	4.1	283	5.2
6	No disabling condition - ineligible	32	0.4	34	0.5	29	0.5
7	No impediment to employment - ineligible	13	0.2	16	0.3	11	0.2
8	Transportation not feasible or available	10	0.1	21	0.3	15	0.3
9	Does not require VR services - ineligible	36	0.5	165	2.6	320	5.9
10	All other reasons	1,874	24.9	425	6.8	4	0.1
11	Extended employment	1	0.0	5	0.1	8	0.1
12	Individual in institution other than a prison or jail	14	0.2	18	0.3	15	0.3
13	Individual is incarcerated in a prison or jail	47	0.6	29	0.5	37	0.7

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Table 9c. California Combined Agency Reason for Exit for Individuals Age 25 and Older Who Did Not Achieve an Employment Outcome at Closure - FFYs 2015-2017

Row	Reason for Closure	2015 number	2015 Percent	2016 number	2016 Percent	2017 number	2017 Percent
1	Unable to locate or contact	6,896	38.7	4,909	32.9	4,520	34.7
2	Disability too significant to benefit from VR services - ineligible	809	4.5	763	5.1	666	5.1
3	No longer interested in receiving services or further services	4,436	24.9	6,400	42.9	6,235	47.9
4	Death	131	0.7	118	0.8	80	0.6
5	Transferred to another agency	249	1.4	473	3.2	430	3.3
6	No disabling condition - ineligible	98	0.6	112	0.8	89	0.7
7	No impediment to employment - ineligible	125	0.7	110	0.7	61	0.5
8	Transportation not feasible or available	34	0.2	20	0.1	31	0.2
9	Does not require VR services - ineligible	150	0.8	532	3.6	623	4.8
10	All other reasons	4,667	26.2	1,238	8.3	39	0.3
11	Extended employment	2	0.0	5	0.0	12	0.1
12	Individual in institution other than a prison or jail	40	0.2	75	0.5	64	0.5
13	Individual is incarcerated in a prison or jail	127	0.7	98	0.7	102	0.8

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

Fiscal Data Tables for Focus Area VI

State Vocational Rehabilitation Services Program Federal Fiscal Year (FFY) 2018 Monitoring and Technical Assistance Guide

Table 6.1 California-Combined (CA-C) VR Resources and Expenditures—FFYs 2015–2017*

VR Resources and Expenditures	2015	2016	2017*
Total program expenditures	\$382,060,887	\$317,660,959	\$305,298,763
Federal expenditures	\$300,681,918	\$235,723,046	\$220,372,145
State agency expenditures (4 th quarter)	\$81,425,106	\$109,580,832	\$84,926,618
State agency expenditures (latest/final)	\$81,378,969	\$81,937,913	\$84,926,618
Federal formula award amount	\$301,569,474	\$302,747,126	\$303,322,739
MOE penalty from prior year	\$887,556	-	-
Federal award amount relinquished during reallocation	-	-	-
Federal award amount received during reallocation	-	-	\$10,000,000
Federal funds transferred from State VR agency	-	-	-
Federal funds transferred to State VR agency	-	-	-
Federal award amount (net)	\$300,681,918	\$302,747,126	\$313,322,739
Federal award funds deobligated	-	-	-
Federal award funds used	\$300,681,918	\$302,747,126	\$313,322,739
Percent of formula award amount used	99.71%	100.00%	103.30%
Federal award funds matched but not used	-	-\$1	-

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

Table 6.2 California-Combined (CA-C) Non-Federal Share and Maintenance of Effort—FFYs 2015–2017*

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2015	2016	2017*
Match required per net award amount	\$81,378,969	\$81,937,913	\$84,800,182
Match provided (actual)	\$81,378,969	\$81,937,913	\$84,926,618
Match difference**	-	-	-\$126,436
Federal funds matched (actual)	\$300,681,918	\$302,747,125	\$313,322,739
Percent Federal funds matched	100.00%	100.00%	100.00%
MOE required	\$76,781,341	\$71,483,831	\$81,378,969
MOE: Establishment/construction expenditures	-	-	-
MOE actual	\$81,378,969	\$81,937,913	\$84,926,618
MOE difference**	-\$4,597,628	-\$10,454,082	-\$3,547,649

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

** A positive amount indicates a deficit. A negative amount indicates a surplus.

Table 6.3 California-Combined (CA-C) Program Income and Carryover—FFYs 2015–2017*

Program Income and Carryover	2015	2016	2017*
Program income received	\$29,483,040	\$22,482,571	\$35,673,793
Program income disbursed	\$29,483,040	\$22,482,571	\$35,673,793
Program income transferred	\$19,802,734	\$43,602	\$18,112,702
Program income used for VR program	\$9,680,306	\$22,438,969	\$17,561,091
Federal grant amount matched	\$300,681,918	\$302,747,125	\$313,322,739
Federal expenditures 9/30	\$172,425,279	\$193,314,465	\$220,372,145
Federal unliquidated obligations 9/30	\$115,741,465	\$109,334,639	\$92,824,158
Carryover amount	\$12,515,175	\$98,022	\$126,436
Carryover as percent of award	4.16%	0.03%	0.04%

* Indicates the award is currently in an open status. Therefore, data is either not currently available or not final.

