

**FEDERAL FISCAL YEAR 2019
MONITORING REPORT
ON THE
MINNESOTA VOCATIONAL
REHABILITATION SERVICES
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 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 Minnesota Vocational Rehabilitation Services (VRS) in Federal fiscal year (FFY) 2019, 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 State Vocational Rehabilitation Services and State Supported Employment Services Programs;
 - Pre-Employment Transition Services for Students with Disabilities;
 - Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs; and
 - Joint Workforce Innovation and Opportunity Act Final Rule Implementation.

In addition, RSA reviewed a sample of individual service records to assess internal controls for the accuracy and validity of Case Service Report (RSA-911) data and service records to assess measurable skill gains.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from June 10 through 14, 2019, is described in detail in the State Vocational Rehabilitation Services and State Supported Employment Services Programs Federal Fiscal Year 2019 Monitoring and Technical Assistance Guide.

B. Review Team Participants

Members of the RSA review team included Jim Doyle, Shannon Moler, and Jessica Davis (Vocational Rehabilitation Program Unit); Craig McManus (Fiscal Unit); Jason Hunter (Technical Assistance Unit); and Yann-Yann Shieh (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

C. Acknowledgements

RSA wishes to express appreciation to the representatives of VRS 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, advocates, and other stakeholders in the monitoring process.

SECTION 2: FOCUS AREA – PERFORMANCE OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS

A. Purpose

Using this focus area, RSA assessed the employment outcomes, including the quality of those outcomes, achieved by individuals with disabilities served in the VR program through the conduct of an analysis of VR program data and a review of individual service records. The analysis below, along with any accompanying findings and corrective actions, is based on a review of the programmatic data contained in Appendix A of this report. The data used in the analysis are those collected and reported by the VR agency.

B. Analysis of the Performance of the VR Program

VR Agency Profile

Resources: Appendix A—Tables 1, 2, and 3

For program year (PY) 2017, VRS reported a total of 7,280 applicants and 7,082 individuals determined eligible for VR services. During this time, 6,324 individuals received VR services after developing an approved individualized plan for employment (IPE). No individual was reported as having an approved IPE but not receiving VR services. Of those who received services with an approved IPE in PY 2017, most of those served were individuals with psychological or psychosocial disabilities, representing 40.5 percent of all individuals served, followed by 39.5 percent of all individuals served reporting a cognitive disability. An additional 6.7 percent of all individuals served reported an auditory or communicative disability.

In PY 2017, 2,701 participants exited the VR program in competitive integrated employment or supported employment. Of the 7,257 individuals who exited the program in PY 2017, 5,940 individuals exited after receiving VR services. When comparing the number of individuals who exited the VR program with employment after receiving services to the total number of individuals who exited with or without employment after receiving services, VRS had an employment rate of 45.5 percent in PY 2017.

Of the 29.3 percent of participants reported eligible for measurable skill gains, 17.7 percent achieved measurable skill gains on this WIOA performance indicator. Measurable skill gains is discussed in detail under VR services below.

The VR Process

Resources: Appendix A—Tables 1, 2, 4, and 5

Over a three-year period, the number of total applicants decreased slightly, from 7,978 individuals in FFY 2016, to 7,754 individuals in FFY 2018, according to RSA-113 reports. During the same three-year period, the number of total eligible individuals decreased from 7,871

individuals in FFY 2016, to 7,134 individuals in FFY 2018. During PY 2017, as reported on the RSA-911, 191 individuals (2.6 percent) exited from application status before an eligibility determination was made and 977 individuals (13.5 percent) exited after being determined eligible for VR services, but before an IPE was developed.

In PY 2017, VRS reported that 98.1 percent of eligibility determinations were made within 60 days from the date of application. In the same PY, VRS reported that 96.8 percent of IPEs were developed within 90 days from the date of eligibility determination. VRS communicated it recently emphasized to staff the importance of meeting the statutory 60-day time frame for making eligibility determinations or, when necessary, developing an eligibility determination extension in collaboration with the applicant in accordance with 34 C.F.R. § 361.41(b)(1)(i). VRS has also emphasized the statutory requirement to develop IPEs within the mandatory 90-day time frame for all eligible individuals. To facilitate compliance, VRS provides regular training for staff regarding good practices used by VR counselors and uses its case management system to remind VR counselors and supervisors of impending dates, which is enforced by district administrators.

VRS has been under an order of selection (OOS) since 1993 when it established four priority categories defined by the functional limitations of individuals eligible for VR services. Since the OOS was implemented, priority category four, individuals determined eligible for VR services with nonsignificant disabilities, has remained closed. In FFY 2014, VRS closed priority categories two and three, with priority category one, individuals with the most significant disabilities, the only priority category open. According to the RSA-113 report, from FFY 2016 through FFY 2018, the number of individuals on an order of selection waiting list at the year-end has increased from 1,085 in FFY 2016, to 1,993 in FFY 2018. At the time of the review, VRS indicated its waiting list had increased to 2,320 individuals.

Although VRS has maintained one priority category open, the number of individuals with an IPE receiving services has increased from 13,523 individuals in FFY 2016 to 15,821 individuals in FY 2018. Conversely, the percentage of individuals with an IPE who receive no VR services decreased from 25.8 percent for FFY 2016, to 17.0 percent for FFY 2018. VRS attributed the increase in individuals receiving services to the duration of services for individuals with the most significant disabilities. VRS reported that individuals receiving VR services are more significantly disabled due to the increased effort to assist individuals working in noncompetitive or nonintegrated employment settings to pursue VR services leading to competitive integrated employment outcomes, which requires extensive rehabilitation services.

VR Services

Resources: Appendix A—Tables 6 and 7

During PY 2017, VRS provided VR services to a total of 16,676 individuals. Of those individuals, 47 individuals (0.3 percent) received graduate degree training, 365 individuals (2.2 percent) received bachelor's degree training, 340 individuals (2.0 percent) received junior or community college training, 300 individuals (1.8 percent) received occupational or vocational training, 62 individuals (0.4 percent) received on-the-job training and one individual received apprenticeship training.

Of the 16,676 participants who received VR services during PY 2017, VRS reported 29.3 percent of the participants, or 4,886 individuals, were eligible for measurable skill gains, or those reported as enrolled in a recognized postsecondary education program or training. Further, VRS reported 862 participants, or 17.7 percent of those reported as eligible for measurable skill gains, achieved a total of 887 measurable skill gains.

RSA discussed discrepancies noted in data reported by VRS. As previously described, VRS reported 1,115 participants, collectively, who received support to attend a postsecondary education or training program, or to participate in on-the-job training or apprenticeship training, while 4,886 participants were identified as eligible for measurable skill gains. Of the 752 participants who collectively participated in graduate training, bachelor's degree training, and junior or community college in PY 2017, VRS reported only 17 participants as earning measurable skill gains related to a postsecondary transcript or report card. In addition, of the 363 participants who received occupational or vocational training, on-the-job training, or apprenticeship training in PY 2017, VRS reported seven participants earning measurable skill gains for a training milestone and seven earning measurable skill gains for skills progression. Finally, although VRS reported a total of 8,958 students with disabilities in PY 2017, 26 participants were reported as earning measurable skill gains for educational functional level and 830 participants earned a measurable skill gains for secondary diploma.

VRS attributes the low number and percentages reported for measurable skill gains as being due to the manner in which the case management system collects and reports data for this performance indicator. In particular, staff must identify that the individual will participate in an education or training program prior to the development of the IPE and this must be updated by the VR counselor as the participant progresses. VR counselors are instructed to enter in the achievement of a measurable skill gains only when supporting documentation becomes available. Since the case management system reports participants enrolled in education or training programs using an automated process and only pulls measurable skill gains when specific information has been entered, VRS believes the number of participants reported as earning a measurable skill gains is significantly underreported. VRS acknowledged an initial lack of training for its VR counselors that has since been addressed through multiple training sessions in coordination with WINTAC. VRS reported it is in the process of working with its case management contractors to modify the process to collect and report the data and to simplify the process.

During PY 2017, VRS appeared to either underreport or not provide career and other services, as demonstrated through the RSA-911 report. Of the 16,676 participants who received VR services in PY 2017, VRS reported providing vocational guidance and counseling to 40.3 percent of all participants. In addition, VRS reported that 18.6 percent of participants received assessment services, 3.4 percent of participants received job search assistance, and 34.6 percent of participants received job placement assistance. Further, VRS reported 4.8 percent of participants received short-term job supports while 0.4 percent, or 60 participants, received supported employment services. As demonstrated by RSA-911 data, VRS may have underreported individuals who received other career services or other services, including those who received benefits counseling (1.7 percent), customized employment services (0.7 percent), transportation services (10.6 percent), maintenance services (7.2 percent), and rehabilitation technology services (1.1 percent). A more comprehensive list that includes the number of participants and

percentages who received training, career, and other services for PY 2017 can be viewed at Table 6 in Appendix A of this report.

Quality of Employment Outcomes

Resources: Appendix A—Tables 1, 4, 5, 6, 8, 9, and 10

In PY 2017, 2,701 participants exited the VR program with competitive integrated employment, 482 of whom achieved supported employment. The median hourly earnings at exit for those who achieved competitive integrated employment was \$11.00 per hour and the median hours worked per week at exit was 25 hours.

During this same period, VRS reported individuals most often achieved the five following types of employment based on the Standard Occupational Classification (SOC) titles with median hourly earnings for PY 2017:

- Office and administrative support with 454 participants (\$11.00);
- Food preparation and serving with 422 participants (10.00);
- Sales and related occupations with 341 participants (\$10.00);
- Building and grounds cleaning and maintenance with 275 participants (\$10.20); and
- Transportation and material moving with 241 participants (\$11.00).

These five types of SOC titles were followed by production occupations with 227 participants (\$12.00) and personal care and services with 189 participants (\$10.50). Collectively, these seven occupation types accounted for 2,149 individuals (79.6 percent) of the 2,701 participants who achieved employment outcomes in PY 2017. All individuals in the occupational categories identified above achieved median hourly earnings between \$10.00 and \$12.00. The minimum wage in Minnesota for PY 2017 increased from \$9.50 to \$9.65 per hour with a lower wage of \$7.87 allowed for smaller employers.

RSA discussed the correlation with the provision of career services in postsecondary education or training programs and the quality of employment outcomes. VRS indicated the agency recognizes recent trends concerning the decline of postsecondary education or training programs provided to prepare its participants for advanced or technical fields of employment and attributes it to changes following the enactment of WIOA. Specifically, VRS indicated a significant number of participants receiving VR services are a direct result of the Minnesota Employment First Policy implemented on Sept. 29, 2014. The Minnesota Employment First Policy states that the Minnesota Department of Education (MDE), the State VR agencies (VRS) and the State Services for the Blind (SSB)), and the Minnesota Department of Human Services (DHS) will work together to align program services, funding and develop policies to support people with disabilities to choose, secure and maintain competitive integrated employment, including self-employment. Interim guidance developed and issued by DHS to its providers for home and community-based services (HCBS) waiver employment providers identifies VRS (and SSB) as the first payer for employment development services and HCBS disability waivers can only pay for these services when the individual has been placed on a waiting list after being assigned to one of the closed priority categories or is not eligible for VRS (or SSB) services. As a result, VRS communicated the number of individuals applying and receiving VR services with the most

significant disabilities referred directly from day habilitation programs or nonintegrated or subminimum wage employment continues to increase. VRS indicated that often the individual may request working only one or two hours per week to maintain their benefits, significantly limiting employment opportunities. VRS requested technical assistance in this area, which is addressed in the technical assistance portion of this section.

Pre-Employment Transition Services

Resources: Appendix A—Tables 11 and 12

The total number of students with disabilities reported by VRS in PY 2017 was 8,958. Of those students, 2,781 or 31.0 percent, received pre-employment transition services, none of whom were reported as potentially eligible students with disabilities. During the review, VRS acknowledged significantly more students with disabilities received pre-employment transition services but were not properly reported by the agency. Students with disabilities potentially eligible for VR services were served through community rehabilitation providers (CRPs) contracted by VRS. The providers were responsible for reporting the services provided directly into VRS' case management system. VRS recognized pre-employment transition services provided to potentially eligible students through its contracts were not reported on the RSA-911. VRS identified a total of 1,254 pre-employment transition services were provided to 598 students potentially eligible for VR services in PY 2017. The agency communicated it will make the necessary changes to address how data is collected and reported for students potentially eligible for VR services and expected that this reporting would be accurate beginning in PY 2019.

Of the 2,781 students with disabilities who received pre-employment transition services in PY2017, VRS reported the agency provided a total of 10,033 pre-employment transition services. Of the 10,033 pre-employment transition services, job exploration counseling accounted for 51.8 percent of all pre-employment transition services, followed by counseling on enrollment opportunities, which accounted for 17.9 percent. Work-based learning experiences, workplace readiness training, and instruction in self-advocacy accounted for 14.4 percent, 9.0 percent, and 6.9 percent, respectively.

VRS indicated pre-employment transition services are provided to students with disabilities through contracts with CRPs and agency staff. VR counselors work with approximately 120 CRPs throughout the State to provide pre-employment transition services. VRS communicated all five required activities are available across the State through a combination of its staff and CRPs. RSA provided VRS with a breakdown of all five required activities provided during each quarter of PY 2017 categorized by services purchased, provided by staff or provided through a comparable benefit. In addition, each activity included the amount expended for purchased services per quarter, as reported in the RSA-911. These data were used to facilitate discussions on-site regarding how pre-employment transition services are reported to RSA, including the cost of services purchased.

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 expenditures 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

Prior to the on-site monitoring review, RSA requested documentation from VRS that outlines its policies and procedures related to the case service records, reporting on the RSA-911, its internal control processes (e.g., ensuring data accuracy, reliability, and timely submission), and a description of the case file (service record) organization or documents used by VRS staff to organize case files. VRS provided RSA with a description of various parts of its quality assurance (QA) process, including case management, case reporting, case closure policies, quality case review form, and the quality review and supervisory case review instrument for VR counselors.

VRS discussed its internal control processes, including its case review process, policies and procedures for the management of data, and its process for verifying and submitting its RSA-911 reports. VRS has recently implemented a case review process, which includes the review of cases by its supervisors using a standardized form. The review form was provided to RSA on-site through screen shot images identifying the topic areas of review and elements within each topic. The process involves supervisors randomly selecting two case records for each VR counselor to conduct an analysis using the online review tool. Case reviews include a rating from one to four (one being the lowest score possible) using objective criteria based on the number of elements missing or incorrect. VRS intends to use results for each VR counselor to assess performance, compliance with VRS' procedures, and to improve performance and consistency meeting its established practices.

RSA discussed recommended areas to improve its case record review process. RSA recommended procedures be developed to ensure the review process is consistent across all offices. For example, while cases are randomly selected by supervisors, some only review closed cases, others identified cases of participants that have been closed who have achieved employment while some review open case records in service status. In addition, supervisors should complete case reviews within the same period of time, such as monthly, quarterly, etc. RSA also recommended the topic areas reviewed be modified to include, among other topic areas, the review of data elements applicable to the common performance indicators including the identification of recognized postsecondary education or training programs, achievement of measurable skill gains earned with supporting documentation, achievement of credential attainment with supporting documentation, and all essential elements pertaining to the achievement of competitive integrated employment by participants with the required supporting documentation. Finally, RSA recommended supervisors review case records from different offices to compare the consistency of case reviews.

VRS provided RSA its policy and procedures manual, including its procedures governing the management and release of data. VRS policy manual Chapter 11, Data Practices Guidance Materials, includes the requirements for the agency's collecting, maintaining, and releasing information, such as the circumstances in which it would require consent and data pertaining to minors before releasing information to third parties (e.g., Social Security Administration or employers). RSA found the procedures thorough and detailed, meeting all the requirements of 34 C.F.R. § 361.38(a)(1), requiring the development of written policies and procedures concerning the protection, use, and release of personal information by a VR agency.

RSA also reviewed VRS' policies and procedures involving the provision of VR services, eligibility and IPE development, employment, including supported employment, and credential attainment and measurable skill gains earned. RSA discussed the agency's policies and procedures during a session dedicated to its policy manual and provided several recommendations. Overall, RSA found VRS' procedure manual comprehensive and generally updated. Several recommendations are included in the technical assistance portion of this section.

Service Record Review

The RSA review team randomly selected 20 service records of participants who exited with competitive integrated employment or supported employment and 20 service records of participants who earned measurable skill gains to verify that the service records contained documentation supporting data reported by the VR agency on the RSA-911. The results of that review are summarized in Appendix B. Of the service records reviewed for individuals who achieved an employment outcome, three of 20 service records, or 15 percent, had all required documentation, while 85 percent included some discrepancies or did not have all required documentation. Of the 20 service records reviewed for individuals who achieved measurable skill gains, 14 of 20 service records, or 70 percent, had all required documentation, while 30 percent included some discrepancies or did not have all required documentation.

Of the service records reviewed for individuals who achieved competitive integrated employment or supported employment outcomes, 100 percent had documentation in the service record verifying the date of application reported on the RSA-911 and 95 percent of the service records included sufficient documentation verifying the date of eligibility. Documentation was present in 15 of 20 (75 percent) of the service records reviewed for the date of the most recent IPE. Of the service records reviewed in which participants achieved competitive integrated employment or supported employment outcomes, 12 of 20 (60 percent) contained documentation verifying the reported start date in the individual's primary occupation. Supporting documentation verifying the employment outcome at exit was present in 13 of 20 (65 percent) of the service records reviewed. In addition, supporting documentation was present for 12 of 20 (60 percent) of the service records reviewed for hourly wage at exit. For the type of exit, adequate documentation was present in 15 of 20 (75 percent) of the service records and the date of exit was supported by adequate documentation in seven of 20 (35 percent) of service records reviewed.

The service record review also consisted of a review of 20 service records in which participants achieved measurable skill gains. Of those, 17 of 20 (85 percent) service records included

adequate supporting documentation of the date for the initial VR service on the IPE as reported on the RSA-911. Regarding the date reported on the RSA-911 as the date enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment, 19 of 20 (95 percent) of the service records had the required documentation.

Additionally, the service records reviewed included verification of the types of measurable skill gains attained, such as educational functioning level, secondary transcript/report card, postsecondary transcript/report card, training milestone, and skills progression. Of the service records that indicated the achievement of a measurable skill gains through secondary transcript or report card, 17 of 19 case records had the required documentation. Of the service records that indicated the achievement of postsecondary transcript or report card, one of the two cases had the required documentation. None of the service records reviewed included the necessary supporting documentation for the achievement of an educational function level (one case), training milestone (one case) and skills progression (one case).

D. Findings and Corrective Actions

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

Finding 2.1 Lack of Internal Controls for Case File Documentation

Issue: Do VRS' internal controls ensure that case files adhere to the record of service requirements at 34 C.F.R. § 361.47. Specifically, do the internal controls ensure that VRS adheres to the requirements for the development of the IPE pursuant to 34 C.F.R. § 361.45 and the requirements for closing the record of services of an individual who has achieved an employment outcome pursuant to 34 C.F.R. § 361.56.

Requirements: Pursuant to 34 C.F.R. § 361.47(a), VR agencies must maintain for each applicant and eligible individual a record of services that includes pertinent documentation including, but not limited to, the individual's application for VR services, the individual's IPE, and information related to closing the service record of an individual who achieves an employment outcome. Further, VR agencies, in consultation with the State Rehabilitation Council, if the State has such a Council, must determine the type of documentation that the VR agency must maintain for each applicant and eligible individual in order to meet these requirements in accordance with 34 C.F.R. § 361.47(b).

Federal regulations at 34 C.F.R. § 361.45 include options for developing the IPE and outline how VR agencies must document that the eligible individual with a disability agrees to the contents of his or her IPE and any amendments made to it. The requirements for what must be included in the IPE are set forth in the Federal regulations at 34 C.F.R. § 361.46.

Pursuant to 34 C.F.R. § 361.56, the service records for individuals who have achieved an employment outcome may only be closed if: an employment outcome described in the individual's IPE in accordance with 34 C.F.R. § 361.46(a)(1) has been achieved and is consistent with an individual's unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice; the employment outcome is maintained for an appropriate period

of time, but not less than 90 days to ensure stability of the employment outcome and the individual no longer needs VR services; the outcome is considered to be satisfactory and agreed to by the qualified rehabilitation counselor employed by the DSU and the individual who must agree that they are performing well in the employment; and the individual has been informed of post-employment services through appropriate modes of communication. Under 34 C.F.R.

§ 361.47(a)(15), prior to closing a service record, VR agencies must maintain documentation verifying that the provisions of 34 C.F.R. § 361.56 have been satisfied. More specifically, under 34 C.F.R. § 361.47(a)(9), VR agencies must maintain documentation verifying that an individual who obtains employment is compensated at or above minimum wage and that the individual's wage and level of benefits are not less than that customarily paid by the employer for the same or similar work performed by individuals without disabilities.

Analysis: While onsite, RSA reviewed 40 service records, which included 20 service records of individuals who achieved an employment outcome and 20 service records of individuals who earned measurable skill gains. In recording the start date of VR services under the IPE, VRS reported the date reported in its case management system is the date the IPE was signed by both the VR counselor and the eligible individual, or the individual's representative when authorized. VRS confirmed the case management system has the ability for VR counselors to backdate a number of fields, including the approval of an IPE or amended IPE. During the service record review by RSA, five of the 20 case records did not reflect the date the IPE or the most recent IPE amendment was approved. In one case, the date on which the IPE was approved as reported in the case management system was identified as an earlier date when compared to the supporting documentation.

The results of the 20 service records reviewed in which individuals achieved an employment outcome demonstrated that the documentation was insufficient or included discrepancies in the dates reported across the case file, in the case management system, and on the RSA-911. Of the service records reviewed, 40 percent did not include a start date of employment, 35 percent did not include the employment at exit, 40 percent did not include hourly wage at exit or closure; and 65 percent did not include date of exit consistently documented across what was reported in the case file, case management system, and on the RSA-911.

RSA observed that the service records reviewed lacked documentation to substantiate that VR counselors verified the hourly wage earned at the time of exit, the type, and date of exit, that the individual maintained employment for at least 90 days after placement, or that the employment continued to be stable at the time of closure as required in 34 C.F.R. § 361.56(b). During the on-site case record review, RSA observed service records inconsistently verified that individuals who obtain employment have been compensated at or above minimum wage, or an individual's wage and level of benefits are not less than the customary rate paid by the employer for the same or similar work performed by individuals without disabilities. In addition, VRS only requires a case note, not a pay stub or documentation of the wage reported. Furthermore, the service records reviewed lacked documentation as to whether the individual required further VR services, the individual and VR counselor considered the employment outcome to be satisfactory, and both agreed that the individual is performing well in employment in accordance with 34 C.F.R. § 361.56(c). Due to the lack of supporting documentation, RSA was not able to verify whether VRS informed the individual of the availability of post-employment services as required by 34 C.F.R. § 361.56(d).

Conclusion: As a result of the analysis, RSA determined that VRS' internal controls did not ensure the service record requirements at 34 C.F.R. § 361.47 were met. Specifically, VRS' internal controls did not ensure the inclusion in the service records of documentation related to development of the IPE, pursuant to 34 C.F.R. § 361.45, and the requirements for closing the record of services of an individual who has achieved an employment outcome, pursuant to 34 C.F.R. § 361.56.

Corrective Actions: RSA requires that VRS—

- 2.1.1 Develop internal control policies and procedures to ensure that the provisions of 34 C.F.R. §§ 361.47 and 361.56 have been met and documented in the service record, and that the requirements at 34 C.F.R. §§ 361.45, and 361.46 are met;
- 2.1.2 Review and develop instrumentation for conducting both State and field-level service record reviews; and
- 2.1.3 Develop mechanisms to collect and aggregate the results of these reviews and use the results to inform staff training and evaluation.

Agency Response:

- 2.1.1 VRS understands the need to develop improved internal control policies and procedures as outlined.
- 2.1.2 VRS understands the need to review and develop instrumentation for service record reviews.
- 2.1.3 VRS understands the need to develop improved mechanisms to collect & aggregate the results of these reviews and use the results to inform staff training and evaluation.

Agency Update: VRS is developing a new comprehensive framework for case record reviews and internal controls to address the above concerns. We are in the process of hiring a Quality Assurance and Staff Development Director position that will oversee three newly developed/hired independent case reviewers and two existing staff development positions as part of the new process. We have also contracted with an independent facilitator and have identified a case record review work group to assist in designing the new process. This process also includes the development of a new case record review tool that will aggregate individual, team, and statewide results in order to direct staff learning and development.

Agency response to TA received:

- After consultation with WINTAC, our guidance to staff has been that a person's participation in an employer sponsored internship for purposes of obtaining job specific skills consistent with the person's job goal-which we consider "training"- can potentially result in Measurable Skill Gains or Credential Attainment.

We were intentional in our guidance to staff that reporting skill gains earned during an internship must not be connected with a post-secondary training program. This was to mitigate the risk of double reporting MSGs for credit completion connected with the

postsecondary course work and a “skills progression” MSG connected with job specific skills attained during the internship.

Participants can and do attain job specific skills during internships. In these cases, the agency views it as appropriate, and consistent with WIOA requirements, to report the skills gained by a person participating in an internship.

We are not saying the internship itself is what counts as a credential, but rather, participation in the internship may result in the attainment of a recognized postsecondary credential. Employers can and have offered opportunities and provided financial support for interns to earn recognized credentials during participation in internships. In these cases, the agency views it as appropriate, and consistent with WIOA requirements, to report a person’s attainment of a recognized postsecondary credential.

- VRS amended its Common Performance Measures Guidance as advised and announced on 3-11-20.
- Training on Measurable Skill Gains has been completed to ensure that VR counselors report all students attending a postsecondary education or training programs who achieve measurable skill gains on a consistent basis.
- Changes were made to Supported Employment Policy and Guidance in response to verbal RSA feedback during the on-site monitoring review. This written feedback recommends even more changes that will be needed to SE Policy and Guidance.
- SE Policy changes have been drafted to align with 34 C.F.R. § 361.46(b)(3) and 34 C.F.R. § 363.11(g)(3)(iii).
- Changes to SE Policy have been drafted to specifically add the definitions of “Supported Employment Services” (361.5(c)(54)). The addition of the definition of Extended Services (361.5(c)(19)) was included in on April 15, 2020.
- Agency considers the SE supplement to be part of the IPE so would disagree with the assertion the agency did not comply with the requirements of 361.46(a). Regardless, SE Guidance has subsequently been changed to remove reference to the SE Supplement. WF1 is currently being changed to embed the SE Supplement into the body of the EP so it’s no longer a supplement and is instead embedded within the EP. This is scheduled to be completed in the June 2020 WF1 build.
- In response to RSA comment “VRS must maintain administrative control over all case record documentation,” please note that contractors cannot enter case notes.