Table 6.4 California-Combined (CA-C) RSA-2 Expenditures—FFYs 2015–2017*

RSA-2 Expenditures	2015	2016	2017
Total expenditures	\$394,557,237	\$395,036,993	\$393,686,594
Administrative costs	\$15,239,043	\$14,537,596	\$16,235,155
Administration as Percent expenditures	3.86%	3.68%	4.12%
Purchased services expenditures	\$166,005,166	\$156,106,708	\$157,823,480
Purchased services as a Percent expenditures	42.07%	39.52%	40.09%
Services to groups	\$6,295,129	\$8,244,190	\$8,628,190
Services to groups percentage	1.60%	2.09%	2.19%

*Expenditures for RSA-2 data represent current FFY expenditures and carryover from prior FFY. Therefore, these figures may differ from the expenditures in Tables 6.1, 6.2, and 6.3 which are from SF-425 reports.

APPENDIX B: DOCUMENTATION REVIEW RESULTS

Summary for discussion on CA

Data Element	Number with required documentation	Number without required documentation	Percent with required documentation	Percent without required documentation
Date of Application	20	10	66.7%	33.3%
Date of Eligibility Determination	29	1	96.7%	3.3%
Date of IPE	17	13	56.7%	43.3%
Start Date of Employment in Primary Occupation at Exit or Closure	30	0	100%	0%
Weekly Earnings at Exit or Closure	30	0	100%	0%
Employment Status at Exit or Closure	30	0	100%	0%
Type of Exit or Closure	30	0	100%	0%
Date of Exit or Closure	30	0	100%	0%

Summary	Number (of 30)	Percent (of 30)
Files with all required documentation	13	43.3%

Summary	Number (of 30)	Percent (of 30)
Files with documentation missing for two or more data elements	4	13.3%
Files with no required documentation	0	0%

APPENDIX C: SUPPORTED EMPLOYMENT PROGRAM PROFILE

Summary Statistics – Supported Employment Outcomes						
Performance category	2015 Number	2015 Percent	2016 Number	2016 Percent	2017 Number	2017 Percent
Supported employment (SE) outcomes	1,049		1,566		277	
Competitive employment outcomes	774	73.8%	1,134	72.4%	271	97.8%
Median hourly earnings for competitive employment outcomes	\$9.50		\$10.00		\$10.15	
Average hours worked for competitive employment outcomes	28.5		25.8		26.3	

Data source: RSA-911

Note: FFY 2017 data is not comparable with other FFY data. FFY 2017 shows Oct. – June data. FFY 15-16 show Oct. – Sept. data.

**Using RSA-911: Total number of individuals who exited with supported employment outcomes divided by total number of individuals who exited with an employment outcome multiplied by 100.*

***Using RSA-911: Total number of individuals who exited with competitive supported employment divided by total number of individuals who exited with supported employment outcomes multiplied by 100.*

Top Five Services Provided to Individuals in Competitive Supported Employment	
Services Provided	2017 Percent
Job search assistance	90.0%
On-the-job supports-SE	82.7%
Job placement assistance	77.5%
Vocational rehab counseling and guidance	73.1%
Assessment	45.4%

Data source: RSA-911

Note: FFY 17 contains closed case data from October 1, 2016 to June 30, 2017.

Top Five Occupations by Percentages of Employment Outcomes with Median Hourly Earnings for All Individuals Who Achieved Competitive Supported Employment Outcomes at Closure for FFY17		
SOC Code	2017 Percent	2017 Median Hourly Wage
Office and Administrative Support Occupations	27.7	\$10.22
Production Occupations	21.0	\$10.00
Building and Grounds Cleaning and Maintenance	13.3	\$10.30
Food Preparation and Serving Related Occupations	9.6	\$10.29
Transportation and Material Moving Occupations	8.5	\$10.50

Data source: RSA-911

Note: FFY 17 contains closed case data from October 1, 2016 to June 30, 2017.