RSA Response: RSA appreciates the steps taken by VRS to resolve this finding. RSA disagrees with VRS’ position regarding internships counting towards measurable skill gains or the achievement of a credential for the purposes of the performance indicators. It is agreed that participants may earn valuable skills as a result of participation in an internship, but participants must obtain an industry-recognized credential through one of the identified types of credentials defined at RSA Technical Assistance Circular (TAC) 17-01. In addition, a participant must be enrolled in a recognized postsecondary education program and obtained one of the five identified measurable skill gains, as identified at TAC-17-01, to count towards this performance indicator. As a result, internships would not meet either of these criteria. Please amend VRS’ policies and procedures and provide staff the necessary training to be compliant with these requirements.

Agency Request for Technical Assistance:

We are interested in TA to review and advise on our new process and tool. What pieces of data verification fall in the case management team's purview and what falls on the data management team? Scope of case review? Internal controls; compliance; quality.

E. Technical Assistance

In the course of conducting monitoring activities, RSA provided technical assistance to VRS as described below.

Requirements for the Performance Indicators

VRS requested technical assistance regarding the requirements involving allowable measurable skill gains and credential attainment. Specifically, VRS identified internships training as meeting the definition for a recognized postsecondary credential program and inclusion as a measurable skill gains. RSA indicated an internship not associated with a secondary or postsecondary education program may help the participant achieve employment as it serves as a valuable way to obtain work experience and gain skills. Nonetheless, the internship itself is not a measurable skill gains or credential because the internship is not part of an education or training program leading to a recognized credential. However, if an internship is part of a student's secondary or postsecondary education or training program that leads to a credential and the student earns credit for the internship, then it could be a measurable skill gains (such as secondary or postsecondary transcript or report card). Such an internship would not be a credential attainment; the credential, in this case, would be a secondary diploma, college or postsecondary degree, or other recognized credential.

In addition, RSA discussed the allowance of on-the-job training (OJT) with regards to credential attainment and measurable skill gains. VRS' policy manual, Chapter 21 Common Performance Measures, states OJT as being excluded from the credential attainment indicator, but VRS did inquire about variations of job training that may or may not include compensation for the worker. RSA clarified that in accordance with 34 C.F.R. § 361.155(a)(1)(iv) and RSA TAC-17-01, OJT is excluded from being eligible for the achievement of a recognized credential. However, an OJT may count as a measurable skill gain if one or more of the five types of documented progress is obtained during or upon the completion of the OJT. A participant in an OJT may be eligible to earn two of the five measurable skill gains types—training milestone or skills progression. The other three measurable skill gains types are education-related and are not applicable to an OJT.

VRS also requested clarification on the minimum allowable requirements to document the attainment of a credential that must be met for supporting documentation prior to reporting the achievement of a credential. Specifically, VRS inquired whether it is appropriate to document and report the achievement of a credential attainment if the agency has strong reasons to believe that a participant has achieved a credential and has documented multiple efforts to obtain the necessary documentation for the service record but without success. RSA clarified in accordance with TAC-19-01, the agency or VR counselor documenting efforts to obtain supporting documentation does not satisfy the documentation requirement for a credential. In the data validation guidelines outlined in TAC 19-01, the source documentation requirements listed for credentials are identified as one of the following:

- Data match;
- Copy of credential;
- Copy of school record;
- Follow-up survey from program participants; or
- Case notes documenting information obtained from education or training provider.

VRS was encouraged to continue working with the individual to obtain the necessary supporting documentation for any credential attainment.

Finally, VRS was advised to amend its policy at Chapter 21 Common Performance Measures to clarify obtaining a secondary school diploma or a recognized equivalent may be included in the credential attainment only if the participant is employed or enrolled in a recognized postsecondary education or training program within one year of exit from the VR program.

Measurable Skill Gains

RSA discussed VRS' performance related to measurable skill gains, as detailed in Tables 6 and 7 in Appendix A of this report. RSA discussed with VRS the 1,115 participants reported as receiving postsecondary education and training in comparison to the limited number of skill gains earned that would be applicable to these programs. In particular, VRS reported the achievement of 31 measurable skill gains, collectively, for postsecondary transcript or report card (17), training milestones (7), and skills progression (7). Overall, VRS reported the achievement of 887 measurable skill gains, but 856 of the measurable skill gains were identified for the achievement of secondary diploma (830) and educational functioning level (26), which would not be applicable to postsecondary education and training programs.

RSA and VRS discussed the need for the agency to take measures to ensure that VR counselors report all students attending a postsecondary education or training programs who achieve measurable skill gains on a consistent basis. VR counselors should remind participants at the time of the IPE development and prior to the initiation of services of the documentation that is required upon the achievement of a credential or measurable skill gains earned while the student progresses.

Supported Employment

RSA reviewed VRS' policies regarding the Supported Employment program at Chapter 6 of its policy manual. During the discussion with VRS during the on-site portion of the review, RSA identified aspects of the agency's policies that needed updating:

- Supported employment services must not include any services prior to employment, such as assessments to review the individual's interests, and job development and job placement services;
- Policies should be modified to align with 34 C.F.R. § 361.46(b)(3) and 34 C.F.R. § 363.11(g)(3)(iii);
- VRS' policy regarding the definition of "supported employment services" and "extended services," particularly as this definition applies to youth with the most significant

disabilities, should reflect 34 C.F.R. § 361.5(c)(54) and (19). Furthermore, VRS' policies must state that supported employment services may be provided for a period of up to 24 months for individuals with the most significant disabilities eligible for supported employment services, and extended services may be funded by VRS for youth with the most significant disabilities for a period of up to four years until the youth turns 25 years old following the provision of supported employment services, in accordance with 34 C.F.R. § 361.5(c)(19) and 34 C.F.R. § 363.4(a)(2); and

- VRS' policies and procedures must incorporate supported employment services under the IPE, not under a separate Supported Employment Supplement. All VR services, including the provision of supported employment services, must be documented as part of the IPE, in accordance with 34 C.F.R. § 361.46(a), including supported employment services, as described at 34 C.F.R. § 361.46(b).

Pre-Employment Transition Services

RSA provided clarification to VRS regarding the tracking and reporting of students with disabilities potentially eligible for VR services served through its contracts. VRS must ensure students with disabilities receiving pre-employment transition services are identified as eligible or potentially eligible for VR services, as defined at 34 C.F.R. § 361.5(c)(51), and reported on the RSA-911, in accordance with the data elements identified at PD-16-04 and PD-19-03. All services purchased must be broken down by the required activity and cost per student, and VRS must maintain administrative control over all case record documentation.

Provision of VR Services

RSA reviewed the provision of VR services, as identified in Table 6 of Appendix A of this report and made the following recommendations after multiple discussions with VRS during the monitoring process.

- In Chapter 4G-Job Related Services, job coaching is identified as a service automatically included within its job placement contracts, which includes 20 hours of direct job coaching with the individual and is included as part of the cost of the service. RSA recommended this service be individualized and purchased only as needed and identified on the IPE as a separate service. Also, job coaching should not be provided to and paid for an individual whose VR case record is closed even if the service immediately follows the achievement of an employment outcome. The individual's case should remain open until all services have been provided and the VR counselor must ensure the individual no longer requires VR services before the case is closed.
- RSA and VRS discussed the variety of data that appear to be underreported through the RSA-911. For example, RSA discussed the low number of individuals receiving benefit counseling reported when compared to the emphasis VRS places on this service. VRS reported benefits counseling has been provided through a network of Centers for Independent Living (CILs) throughout the State using an annual contract. VRS recognizes this service is often unreported by its VR counselors since it's paid through an annual contract. VRS communicated that it will be looking at revising its contracts with the CILs to better track each service per individual. VRS identified the low percentage of the individuals served who receive vocational guidance and counseling, which the agency

believes is provided to all individuals upon the approval of the IPE. VRS discussed its interest in including vocational guidance and counseling on all IPEs and identifying it as a service automatically provided through its case management system. RSA advised against automatically counting the provision of any VR service since all services must be documented in the case record at the time the service was provided, in accordance with 34 C.F.R. § 361.47(a). RSA will continue to provide technical assistance as requested by VRS to identify the cause(s) for the underreporting of various RSA-911 data elements and to enable the agency to take steps to address the underreporting.

RSA provided additional technical assistance on the following topics:

- VRS must specify the individual's priority level at the time the individual is notified of his or her eligibility for services, including documenting the priority category and its status of the priority category through any notification sent to the eligible individual, in accordance with 34 C.F.R. § 361.42; and
- VRS must include and designate a specific employment goal on the IPE and cannot include multiple vocational goals. During the case review portion of the review, RSA observed multiple IPEs that included four or more vocational goals. VRS communicated that multiple goals are included if the individual is uncertain about the employment goal and in an effort to minimize IPE amendments once the individual is able to secure employment. RSA discussed the requirements of 34 C.F.R. § 361.45(b)(2) and suggested the agency take additional time to assess the individual's interest and abilities, ensure informed choice is provided, and amend the IPE, as necessary.

SECTION 3: FOCUS AREA –PRE-EMPLOYMENT TRANSITION SERVICES FOR STUDENTS WITH DISABILITIES

A. Purpose

The Rehabilitation Act, as amended by Title IV of WIOA, places heightened emphasis on the provision of services, including pre-employment transition services under Section 113, to students with disabilities 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 the RSA review team assessed the VR agency's performance and technical assistance needs related to the provision of pre-employment transition services to students with disabilities.

B. Implementation of Pre-Employment Transition Services

The VR agency must consider various requirements in providing or arranging for the provision of pre-employment transition services for students with disabilities under Section 113 of the Rehabilitation Act and 34 C.F.R. § 361.48(a). Students with disabilities may receive pre-employment transition services as either potentially eligible or eligible individuals for the VR program. A discussion of VRS service delivery system and implementation of pre-employment transition services follows.

Structure of Service Delivery

VRS structured its delivery of pre-employment transition services during the PY 2017 review period as follows:

- Potentially eligible students with disabilities were served solely by contractors, who were responsible for the provision of services and data entry to track service provision; and
- VR counselors were responsible for providing pre-employment transition services to eligible students with disabilities.

During PY 2017, pre-employment transition services provided through contracts were not available statewide; however, the agency reported that VR counselors provided or arranged services to potentially eligible students either directly or through a CRP, when needed, if a contract was not in place. At the time of the on-site monitoring, an 18-county region in central Minnesota was not covered by a contract since there were no CRPs that responded to a request for proposals (RFP) to serve the area. To ensure compliance with the non-delegable functions of the VR agency outlined in 34 C.F.R. § 361.13, effective July 17, 2019, the agency hired 23 rehabilitation representatives to provide only pre-employment transition services to potentially eligible students statewide.

Outreach and Planning for the Delivery of Pre-Employment Transition Services

In PY 2017, VRS reported that it did not purchase any authorized activities that would improve its outreach and planning for the delivery of pre-employment transition services to students with disabilities. However, the agency has begun purchasing authorized activities to expand pre-employment transition service programming. The agency completed a preliminary blueprint to begin purchasing authorized activities; however, it is not based on available data that supports the decision-making process, such as the number of students with disabilities in the State as reported in the Minnesota Department of Education (MDE) Unduplicated Child Count. The agency also reported that it is in the process of formally documenting its set-aside determination but has questions about how to clearly document the basis for a reduction in the number of students with disabilities who receive similar services through the LEAs as part of their personal learning plans. The agency requested technical assistance in this area.

Further, information from the agency, as well as from the SRC and Client Assistance Program, indicated that the State was experiencing difficulty providing pre-employment transition services to students with disabilities due to an influx of Section 511 referrals. The agency asked if it could determine an individual referred under Section 511 ineligible if the individual does not intend to achieve a competitive employment outcome, or if the agency must pursue trial work to determine ineligibility. VRS requested technical assistance in this area.

State Educational Agency (SEA) Agreement

At the time of the on-site monitoring visit, VRS' updated SEA agreement with MDE was signed and implemented December 20, 2016. It meets the requirements in 34 C.F.R. § 361.22(b) and indicates that pre-employment transition services are made available statewide to students with disabilities who need them in grade nine through age 21, which is consistent with the minimum and maximum age for transition services in Minnesota statute. The agreement includes both VRS and SSB since the two agencies are both part of the Minnesota Department of Employment and Economic Development (DEED).

Although the SEA agreement states that both VR agencies have agreed to make pre-employment transition services available to students in grade nine through age 21, SSB policy states that pre-employment transition services may begin at age 14 through age 21. RSA advised VRS that the definition of "student with a disability" in 34 C.F.R. § 361.5(c)(51)(i)(A)(2) allows a State, meaning the combined VR agency, or both the blind and general VR agencies in States where separate VR agencies are found, to adopt a transition age that is lower than the IDEA minimum age for a State. VRS policy in Chapter 7 regarding the minimum age for pre-employment transition services is the same as that identified in the SEA agreement and the Minnesota statute. Therefore, VRS and SSB must agree jointly on the minimum age for students with disabilities to be served and specify an age, not a grade level, in the State. This difference in the age range for pre-employment transition services expressed in SSB policy and the SEA agreement was resolved with the approval of the PY 2020 Combined State Plan. In their VR service portions of the plan, VRS and SSB indicate they are providing pre-employment transition services to students with disabilities in the age range, 14 through 21.

Provision of Pre-Employment Transition Services

VRS receives "directory information" from LEAs. In accordance with Minnesota (M.S. § 13.32) and Federal (20 U.S.C. § 1232g(5)(A)), "directory information" is defined as the student's name, address, telephone listing, and date of birth. Once the directory information for a potentially eligible student with a disability is received by a VR counselor or contractor, direct outreach to the student is made. The contractor is expected to collaborate with the VR counselor when he or she identifies a student with a disability who has more individualized needs by referring the student to a VR counselor, who will provide services to the student under an IPE if the student is determined eligible and assigned to an open order of selection category. The VR counselor may also receive a referral directly from the LEA. Reportedly, any student with a disability who applies for services, is determined eligible, but is assigned to a closed category under the order of selection, may receive pre-employment transition services based on the student having previously received similar services, such as services received under the student's personal learning plan.

Once a referral of a student with a disability is received by a contractor or VR counselor, three forms are uploaded to the Workforce One case management system. The three forms include the Request for Services form, the Tennessen Notice, and the Student Information form. On the request for pre-employment transition services form, students can select the services they are interested in receiving. The student information form has a section for school staff to verify that the student has a disability. The student may ask school staff to complete this section of the student information form since VRS cannot obtain the information legally without a signed release of information from the student and/or his or her parent or legal guardian. Provision of the Tennessen notice to the student and his or her parent/guardian, if applicable, reportedly allows the contractor to obtain verification of disability from the student and does not require a signature. Contractors may also begin providing pre-employment transition services required activities to potentially eligible students after provision of the Tennessen notice form to the student and his or her parent/guardian, if applicable, without obtaining a signature from either. It was noted that the agency previously required the signature of a parent or guardian prior to providing pre-employment transition services to students with disabilities, but the practice was discontinued in spring 2018 due to difficulties getting the necessary paperwork signed and returned.

In regard to the Tennessen notice, the agency further clarified that the Minnesota Data Practices Act requires the Tennessen Notice be given to individuals whenever a government entity is collecting private or confidential information from them. The Tennessen notice informs individuals of—

- The purpose and intended use of the requested data;
- Whether they may refuse or are legally required to supply the requested data;
- Any known consequence arising from supplying or refusing to supply the data; and
- The identity of other persons or agencies authorized by law to receive the data.

The purpose of the notice is to enable individuals to make informed decisions about whether to give information about themselves to the State agency. Once the Tennessen Notice is given and the individual, or their representative, supplies the agency with the requested information needed

for pre-employment transition services, then VRS would proceed with service delivery. If the person is a minor, or has a legal representative, the Tennessee Notice must be given to the parent or legal representative. The agency noted that since the law does not require a signature, the pre-employment transition services Tennessee Notice does not contain a signature line. However, the Tennessee notice for those applying for VR services does have a signature line. The agency also clarified that the Tennessee Notice is not in any way related to parental consent or permission to receive pre-employment transition services.

Regarding data provided to RSA, VRS did not report serving any potentially eligible students in PY 2017, even though the agency had contracts with providers who solely provided pre-employment transition services to potentially eligible students. In reviewing supporting documentation from PY 2017, contract invoices only showed the number of individuals served for a required activity in a given month and services were not linked to an individual student. At the time of the review, VRS had 12 contracts to provide pre-employment transition services to potentially eligible students; however, these contracts expired at the end of FFY 2019 and fee-for-service contracts went into effect on October 1, 2019 for FFY 2020.

Lastly, in regard to internal controls procedures, RSA provided technical assistance to VRS clarifying what may be considered an administrative cost since the agency submitted a document entitled Tracking, Authorizing, and Time Charging, which states that “Staff also code their time and expenses in the Statewide Employee Management Access (SEMA4) system using the three Pre-ETS codes. Staff have not coded holiday, vacation, sick, or other leave activity to the Pre-ETS codes.”

C. Findings and Corrective Actions

RSA’s review of VRS’ performance in this focus area did not result in the identification of any findings and corresponding corrective actions to improve performance.

D. Technical Assistance

In the course of conducting monitoring activities, RSA provided technical assistance to VRS as described below.

Considerations for the Set-Aside Determination

Since Minnesota Statute, Section 120B.125 requires all students beginning no later than ninth grade to have a personal learning plan around several key elements that are similar in scope to required pre-employment transition service activities (i.e., academic scheduling, career exploration, career and employment-related skills, community partnerships, college access, all forms of postsecondary training, and experiential learning opportunities), RSA provided technical assistance to assist VRS to—

- Clearly document the services similar to required activities provided to each student with a disability by the LEAs;

- Ensure that pre-employment transition services, including comparable services provided by LEAs under Personal Learning Plans are available to students with disabilities statewide; and
- Describe the need for required and coordinated pre-employment transition service activities in the comprehensive statewide needs assessment (CSNA).

Further, the SEA agreement between DEED and MDE states that decisions related to the entity responsible for providing transition, pre-employment transition services, or VR services that can be considered both a special education and a VR service will be made at the State and local level as part of the collaboration between the VR agencies, SEA and LEAs. Therefore, VRS should communicate clearly with the SEA and LEAs on this issue and possibly revise the SEA agreement to include the provision of these services under the personal learning plan. This documentation will assist the VR agency in the development of its set-aside determination by clearly identifying entities other than the VR agency that provide required and/or coordination activities to students with disabilities, potentially allowing the VR agency to spend reserve funds on authorized activities.

The method used to determine if a VR agency can move from required and coordination activities to authorized activities should include the following:

- The total number of “students with disabilities” in the State, which includes those students eligible for the VR program as well as those “potentially eligible” students with disabilities;
- The number of students with disabilities in the State who need required and coordination activities, including those currently receiving such services;
- The clearly documented basis for any reduction in the number of students with disabilities;
- The cost for the provision of required and coordination activities;
- The amount of funds reserved for the provision of pre-employment transition services that must be set aside for the provision of required and coordination activities to students with disabilities in need of the services; and
- The amount of funds available for the provision of authorized activities, as applicable.

Because VR agencies are required to expend funds reserved for pre-employment transition services in a specific manner, they must have internal controls that ensure the requirements are met (2 C.F.R. § 200.61). Therefore, the VR agency’s processes should be well documented and include the reasons for selection of the data elements used. Documentation should be maintained to demonstrate the agency has met the requirement for the provision of pre-employment transition services required and coordination activities before assigning authorized pre-employment transition services to reserved funds. RSA noted that the Blueprint: MN VRS Authorized Pre-Employment Transition Services document submitted for RSA’s review does not include all of the information listed above and should be revised.

Continuation of Pre-Employment Transition Services While Under an Order of Selection

Pre-employment transition services in Section 113(b) of the Rehabilitation Act, and 34 C.F.R.

§ 361.48(a)(2) are to be provided to students with disabilities in need of such services who are eligible or potentially eligible for VR services in collaboration with LEAs. VR agencies may directly provide or arrange for the provision of pre-employment transition services to students with disabilities regardless of whether the students have applied for or been determined eligible for VR services. For the VR agency to provide or arrange for the provision of pre-employment transition services for potentially eligible or eligible students with disabilities, such students must be known to the VR agency. If a student with a disability begins one or more of the required activities in Section 113(b) of the Rehabilitation Act and 34 C.F.R. § 361.48(a)(2) prior to the student being determined eligible for VR services, the student with a disability may continue to receive any and all required activities under pre-employment transition services while assigned to a closed order of selection priority category in accordance with 34 C.F.R.

§ 361.36(e)(3)(i), regardless of which agency, the VR agency or LEA, provided the required pre-employment transition service activity.

Example 1:

If a LEA determines that there is a need for programming on understanding employer expectations, identifies and refers students with disabilities to the VR program to receive this workplace readiness training as one of the required pre-employment transition services, and the LEA and VR agency collaboratively develop the training session on understanding employer expectations for punctuality and other “soft skills” necessary for employment, then regardless of whether the VR agency or the LEA provides the program, it qualifies as a required pre-employment transition service. If a student with a disability referred to the VR agency for pre-employment transition services engages in required activities such as this workplace readiness training prior to being determined eligible for VR services, the student may continue to receive any and all required activities in Section 113(b) of the Rehabilitation Act, and 34 C.F.R. § 361.48(a)(2), regardless of whether the student is assigned to an order of selection closed category waiting list.

Example 2:

In the fall, a LEA offers career interest inventories to all students in the school through its guidance department as part of the students’ personal learning plans. While career interest inventories may be provided as a required pre-employment transition service, in this example, the career interest inventories offered as a service through the guidance department was not developed in collaboration with the local VR program as a pre-employment transition activity and the inventories were provided to students with disabilities who have not been referred to the VR agency for pre-employment transition services. In the following spring, the LEA refers a student with a disability to the local VR program for job exploration counseling under pre-employment transition services. Before job exploration counseling begins, the student applies and is determined eligible for VR services and assigned to a closed order of selection priority category. The LEA shares with the VR agency that it has a recent career interest inventory completed in the fall by the referred student and asks if VR can provide job exploration counseling based on the results of the previously administered interest inventory. Because the previously administered career interest inventory was not a required pre-employment transition service activity provided by the LEA in collaboration with the VR agency, it would not be considered a pre-employment transition service. Therefore, the VR program could not provide

job exploration counseling to a student with a disability in a closed priority category because the student had not received a pre-employment transition service prior to application and eligibility determination.

Contracting for Pre-Employment Transition Services Coordination Activities

VR agencies may contract with CRPs, centers for independent living, or other service providers to engage in any of the pre-employment coordination activities listed in 34 C.F.R.

§ 361.48(a)(4), including attending individualized education program meetings for students with disabilities, when invited. However, in accordance with 34 C.F.R. § 361.13(c), vendors may not commit the VR agencies to providing specific services or expending funds because these are among the non-delegable responsibilities of a VR agency.

Parental Consent for the Provision of Pre-Employment Transition Services

Under Section 615(m) of IDEA and 34 C.F.R. § 300.520, a State may transfer all rights accorded to parents under Part B of IDEA to a student when he or she reaches the age of majority under State law, except for a student who has been determined incompetent under State law. If rights under IDEA transfer to a student, the student may have the right to make his or her own education, employment, and independent living decisions, and VR agencies may conduct outreach directly to these students. 81 FR 55688 (August 19, 2016). Depending upon State law, this usually happens at some point between 18 and 21.

Otherwise, parental consent to participate in pre-employment transition services should be obtained pursuant to State law, as well as policies of the educational programs and the VR agency, for those students who have not reached the age of majority. The consent of the parents or an IDEA-eligible student who has reached the age of majority must be obtained before personally identifiable information about the student is released to officials of participating agencies, including VR agencies that are providing or paying for transition services or pre-employment transition services.

More information on parental consent, age of majority, supported decision-making and guardianship can be found in A Transition Guide to Postsecondary Education and Employment for Students and Youth with Disabilities located on RSA's website at—

<https://www2.ed.gov/about/offices/list/osers/rsa/wioa-reauthorization.html>.

Pre-Employment Transition Services Coordination and Authorized Activities

Although the activities under 34 C.F.R. § 361.48(a)(3)(v) (authorized activities) and 361.48(a)(4)(iii) (coordination activities) are similar, they each have a different focus. The focus of the coordination activities found in 34 C.F.R. § 361.48(a)(4)(iii) includes working with schools to coordinate and ensure the provision of pre-employment transition services to students with disabilities specifically, while the focus of the authorized activities found in 34 C.F.R. § 361.48(a)(3)(v) includes coordinating activities with transition services provided by local educational agencies under IDEA.

The coordination activity that includes working with schools to coordinate and ensure the provision of pre-employment transition services must be carried out and may be paid for using reserved funds. The authorized activity that includes coordinating activities with transition services provided by local schools may only be provided if reserved funds remain after all required and coordination activities have been made available to all students with disabilities who need them. Please refer to “Transitional Services” in the NEMOJT2016M contract for an example of when this distinction should be made.

Note that to the extent VR agencies demonstrate they have sufficient funds reserved to make the required and coordination pre-employment transition activities available to the population identified in their set-aside determinations, they have met the requirement to provide required pre-employment transition services prior to authorized activities. Any reserved funds remaining beyond the targeted amount necessary for required and coordination activities may then be used for authorized activities listed in 34 C.F.R. § 361.48(a)(3) (81 FR 55703 (August 19, 2016)).

This information should be considered when implementing multi-year contracts since the population identified in the set-aside determination may fluctuate and the amount available for authorized activities may change. VR agencies must not commit reserves from future award funds to the provision of the authorized activities without first conducting the set-aside determination, and agencies must be careful not to include commitments in contracts that may obligate funds for authorized services from future awards since the set-aside determination may fluctuate from year-to-year. However, should the agency include commitments in contracts to provide authorized activities in future years, the agency may be required to provide and pay for those services with non-reserve VR funds if the set-aside determination for a future award indicates reserve funds to provide authorized activities are no longer available.

Time Charging and Assigning Costs for the Provision of Pre-Employment Transition Services

RSA staff provided technical assistance about tracking and reporting costs and services paid for with pre-employment transition services reserve funds. Reserve funds must be reported on Federal reports, including the RSA-911 and the SF-425 reports, which have different requirements. The RSA-911 report captures both expenditures and service type (individual required activity) when under a contract for purchased consumer services, but it also requires reporting of which required activity is provided to a student with a disability when the activity is provided “in-house.” While tracking of service provision is always required, only personnel costs for pre-employment transition services provided by VR agency staff are reported on the VR program financial reports (SF-425 and RSA-17) and are also used to determine the amount of set-aside reserve funds necessary to provide required and coordination activities, before moving on to spending funds on authorized activities. Therefore, there is no need for VR agency staff to track personnel costs down to the level of each of the five required activities to determine overall costs for reporting reserve expenditures. This is also true of coordination and authorized activities, which can be included on VR program financial reports as part of reserve expenditures.

This means that VR agency staff must have a method to identify, track and report the provision of the five specific required pre-employment transition services activities provided to students

with disabilities as a service type. In addition, the VR agency personnel costs associated with providing pre-employment transition services (based on activity category) may be assigned and tracked using the following example cost objectives, which will assist with financial reporting and set-aside determination:

- Time spent providing required and coordination activities combined together;
- Time spent providing authorized activities as its own cost objective; and
- Time spent providing all other services, which may require further break down to other cost objectives (e.g., other VR program costs).

Uniform Guidance states that personnel activity reports (PARs), or other record keeping systems, may be used to track VR agency staff time and personnel costs, and assign them to cost objectives (2 C.F.R. § 200.430). As an example, for the RSA-911, if a VR Counselor is providing work readiness training, the VR Agency will report that the service was provided on the RSA-911. However, the VR Counselor personnel costs associated with the time spent providing the required activity will be reported on the SF-425 or RSA-17 report and will be factored into the set-aside determination. The tracking of costs for the RSA-911 is only required for purchased required activities, including those purchased under a contract providing required activities to students with disabilities.

SECTION 4: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS

A. Purpose

Through this focus area RSA assessed the financial management and fiscal accountability of the VR and Supported Employment programs to ensure that: funds were being used only for intended purposes; there were sound internal controls and reliable reporting systems; available resources were maximized for program needs; and fund supported the achievement of employment outcomes for individuals with disabilities, including those with the most significant disabilities, and the needs of students with disabilities for pre-employment transition services.

B. Scope of Financial Management Review

During the monitoring process, RSA reviewed the following areas related to financial management and accountability:

Period of Performance

Period of performance is the time during which the non-Federal entity (grantee) may incur new obligations to carry out the work authorized under the Federal award (2 C.F.R. § 200.77). In order to accurately account for Federal and non-Federal funds, the VR agency must ensure that allowable non-Federal and Federal obligations and expenditures are assigned to the correct FFY award. RSA uses the financial information reported by the grantee to determine each VR agency's compliance with fiscal requirements (e.g., reservation of funds, matching, MOE, etc.). The RSA review team assessed VRS' performance in meeting the period of performance requirements related to the proper assignment of obligations and expenditures to the correct grant award(s).

VR Program Match

VR program regulations require that the State must incur a portion of expenditures under the VR services portion of the Unified or Combined State Plan from non-Federal funds to meet its cost sharing requirements (34 C.F.R. § 361.60). The required Federal share for expenditures made by the State, including expenditures for the provision of VR services and the administration of the VR services portion of the Unified or Combined State Plan, is 78.7 percent. The State's share is 21.3 percent. The RSA review team assessed VRS' performance in meeting the matching requirements for the VR program, including whether the matching level was met, as well as whether the sources of match were consistent with Federal requirements and any applicable MOE issues.

The RSA review team addressed requirements pertaining to the following sources of non-Federal share used by the State as the match for the VR program:

- State appropriations; and
- Interagency transfers.

Supported Employment Program Match

Supported Employment program regulations require that the State expend 50 percent of its total Supported Employment program allotment for the provision of supported employment services, including extended services, to youth with the most significant disabilities. The Supported Employment program funds required to be reserved and expended for services to youth with the most significant disabilities are awarded through the SE-B grant award. The Federal share for expenditures from the State's SE-B grant award is 90 percent. The statutorily required 10 percent match requirement applies to the costs of carrying out the provision of supported employment services, including extended services, to youth with the most significant disabilities. This means that the 10 percent is applied to total expenditures, including both the Federal and non-Federal shares, incurred for this purpose, and that the non-Federal share must also be spent on the provision of supported employment services, including extended services, to youth with the most significant disabilities.

The RSA review team assessed the matching requirements for the Supported Employment program, including an assessment of whether the matching level was met, as well as whether the sources of the match were consistent with Federal requirements.

Prior Approval

The Uniform Guidance (2 C.F.R. § 200.407) requires prior written approval (prior approval) for various grant award activities and proposed obligations and expenditures. RSA reviews and approves prior approval requests on behalf of the U.S. Department of Education. The RSA review team examined VRS' internal controls to ensure that the VR agency is meeting the prior approval requirements.

Vendor Contracts

The RSA team reviewed three areas related to vendor contracts:

- Determining rates of payment;
- Supporting documentation for payments; and
- Contract monitoring.

This review area included contracts for the provision of pre-employment transition services.

C. Findings and Corrective Actions

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

4.1 Unallowable Sources of Match for the VR Program

Issue: Whether VRS satisfied the non-Federal share requirements of Section 101(a)(3) of the Rehabilitation Act and 34 C.F.R. § 361.60. This area of review is found on page 33 of the MTAG.

Requirements: Section 101(a)(3) of the Rehabilitation Act requires the State to assure in the VR services portion of the Unified or Combined State Plan that it will provide the non-Federal share of the cost of carrying out the VR program (see also 34 C.F.R. § 361.60(b)). The Federal share is 78.7 percent of the total cost incurred by the State for the provision of VR services and the administration of the VR services portion of the Unified State Plan (Section 7(14) of the Rehabilitation Act). The State's share is 21.3 percent. Pursuant to 34 C.F.R. § 361.60(b)(1), non-Federal expenditures used for match purposes must be for allowable program costs (see also 2 C.F.R. § 200.306(b)(4)).

Allowable expenditures under the VR program include the provision of VR services and the administration of the VR program (34 C.F.R. § 361.3). Under the VR program, the State VR agency may provide "supported employment services," as defined at Section 7(39) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(54), to eligible individuals with the most significant disabilities of any age (Section 103(a)(16) of the Rehabilitation Act)). The VR agency also may provide "extended services," as defined at Section 7(13) of the Rehabilitation Act and 34 C.F.R. §§ 361.5(c)(19) and 363.4(a)(2), to eligible youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, and, thus, no longer meets the definition of a "youth with a disability" under 34 CFR §361.5(c)(58), whichever occurs first. (Section 604(b)(2) of the Rehabilitation Act). However, the VR agency may not provide extended services to individuals who are not youth with the most significant disabilities (Section 604(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(19)(v)).

Section 19(b) of the Rehabilitation Act permits a State to carry over unused Federal VR funds for obligation and expenditure in the subsequent FFY only to the extent the State provided sufficient non-Federal expenditures during the year of appropriation to match those carryover funds. In other words, the non-Federal share of expenditures reported by September 30 of the year of appropriation must be sufficient to permit the drawdown of Federal funds needed to pay obligations incurred during the year of appropriation, plus the amount of Federal funds, if any, the grantee plans to carry over for obligation and expenditure during the carryover period of the award.

Analysis: In Minnesota, the State has appropriated funds for the provision of long-term extended services. VRS served as a pass through entity for those funds and administered Extended Service contracts with 27 CRPs that showed a total contract allocation in State fiscal year (SFY) 2018 of \$12,944,433. The contracts specify CRPs may use the State-appropriated Long-term Extended Services funds to provide up to three different services or sub-programs:

- Supported Employment;
- Community-Based Employment such as enclaves and work crews (subminimum wages earned); and

- Center-Based Employment: resembles traditional sheltered employment model (subminimum wages earned).

Most of the State-appropriated Long-term Extended Services funds are allocated to the Supported Employment sub-program contracts. Discussions with VRS staff and reviews of the contracts indicated that these services, under the Supported Employment sub-program, are in fact long-term extended services provided to individuals already working in a job, and do not constitute “supported employment services,” as defined at Section 7(39) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(54), for purposes of the VR and Supported Employment programs authorized under Titles I and VI of the Rehabilitation Act, respectively. Rather, the services provided under these State-funded Supported Employment sub-program contracts constitute “extended services,” as that term is defined at Section 7(13) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(19). As such, these services are not allowable under the VR or Supported Employment programs to individuals with the most significant disabilities who are not youth, but may be provided under either program to youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first (Section 604(b) of the Rehabilitation Act and 34 C.F.R. §§ 361.5(c)(19)(v) and 363.4(a)(2)). Therefore, only non-Federal expenditures incurred when providing these extended services to youth with the most significant disabilities would be allowable as match under either the VR or Supported Employment program (2 C.F.R. § 200.306(b)(4)).

VRS historically runs a query between a database of all participants receiving services funded under the State-appropriated Long-term Extended services program and the database of all participants receiving services under the VR program, using each participant’s Social Security Number (SSN) to determine which participants are receiving services under both programs. If the query identifies a participant’s SSN exists in both programs, VRS informed RSA it calculates the amount of non-Federal expenditures incurred under the Extended Services contracts for that participant as match and reports any such amounts on the agency’s SF-425s exclusively for purposes of the VR program. VRS informed RSA that it does not use any of the non-Federal expenditures incurred under these extended services contracts toward the match required by Section 606(b)(7)(I) of the Rehabilitation Act for the provision of supported employment services and extended services to youth with the most significant disabilities.

RSA’s review of the data revealed that the number of queries identifying participants in both the VR and State-funded Extended Services program is small, resulting in a small percentage of non-Federal expenditures being reported as match for purposes of the VR program, as compared to the total amount appropriated by the State for the Long-term Extended Services program. Documentation and discussion with VRS staff confirmed the amount of VR match reported over the three years of the review period from non-Federal expenditures incurred under these State-appropriated Long-Term Extended Services contracts were as follows:

- \$917,815 in FFY 2016;
- \$664,964 in FFY 2017; and
- \$787,706 in FFY 2018.

During the on-site monitoring activities, VRS informed RSA that an independent auditor annually reviews the invoices and supporting documentation for the State-appropriated Long-Term Extended Services program expenditures used for match purposes under the VR program. However, RSA's review of the invoices noted there is little supporting documentation other than monthly total sums of participants' hours worked and participants' wages. Neither the invoices, which billed for the extended services provided to these participants based on the reimbursement rate for the subprogram identified in the contract, nor the supporting documentation RSA reviewed, contained participant SSNs, names, or ages. Therefore, there is no way to know, with certainty, which of the participants receiving the State-funded extended services were youth with the most significant disabilities as opposed to all other individuals with disabilities. Moreover, without this basic information about each participant, there would be no way for VRS to know how long an individual had been receiving the extended services, which would be necessary in the case of a participant who is a youth with a most significant disability. VRS confirmed to RSA during discussions of the documentation that the query system and invoices, as used by the State, are incapable of determining how much of the non-Federal expenditures incurred for the provision of extended services were for youth with the most significant disabilities versus all other individuals with disabilities. As a result, VRS was unable to determine how many youth with the most significant disabilities received extended services under the State-funded contracts as opposed to all other individuals with disabilities.

As stated above, non-Federal expenditures used for match purposes under the VR program must be for allowable activities (34 C.F.R. § 361.60(b)(1) and 2 C.F.R. § 200.306(b)(4)). For purposes of the VR program, extended services, as defined at Section 7(13) of the Rehabilitation Act and 34 C.F.R. § 361.5(c)(19), are only permissible when provided to youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first (Section 604(b) of the Rehabilitation Act and 34 C.F.R. §§ 361.5(c)(19)(v) and 363.4(a)(2)). Therefore, VRS may not provide extended services under the VR program, with either Federal or non-Federal funds used for match purposes, to individuals who are not youth with the most significant disabilities, and may not provide these services to youth with the most significant disabilities under the VR program beyond a four-year period. However, to the extent VRS could determine which State-funded contract expenditures were incurred during the course of providing extended services to youth with the most significant disabilities for a period not exceeding four years, such non-Federal expenditures would be allowable as match under the VR program. No other State-funded extended services contract expenditures would be allowable as a source of match under the VR program.

According to the information provided by VRS to RSA during the monitoring activities, \$2,370,485 of the non-Federal expenditures reported by VRS on its SF-425s over the three-year period of FFYs 2016 through 2018 included non-Federal expenditures incurred for the provision of extended services under these State-appropriated contracts. While the query system established by the State could verify that the participants identified participated in both the VR and State-funded Extended Services programs, VRS had no system or mechanism in place to determine which of those participants were youth with the most significant disabilities and whether those youth had received the services for four years or less. Therefore, VRS is not able to determine how much of the \$2,370,485 reported as non-Federal share over the three-year period was spent on allowable VR program activities – providing extended services to youth

with the most significant disabilities, as opposed to all other individuals with disabilities. As a result, VRS is unable to ensure that all of the State-appropriated Extended service funds spent on contract services and reported as match for purposes of the VR program are allowable as match, in accordance with 34 C.F.R. § 361.60(b)(1) and 2 C.F.R. § 200.306(b).

Conclusion: VRS is permitted, under both the VR and Supported Employment programs, to provide extended services to youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first. As such, VRS may report any non-Federal expenditures incurred for this purpose toward satisfying its match under either the VR or Supported Employment program. However, VRS reported spending \$2,370,485 in State-appropriated funds on the provision of extended services between FFYs 2016 and 2018 and reported the entire amount on the agency's SF-425s as match for the VR program. VRS was unable to determine how many, if any, of the participants receiving extended services were youth with the most significant disabilities. Therefore, VRS cannot demonstrate that the entire \$2,370,485 in non-Federal expenditures reported over the three-year period of FFYs 2016 through 2018 for extended services were allowable VR program activities. Only the amount that VRS could demonstrate was incurred for the provision of extended services to youth with the most significant disabilities would be permissible as a source of match for the VR program. Since match and maintenance of effort (MOE) are State requirements, and the State of Minnesota has two VR agencies, RSA will review the extent to which the State met its match requirement subsequent to these monitoring efforts.

Corrective Actions: RSA requires that VRS—

- 4.1.1 Within 120 days after the issuance of the final monitoring report, revise and/or implement policies and procedures related to non-Federal share to ensure only allowable VR program match is reported, particularly with respect to those non-Federal expenditures incurred for the provision of extended services. Specifically, VRS may only report those non-Federal expenditures incurred for the provision of extended services to youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first;
- 4.1.2 Review, and revise as necessary, the agency's monitoring protocol, in accordance with 2 C.F.R. § 200.328(a), to ensure that only allowable non-Federal expenditures, particularly those related to the provision of extended services, are counted as match. Specifically, should VRS begin reporting non-Federal expenditures incurred for the provision of extended services, the agency must have a system in place that will be able to ensure that only those expenditures incurred for the provision of services to youth with the most significant disabilities will be reported, and that the monitoring protocol will be able to determine agency non-compliance; and
- 4.1.3 Revise SF-425 reports for FFYs 2016 through 2018, as necessary, to ensure that the non-Federal share reported included only allowable expenditures, particularly with respect to the provision of extended services. In other words, the only non-Federal expenditures incurred under the extended services contracts that can be included in the non-Federal share reported would be those expenditures incurred during the provision of extended services to youth with the most significant disabilities for a period not to exceed four years (Sections 604(b) and 606(b)(7)(I) of the Rehabilitation Act, 34 C.F.R.

§§ 361.60(b)(1) and 363.23, and 2 C.F.R. § 200.306(b)). VRS will revise SF-425s, as necessary, to ensure the non-Federal share amount reported is accurate. RSA will review any revised submitted reports to determine whether the revisions affect the State's compliance with match and MOE requirements for any given year, and will take further action as necessary, to remedy any such deficit.

Agency Response:

4.1.1 Minnesota General no longer uses expenditures from the Extended Employment contracts as a source of match. This was effective immediately after RSA staff communicated this directive during the onsite monitoring review in August 2019. The Federal fiscal year 2019 annual SF-425 for the period ending September 30, 2019, does not include Extended Employment funds as part of the match on line 10J of the report.

4.1.2 Minnesota General/State Services for the Blind written process for preparation and submission of the SF-425 report includes instructions regarding how to properly report expenditures to be used as match. A copy of the implementation procedure is attached as part of the response (see Attachment A).

4.1.3 The preparation of each SF-425 report will continue to involve staff from the DSU and the DSA. One or more accounting staff from the DSA, including the fiscal manager, as well as a business analyst from the DSA Administrative Financial Services, shall be responsible for preparing supporting documentation for each line of the SF-425, including line 10J, which is the field for reporting the match amount. Supporting documentation prepared by the DSU and DSA staff must be in alignment. If this does not occur, recalculations or other analytical review procedures are required to ensure accuracy and consistency. All supporting documentation for each line of the SF-425, including the source of match funds reported on line 10J, shall be retained by both the DSU fiscal manager and the DSA business analyst.

4.1.4 In 2010, RSA conducted an onsite monitoring visit and reviewed one or more SF-425 reports which had been submitted by Minnesota General. Minnesota General was using Extended Employment funds as part of the match dollars reported on line 10J of the SF-425 reports which were included during the scope of the monitoring review. The final RSA report issued to Minnesota General does not contain a corrective action plan related to the use of Extended Employment funds as a source of match.

In June 2017, an RSA financial specialist conducted a thorough review of the sources of funds used for match on the SF-425. The specialist concluded that \$917,815.07 may be counted toward the FFY 2016 non-Federal expenditures. The RSA specialist's communication is provided as an attachment to this response (See Attachment B).

Minnesota General continued to use Extended Employment funds as a source of match after the 2010 monitoring visit and also after direction from the RSA financial specialist. Minnesota General acted in good faith and does not believe that line 10J of the SF-425 reports submitted for Federal fiscal years 2016, 2017, or 2018 are in need of revision based on the information and guidance provided during those time frames. Moving forward, Minnesota General shall exclude Extended Employment contract expenditures as a source of non-Federal match.

Requiring Minnesota General to retroactively exclude Extended Employment funds as a source of match for Federal fiscal years 2016 and 2017 would result in match and MOE deficiencies and cause significant financial hardship for participants as well as employees.

RSA Response: RSA appreciates the information that VRS provided in response to the draft report, and RSA understands that VRS ceased counting non-Federal expenditures incurred under the extended services contracts toward satisfying its match requirement under the VR program in FFY 2018. According to the information VRS provided in its Response, the SF-425 reports submitted by VRS in FFY 2019 do not include any of these non-Federal expenditures. Nevertheless, RSA sustains the Finding. While we appreciate the correction that VRS has made with respect to making immediate changes to bring the agency into compliance, the agency still did not demonstrate that all of the non-Federal expenditures reported for match under the VR program during FFYs 2016 through 2018 were allowable, particularly with respect to the \$2,370,485 in expenditures incurred for the provision of extended services. Specifically, VRS was not able to demonstrate to RSA that it could determine that the \$2,370,485 incurred under the State-funded extended services contracts and reported as match for the VR program were incurred for the provision of extended services to youth with the most significant disabilities. However, in recognition of the changes implemented by VRS thus far, RSA has amended the required corrective action plan, taking into account the agency's response.

Despite VRS' argument to the contrary, RSA is requiring that VRS submit revised SF-425 reports for FFYs 2016 through 2018, as necessary, to ensure that the only non-Federal expenditures related to the provision of extended services included are those for the provision of extended services to youth with the most significant disabilities. In so doing, VRS will be able to demonstrate compliance with Sections 604(b) and 606(b)(7)(I) of the Rehabilitation Act, 34 C.F.R. §§ 361.5(c)(19)(v), 361.60(b)(1), 363.23, and 2 C.F.R. § 200.306(b).

Because VRS raised the issue, despite the fact the issue is beyond the scope of the FFY 2019 monitoring activities and this Finding, we want to make clear that all expenditures incurred by VRS for extended services prior to July 22, 2014 (the effective date of the Rehabilitation Act, as amended by WIOA) were not allowable under either the VR or Supported Employment program. This means that, prior to July 22, 2014, VRS was not permitted to use Federal VR funds to pay for extended services at all and was not permitted to use non-Federal expenditures incurred for providing these services as match under the VR¹ program (see Section 623 of the Rehabilitation Act, as amended by the Workforce Investment Act of 1998 (WIA), and 34 C.F.R. § 361.5(b)(20) (66 FR 4379 (Jan. 17, 2001))). There was no legal authority to permit VRS to do otherwise under the Rehabilitation Act and its implementing regulations, as they existed at that time.

In its response to the draft monitoring Finding, VRS asserts that RSA monitored the agency in FFY 2010 and did not include a Finding related to State-appropriated expenditures incurred under extended service contracts as match for the VR program even though VRS had been counting such expenditures toward its match since at least that time. VRS asserts that RSA reviewed its financial reports at that time, which would have included these expenditures as part

¹ Under the Rehabilitation Act, as amended by WIA, the Supported Employment program had no non-Federal share requirement. The non-Federal share requirement for purposes of the Supported Employment program appeared for the first time in Section 606(b)(7)(I) of the Rehabilitation Act, as amended by WIOA.

of the total reported for “non-Federal expenditures.” To be clear, when RSA monitored in FFY 2010, sources of match were not a monitoring focus. Rather, RSA’s fiscal review focused primarily on cost allocation issues in the one-stop centers. Furthermore, without an in-depth review of match sources, there is no way RSA could know what expenditures VRS was using for match purposes. The financial report simply itemizes a total amount of non-Federal expenditures incurred, not a breakdown of the sources of those funds or the services for which those expenditures were incurred. Therefore, it was not reasonable for RSA to know that VRS was paying for extended services with non-Federal funds and using those expenditures for match purposes under the VR program in FFY 2010. RSA would have known this information only if it had focused its monitoring efforts on sources of match that year.

Nevertheless, even though RSA did not issue a monitoring Finding in FFY 2010 on this particular issue because it was not discovered at that time, both the law and regulations clearly stated that expenditures for extended services were not allowable under the VR program. As such, non-Federal expenditures for this purpose also were not allowable for match purposes under the VR program. The lack of monitoring Findings on the issue cannot be used as an excuse for continued non-compliance when the law and regulations clearly prohibited the expenditures at that time.

Since July 22, 2014, with the enactment of WIOA’s amendments to the Rehabilitation Act, VRS has been permitted to expend Federal VR and Supported Employment funds, as well as non-Federal expenditures used for match purpose under both programs, when providing extended services to youth with the most significant disabilities to assist them in maintaining supported employment for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first. However, VRS has not been permitted to use Federal funds, or non-Federal expenditures toward satisfying its match, under either program, to provide extended services to any other individual (Sections 604(b) and 606(b)(7)(I) of the Rehabilitation Act, as amended by WIOA; 34 C.F.R. §§ 361.5(c)(19)(v), 361.60(b)(1), and 363.23; and 2 C.F.R. § 200.306(b)).

In other words, since the enactment of WIOA and its amendments to the Rehabilitation Act, the expenditure of funds, both Federal and non-Federal, for the provision of extended services is permissible under the VR and Supported Employment programs, but the allowability of this service is narrow in scope (i.e., these services may only be provided to youth with the most significant disabilities for a period not to exceed four years or until such time that a youth reaches the age of 25, whichever comes first).

We have reviewed the RSA employee’s email, dated June 30, 2017, provided by VRS as part of its response. The email did not address the distinction between the provision of extended services for youth with the most significant disabilities and the provision of those services for all other individuals, and instead, simply stated that the expenditures would constitute allowable sources of match. However, it must be noted that the context of this email exchange between RSA and VRS was to determine whether VRS had met its FFY 2016 MOE requirement, and was not part of an ongoing monitoring activity. The email covered many different types of expenditures and noted problems with the supporting documentation that VRS had submitted to demonstrate it had met its MOE. For example, with respect to the supporting documentation that VRS provided to RSA with respect to non-Federal expenditures incurred under the extended services contracts, it

is clear from the June 30, 2017, email that RSA was trying to discern which of the expenditures occurred within the period of performance for the FFY 2016 VR grant award and, thus, would be allowable. As noted in the Finding above, there was no way that RSA could have known by looking at the invoices and other supporting documentation submitted by VRS, whether the extended services were provided to youth with the most significant disabilities.

Although the June 30, 2017, email from RSA to VRS did not make clear that the expenditures would only be allowable if provided to youth with the most significant disabilities for a period not to exceed four years, VRS cannot use it as a legal basis to justify past continued non-compliance when both the Rehabilitation Act, as amended by WIOA, and its implementing regulations clearly state that provision of these services is allowable only for youth with the most significant disabilities and only for a period not to exceed four years. Such services are still prohibited for all other individuals. It would only be reasonable for VRS to read the email in a manner consistent with statutory and regulatory requirements. It would not be reasonable for VRS to read the email as superseding Federal requirements. In other words, VRS should have read the email as meaning the expenditures are allowable for match and MOE purposes under the VR program to the extent they were incurred for the provision of extended services to youth with the most significant disabilities. For all other individuals, the expenditures would not be allowable. This is information that only VRS would have at its disposal, not RSA.

To that end, if VRS can differentiate between the non-Federal expenditures incurred for the provision of extended services to youth with the most significant disabilities, as opposed to the provision of those services to all other individuals with disabilities, then VRS may continue to report those expenditures as allowable non-Federal expenditures. The burden is on VRS to be able to make those distinctions. The VR regulations at 34 C.F.R. § 361.12 require VRS to administer the VR program in such a way that ensures it will collect data properly and report financial information accurately. Therefore, VRS must be able to determine, if it is going to provide extended services and report those non-Federal expenditures as match, which of those services are provided to youth with the most significant disabilities. VRS also must be able to determine how long those services are provided so that VRS does not provide them longer than four years to each youth. Based on the information RSA learned while onsite in FFY 2019, VRS is not able to determine which of these services were provided to youth, as opposed to all other individuals with disabilities. Nevertheless, to the extent that VRS is able to reconstruct its invoices to determine the ages of the individuals served during FFYs 2016 through 2018, it is possible that some of the \$2,370,485 in non-Federal expenditures reported over that period may be allowable if incurred for the provision of extended services to youth with the most significant disabilities.

Agency Request for Technical Assistance: The agency did not request technical assistance related to this finding.

4.2 Internal Control Deficiencies

Issue: Does VRS maintain effective internal control over the Federal award to provide reasonable assurance that the agency is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award.

Requirements: 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).

“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).

In addition, the Uniform Guidance at 2 C.F.R. § 200.62(a)(3) defines “internal control over compliance requirements for Federal awards” as a process implemented by a grantee that provides reasonable assurance that, among other things, that transactions are accurately recorded and accounted for to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

In accordance with the Uniform Guidance, 2 C.F.R. § 200.303, among other things, a non-Federal entity must—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in Standards for Internal Control in the Federal Government issued by the Comptroller General of the United States and the Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO);
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards; and
- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Additionally, 2 C.F.R. § 200.302(a) requires that 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, provisions at 2 C.F.R. § 200.302(b)(4) require that the financial management system of each non-Federal entity must ensure effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

In its guidance *The Role of Internal Control, Documenting Internal Control, and Determining Allowability & Use of Funds*, the U.S. Department of Education (Department) made clear to grantees that internal controls represent those processes by which an organization assures operational objectives are achieved efficiently, effectively, and with reliable, compliant reporting. Therefore, an internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct processes that might lead to noncompliance with Federal and State requirements.

Analysis: RSA found areas of concern, listed below, that fall within the internal control focus area.

A. Contract Monitoring

The Uniform Guidance at 2 C.F.R. § 200.303(c) requires grantees to implement internal controls sufficient to ensure the grantee evaluates and monitors the agency's activities to ensure compliance with Federal requirements. In addition, 2 C.F.R. § 200.328(a) requires VRS to be responsible for the operation of all grant-supported activities. VR program implementing regulations at 34 C.F.R. § 361.12 require VRS to employ methods of administration necessary for the proper administration and for carrying out all functions under the State plan. These methods include procedures to ensure accurate data collection and financial accountability. As such, VRS must monitor and evaluate grant-supported activities to ensure compliance of all activities performed under the VR program. As part of the preparatory monitoring efforts, RSA sent a document request to VRS for information related to the monitoring topics in the MTAG. For the request related to contract monitoring (Section VI.4.C and D), the agency indicated that it has some processes to document CRP issues and provide technical assistance, Field Operation Specialists review of authorizations, as well as VR counselor review of invoices. The document request indicated that the agency did not have sufficient policies and procedures for contract monitoring, and discussions with the agency during the on-site visit and the VR response to the document request confirmed the agency did not have any current samples of completed monitoring at the time of the review. The agency staff described an annual risk assessment process for contracts that primarily focuses on legal and fiscal areas. The agency staff acknowledged the need to develop a more robust contract monitoring protocol, and to conduct contract monitoring in a more structured and formal manner, incorporating programmatic elements along with legal and fiscal requirements.

B. Contractual Documentation

During the on-site monitoring visit, RSA discussed with VRS staff and reviewed contracts for purchased consumer services, including sample invoices and supporting documentation from the individual placement and support (IPS) and pre-employment transition services

contracts. For the IPS contracts, VRS receives a State appropriation to administer the program through contracts with CRPs, about six of which only work with VR participants. Discussions with VR staff indicate the IPS contracts involve VR counselors and include coordination between VRS and IPS vendors for the provision of services including VR and supported employment services prior to the transition to extended services. The VR agency recorded \$470,000 as match for each FFY of the review period, representing 3.4 percent of the total FFY 2018 VR match.

The IPS contract structure includes a budget narrative for salaries based on specific amounts of full-time equivalent (FTE) staff members, including partial FTEs detailed to the hundredth of an FTE. A review of the IPS contractor invoices revealed a monthly reimbursement request with dollar amounts entered into various cost categories (i.e., salaries, fringe benefits, travel, insurance, services and fees, communications, rent/mortgage, utilities, supplies, training, indirect costs, participant flex funds, and other). The supporting documentation generally indicated numbers of individuals served and some status updates on job placements and wages. However, the information was not sufficiently detailed to break out costs per service per individual, as is required for the RSA-911 and RSA-2 reporting. Furthermore, there was no documentation submitted to justify the FTEs and time spent working on the project to support the invoices for salary, fringe or other costs. Unlike the Extended Service contracts described in Finding 4.1, the IPS contracts are not reviewed by an independent auditor. Instead, the agency indicated during the on-site visit that it relies on a sampling month for reconciliation, which is not scheduled or regular, and only occurs if VRS thinks there are concerns to review. Since VRS is only receiving aggregate sums of hours worked and charges submitted, there is no apparent internal control or monitoring process to readily identify such concerns. Due to the lack of internal controls, the agency is unable to reconcile the IPS staff time worked to the invoice submission on a regular basis.

Many of the agency's pre-employment transition services contracts are structured in a similar way as the IPS contracts, including salaries based on fractional FTEs for which time is not tracked and reconciliation is not readily available. This demonstrates a lack of internal controls to verify CRP staff member time spent working on the project, an inability to report costs per service per individual on Federal reports, no process to ensure agency funds are spent in an allowable manner, which is further limited by the contract monitoring issues identified in Finding 4.1 above. RSA noted that VRS intended to transition pre-employment contracts to an hourly group rate model after the on-site visit.

Conclusion: VRS does not maintain effective internal controls over the Federal awards necessary to provide reasonable assurances that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award, as required by 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. §§ 200.302 and 200.303. VRS did not satisfy the requirements in 34 C.F.R. §§ 361.3 and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4) that require a State's financial management systems to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal requirements, and that funds are spent solely on authorized VR activities, because an internal control deficiency exists for monitoring contracts, reviewing and approving invoices and supporting documentation, which does not permit VRS to ensure all costs charged to the

contracts are reasonable, necessary, allocable and allowable under the VR program, as required by Federal cost principles in Uniform Guidance.

Specifically, VRS does not have sufficient mechanisms to monitor and reconcile the value of IPS and pre-employment transition services contractor staff time, including those spent as match for the VR program or reimbursed with Federal funds, to ensure that expenditures reported are accurate, allocable and allowable, in accordance with 2 C.F.R. § 200.405, or to track, account and report program and fiscal data for service provision accurately on the RSA-2 or RSA-911 reports.

Corrective Actions: RSA requires that VRS—

- 4.2.1 Within 6 months after the issuance of the monitoring report, develop and implement written policies and procedures governing the oversight of grant-supported activities, as required by 2 C.F.R. § 200.328(a), particularly with respect to—
 - Requiring uniform requirements and tools contractors can use to submit expenditures and supporting documentation that accurately tracks non-Federal and Federal activities, and reflects costs and services provided under pre-employment transition services and VR services;
 - Staff members’ review of invoices prior to and during payment processing including supporting documentation sufficient to demonstrate the contractor is meeting the deliverables and requirements of the contract; and
 - Ensuring expenditures of IPS staff time spent providing services under contracts with VRS participants are verified before reporting the non-Federal portion as match for the VR program;
- 4.2.2 Within 120 days after the issuance of the monitoring report, develop and implement a mechanism to ensure costs for all pre-employment transition services required activities provided through contracts and VR services are allocable and allowable in accordance with 2 C.F.R. § 200.405 and Sections 110(d)(1) and 113 of the Rehabilitation Act; and
- 4.2.3 Within 120 days after the issuance of the monitoring report, develop and implement policies and procedures to accurately collect and report program and fiscal data on Federal performance reports, including the RSA-17 and RSA-911 reports, which reflect the actual costs per service(s) provided per student receiving required pre-employment transition services activities and other VR services.

Agency Response: Minnesota General appreciates the guidance and assistance provided to staff during the site review and follow up recommendations.

The RSA draft monitoring report indicates that non-Federal entities are required to establish an internal control system which is designed to provide reasonable assurance that operating, reporting, and compliance objectives are met.

The Minnesota Legislative Auditor (OLA) is responsible for performing Single Audit work for major Federal programs in Minnesota. The OLA Single Audits are performed on a state fiscal year (SFY) which runs from July 1 through June 30. From SFY 2008 through 2011, the OLA

issued an audit finding each year to the Department Employment Economic Development (DEED) for failing to fully develop and monitor an organization-wide internal control framework. While the DEED and the Minnesota General Vocational Rehabilitation Services program have incurred Single Audit findings since SFY 2011, the DSA and the DSU have not incurred a Single Audit finding due to the lack of an internal control framework.

Each year, the OLA asks MN General to provide an update to the internal control framework as it pertains to funds received via CFDA 84.126. Minnesota General will continue to revise and update its internal control framework to include additional control activities for professional/technical contracts.

The RSA draft report indicates that the IPS and pre-employment transition services contracts were not reviewed by an independent third-party auditor and that the DSA relied on “a sampling month for reconciliation and only occurs if VRS thinks there are concerns to review.”

Minnesota General would like to point out that both the IPS and pre-employment transition services (pre-ETS) contracts are subject to one full financial reconciliation during the contract cycle for each payment (invoice) period. This standard is in full compliance with the Minnesota Office of Grants Management policy (OGM) 08-10 as it pertains to financial reconciliations. Minnesota General has and will continue to use other control mechanisms for IPS contracts to help ensure fiscal integrity. Cost allocation plans are reviewed to ensure that acceptable methods are used to distribute joint costs. If a contractor budget asks for indirect costs, the entity is required to submit documentation demonstrating how the proposed indirect costs are justified. This includes supporting documentation such as a spreadsheet showing the indirect cost pool and the base used in the calculation. Under OGM policy 08-10, full financial reconciliations are not required for every invoice. For each invoice that is not subject to a full reconciliation, MN General accounting and the contract monitor review the payment request and use professional judgment and reasonableness standards to determine whether or not additional supporting evidence is needed to justify payment for the entire invoice or any particular budget line.

MN General Response to Corrective Actions:

- 4.2.1** Minnesota General will draft additional control activities that will be used to monitor the fiscal integrity of professional contracts. This will include minimum standards for invoices and a review process prior to payment.
- 4.2.2** Written procedures shall require professional/technical contractors to specify which of the five required pre-ETS activities have been performed and all costs shall be based on established rates to ensure consistency.
- 4.2.3** MN General already has a written implementation procedure that guides preparation of the RSA 2 and RSA 911 and we will follow any additional recommendations to further refine and update the implementation procedures.

Note on Technical Assistance receive on Prior Approval: On 10-22-19, VRS had initially changed its Policies to require Prior Approval for home or vehicle modifications and then changed them again when RSA reversed their guidance. The change to revert back to original policies, which did not require Prior Approval for these items were implemented on 11-20-19.

RSA Response: RSA acknowledges the steps and additional information provided by VRS about internal controls. Uniform Guidance at 2 C.F.R. § 200.328(a) indicates grantees are responsible for oversight of the operations of Federal award supported activities. The grantee must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and achievement of performance expectations. This responsibility is not superseded by single audit requirements in Subpart F of Uniform Guidance (2 C.F.R. Part 200); rather, these activities must be conducted by the grantee to ensure compliance with requirements. Annual reconciliation efforts, or more frequent monitoring of invoices, cannot ensure Federal requirements for accurate reporting or that Federal cost principles have been met unless the grantee ensures that supporting documentation provided for work performed by vendors and CRPs is sufficient to meet contractual and Federal requirements. As a result, this finding stands as written.

Regarding prior approval, RSA clarifies that the Prior Approval Frequently Asked Questions (FAQs), released by OSEP and RSA on October 29, 2019, is not a reversal of guidance. Uniform Guidance continues to require prior approval of capital improvements, and these requirements are applicable to the VR program. However, the FAQ relieves the burden on VR grantees to submit prior approval requests for certain capital expenditures. Specifically, the FAQ indicates costs for equipment and capital improvements the VR agency deems necessary for eligible individuals with disabilities under an IPE, when needed to achieve employment outcomes, do not require submission to RSA. Instead, RSA grants prior approval through the language in paragraphs 19 and 20 for eligible individuals under an IPE. RSA reminds VRS that equipment and capital improvements that generally benefit the VR agency remain subject to prior approval submission and approval from RSA. If the VRS Prior Approval policies have been revised to indicate prior approval is not required for equipment or capital improvements, the policy is no longer reflective of prior approval requirements, and those policies should be revised accordingly.

RSA looks forward to the development of the corrective action plan and review of the corrective action activities with VRS to ensure resolution of these issues.

Agency Request for Technical Assistance: The agency did not request technical assistance related to this finding.

D. Technical Assistance

In the course of the monitoring activities, RSA provided technical assistance to VRS as described below.

- During the on-site visit RSA and VRS discussed the submission of prior approval requests and confirmed the agency has been submitting requests as needed. RSA clarified that capital improvements, such as home or vehicle modifications, cannot be included in the aggregate streamlined approach, originally provided through TAC-18-02. However, VRS should review the Prior Approval FAQ document that includes provisions that supersede TAC-18-02 when revisiting the prior approval submission process, which now provides prior approval for vehicle and home modifications for individuals under an IPE. RSA provided additional technical assistance regarding the limitations related to capital

improvements to leased space with VR or non-Federal funds intended to match the VR award. Additionally, discussion of rearrangement and reconversion led to the provision of technical assistance regarding the Davis-Bacon Act for prevailing wages of construction contracts.

- RSA provided technical assistance regarding contract provisions for non-Federal entities that are identified in Appendix II of Uniform Guidance and 2 C.F.R. § 200.326. All contracts made by the VR agency, as a grantee receiving Federal funds, must contain the applicable provisions in Appendix II. RSA discussed the provisions with the VR agency and suggested that it review the requirements with State procurement and legal staff who are responsible for the contracting process. VRS confirmed this process was already underway. These efforts will help ensure inclusion of Appendix II provisions in contract terms and conditions or other relevant contract attachments. RSA suggested that, while incorporation of these provisions by reference may be permissible if consistent with State law and requirements, incorporation of the contract provisions verbatim facilitates a third party's understanding of the requirements. If, under review, incorporation by reference is determined not enforceable, the grantee is ultimately held accountable. Additionally, RSA provided a minor contract monitoring citation update from expired EDGAR provisions to current provisions within Uniform Guidance (2 C.F.R. § 200.328(a)).
- RSA and VRS reviewed the period of performance requirements and discussed the critical nature of ensuring all Federal and non-Federal obligations are assigned, tracked and accounted for in the appropriate grant and reporting periods, to properly determine the extent to which the agency met match, maintenance of effort and Federal carryover requirements. RSA learned from the agency and review of policies that it was recording expenditures from the first 15 days following the end of the reporting period as unliquidated obligations on the SF-425 report, which was a result of the State's efforts to understand and operationalize Minnesota statutory provisions about determining the obligation date. This led to clarification on the requirement to report all non-Federal and Federal unliquidated obligations at the end of SF-425 reporting periods. RSA indicated VRS should revise its policies and procedures for preparing the SF-425 report, with a particular focus on reporting of unliquidated obligations.
- The agency described a State process affecting Federal VR funds, which are categorized to Budget Authority Code G in the State, applicable to all Federal funds, and is linked to a Fund Code and an Appropriation ID. All Federal fund appropriation budget authority types are set to and remain as 'G' (greater of budgeted or collected revenue). This allows the fund to go negative, as the agency describes it, which may result in temporary instances when more has been paid than drawn from an award. For the period of the review, the agency was approved funds to cover the total amount of the Federal VR formula award and program income combined. The agency uses this G fund to promptly pay invoices and obligations, in order to meet its 30-day payment requirements. The fund appears to act like a revolving fund in which funds expended are replaced with funds collected. The agency indicates that it typically draws Federal funds within five to six weeks of expenditure.

Despite the funding of the G account with general revenue funds, the State considers them Federal funds. On the surface, it appears that non-Federal funds pay for expenditures, then Federal drawdowns reimburse the fund and are considered collected. Discussions with VRS and DEED indicated that there are no specific accounting adjustments on the back end to their knowledge (e.g., journaling expenditures from the G fund money to Federal funds, etc.). However, the agency uses project codes to account for Federal and non-Federal funds, including reserve funds, for both the VR and Supported Employment programs. Controls seem to be sufficient to ensure the tracking and accounting in this manner is reflective of period of performance and reporting requirements. RSA provided technical assistance that the agency should consider drawing down and reconciling Federal fund reimbursement within 30 days, as this would allow the agency to complete reconciliation prior to the submission of semi-annual SF-425 reports.

- Program income discussions identified program income that was reported on the fourth quarter FFY 2018 SF-425 report as earned, but not disbursed. RSA reviewed VR program regulations and the requirement to disburse program income prior to requesting additional cash drawdowns from the Federal award (34 C.F.R. § 361.63(c)(3)(ii)). RSA, DEED, and VRS staff members discussed the requirement. RSA learned that DEED and VRS staff members understood it; however, agency staff indicated that Social Security reimbursement program income generated by the VR program in Minnesota is received by another State Department (i.e., Minnesota Treasury), based on State procedures. The VR agency, once notified by the Treasury that program income funds have been received, must complete documentation requesting the funds be released to DEED (the DSA). On SF-425 reports, the program income has historically been reported by the agency as earned when it is received by the State Treasury. To ensure accurate SF-425 reporting, technical assistance was provided to the agency, clarifying that program income is considered earned when received, but should also occur at the time the program income funds are available to the grantee for disbursement. RSA also provided technical assistance that program income is typically not obligated because of the requirement to disburse program income prior to submitting requests for additional cash draws from the Federal award.
- RSA and VRS discussed the rate setting requirements that govern all purchased VR services in 34 C.F.R. § 361.50, and the provisions in the Uniform Guidance related to reasonable costs in 2 C.F.R. § 200.404, which the VR agency should consider and incorporate when finalizing its updated written policies governing rates of payment for VR services. RSA provided additional technical assistance for VRS to build into the policy timeframes for scheduled reviews of the policy and fee schedule—parts of which the agency indicated were up to 10 years old—as well as actions, flags or ticklers that would initiate VRS to review the rates of payment prior to a scheduled review.
- RSA discussed with VRS that some of the agency’s vendors are also WIOA Title I Department of Labor grantees. The VR agency pays the vendors for the provision of VR services. However, since the vendors are also one-stop partners and participate in local memoranda of understanding (MOU) and infrastructure funding arrangements (IFA),

RSA recommended that the VR agency implements steps to review costs to ensure that the VR agency is not directly paying for costs that have already been paid as a one-stop partner as part of its infrastructure cost contribution.

SECTION 5: 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 by compelling unified strategic planning requirements, common performance accountability measures, and requirements governing the one-stop delivery system. In so doing, 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, which is incorporated 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

The RSA team reviewed 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 Combined State Plan and the PY 2018 modification; 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. The RSA review team explored how these activities are led and sustained to help assess how these initiatives are progressing within the State.

VRS reported that the core workforce development partners have a long and productive history of collaboration, both across programs and between the state and local areas. The chief conveners of Minnesota's core programs are the DEED and the Governor's Workforce Development Board (GWDB). The GWDB leads the development and continuous improvement of the workforce development system in Minnesota. Through local, regional, and State workforce development discussions, Minnesota developed a State workforce development action plan to reduce educational and employment disparities based on race or disability, and to build employer-led industry sector partnerships focused on better understanding of the skills that employers need and connecting skilled workers to those opportunities. To achieve these goals and strategically build on the State's career pathway system and align it with the purposes of WIOA, Minnesota has identified priority industry sectors for the State and developed industry-led sector partnerships at the State, regional, and local level.

To improve demand-driven workforce services to businesses on both a State and regional level, a new strategy was developed and is being implemented through seven Regional Workforce Strategy Consultants (WSC). WSCs assist key stakeholders in the successful implementation of the regional plan, which includes developing innovative workforce solutions by aligning resources, facilitating collaboration, and leveraging expertise in targeted industry sectors to drive economic equity and growth. Further, the GWDB has established a disability equity committee to address any disparities for individuals with disabilities in training and employment, with an emphasis on individuals with disabilities who are on the VRS order of selection waiting list.

Governance

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 that 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).

SWDB

At the time of the review, the GWDB, Minnesota's SWDB, had 53 members on the board and transitioned to 42 voting members in fall 2019. The GWDB reviews statewide programs and policies to ensure Minnesota's workforce development system is useful, accessible, and understandable to all customers. GWDB members are appointed by the Governor and the GWDB operates according to Minnesota statutory requirements and Board bylaws. Organizationally, the GWDB is housed within DEED. The GWDB develops a statewide workforce development policy framework and drives coordination and collaboration among programs and agencies.

VRS, which administers the VR program, one of the core workforce development programs that is authorized under the Rehabilitation Act, as amended by Title IV of WIOA, is housed in DEED, which also houses other core partners in the workforce development system that are authorized under titles I and III of WIOA. DEED is overseen by a commissioner, with each of the programs housed within that Department administered by a director or assistant commissioner specific to that program.

During RSA's on-site monitoring of the VR program, RSA learned that VRS is represented on the GWDB by the Commissioner of DEED, who also represents other core programs, namely the Adult, Dislocated Worker, Youth, and Wagner-Peyser Employment Services programs. Subsequent to the review, the VRS director was appointed to the GWDB as of November 2019.

LWDB

Central to the Minnesota Workforce System are the LWDBs. In partnership with the local elected officials, the 16 boards in Minnesota set local policy and provide input and strategic direction for meeting workforce development goals as outlined in State and Federal statute. VRS regional coordinators and office managers represent the VR program on each of these 16 local boards.

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. To serve career seekers and employers, DEED and its partners operate 49 one-stop centers, which includes 16 comprehensive one-stop centers and 33 affiliate one-stop centers, as well as a virtual one-stop. The virtual one-stop provides integrated services via the internet for individuals, employers, training providers, workforce staff, and one-stop partners.

VRS provides access to its programs, services and activities through VR staff members that are physically present at its one-stop centers. As a core program, VRS participates in career services to the fullest extent possible through co-location at the one-stop centers and other locations determined necessary for serving job seekers. Additionally, VRS provides technical assistance to the one-stop system on assistive technology and accessibility of each of the one-stop centers.

Minnesota has developed MOUs with all of its LWDBs. The MOU identifies the partners and details their roles and responsibilities, identifies the services to be provided throughout the one-stop system, outlines the service funding and cost allocation methodology, defines the referral system between one-stop partners, and includes a dispute and resolution process. As required by WIOA, Minnesota has developed an infrastructure funding policy to support the one-stop delivery system for the operations of its 49 one-stops centers. This policy addresses the need for proportionate benefit analysis and distribution of shared costs at the one-stop facilities. Additionally, this policy includes a dispute resolution process consistent with 20 C.F.R.

§ 678.755 and 34 C.F.R. § 361.755, allowing the local partners to appeal the infrastructure funding dispute to the GWDB to review all documentation and recommend a resolution. If the resolution is not accepted, the State funding mechanism will be used.

In an effort to ensure that the one-stop delivery system meets minimum quality standards, including the effective integration of services, and in anticipation of meeting requirements in WIOA, the GWDB has developed one-stop career center certification criteria. The one-stop certification policy ensures the physical and programmatic accessibility of all one-stop centers with the Americans with Disabilities Act of 1990 (ADA). The State's one-stop centers provide reasonable accommodations for individuals with disabilities by administering programs in the most integrated setting appropriate, communicating with individuals with disabilities effectively, and providing appropriate auxiliary aids and assistive technology devices. Physical and programmatic accessibility are continuously evaluated with an annual ADA assessment, and continuous improvement strategies are planned and implemented when needed. The GWDB is responsible for certifying and recertifying comprehensive, affiliate, and satellite one-stop centers every two years. To announce the American Job Center network, a unifying name and brand that identifies virtual and in-person publicly-funded workforce development services as part of a single network, the State's one-stop centers have included the "American Job Center" identifier or "a proud partner of the American Job Center network" on all products, programs, activities, services, electronic resources, facilities, and related property and new materials used in the one-stop delivery system.

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 mandates 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.

DEED, in partnership with the Department of Human Services (DHS), has procured Workforce One, a web-based client management application to track employment and training services to more than 100,000 customers across Minnesota's one-stop network. Minnesota's common data tracking system is used as a resource for not only the tracking of data but also as a system that shares information between programs and identifies individuals who may be co-enrolled in several programs. VRS also uses the case management system to collect data related to measurable skill gains (MSG) and credentials from its clients.

DEED houses the State's Unemployment Insurance (UI) division, which makes access to State wage detail available for the completion of official performance reporting requirements as required by Federal or State laws. Minnesota's dedicated program performance and information technology staff coordinate the data extracts from Workforce One to develop and produce the reports required for performance accountability under WIOA. DEED also links UI wage records to postsecondary completion data from the State's Office of Higher Education in creation of a public facing graduate employment outcomes. At the time of the on-site visit, the State partners selected the "Retention with the Same Employer" and "Employer Penetration Rate" pilot

measures in collecting data on the “Effectiveness in Serving Employers” indicator; the partners have not added a State-specific approach.

C. Findings and Corrective Actions

RSA’s review of VRS’ performance in this focus area resulted in the identification of the following finding and the corresponding corrective actions to improve performance.

5.1 Funding One-stop Infrastructure Costs Under the VR Program

Issue: Whether VRS’s process for reconciling the VR program’s proportionate amount of the one-stop system’s infrastructure and additional costs satisfies 34 C.F.R. §§ 361.13, 361.715(a)(4) and 361.755(b).

Requirement: Pursuant to 34 C.F.R. § 361.13(b)(1)(ii), the designated State unit (DSU) for the VR program—VRS, in Minnesota—must have a full-time director who is responsible for the day-to-day operations of the VR program. As such, the DSU has the sole responsibility to allocate and expend VR funds (34 C.F.R. § 361.13(b)(1)(v), (c)(1)(iv), and (c)(2)). Moreover, the DSU has sole responsibility for the VR program’s participation as a partner in the one-stop service delivery system (34 C.F.R. § 361.13(c)(1)(v) and (c)(2)).

As a required one-stop partner, pursuant to joint one-stop regulations at 34 C.F.R. § 361.400(b)(4), a VR agency must contribute toward the one-stop system’s infrastructure costs 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 and 361.420(b)(2)).

Infrastructure costs are non-personnel costs necessary for the general operations of the one-stop centers (34 C.F.R. § 361.700(a)). Partner infrastructure contributions must be made in accordance with Federal cost principles in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which requires that all costs are allowable, reasonable, necessary, and allocable to the program (34 C.F.R. § 361.700(c)). Partner infrastructure 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)).

Pursuant to 34 C.F.R. § 361.755(b), each local area’s MOU (described in 34 C.F.R. § 361.500) must include an infrastructure and shared services budget that will be periodically reconciled against actual costs incurred and adjusted accordingly to ensure that it reflects a cost allocation methodology that demonstrates how costs are charged to each partner in proportion to its use of the one-stop center and relative benefit received, and complies with 2 C.F.R. part 200.

The U.S. Departments of Education and Labor provided extensive guidance regarding the funding of the one-stop system's infrastructure costs in both the joint one-stop regulations ([Federal Register notice 81 FR 55791](#)), published August 19, 2016, and in technical assistance circular (RSA-TAC-17-03), published January 18, 2017.

Analysis: During the on-site monitoring process, RSA discussed joint implementation of one-stop requirements with staff from VRS, as well as staff from DEED, the designated State agency (DSA). RSA inquired about the Governor's guidance for use by local areas regarding one-stop infrastructure funding (34 C.F.R. § 361.705). The guidance is intended to assist local areas in establishing appropriate roles and approaches to allocate infrastructure costs and determining partner infrastructure contributions consistent with Uniform Guidance Federal cost principles, based on partners' proportionate use and relative benefits received. DEED staff indicated that the Governor relied on DEED, its Commissioner and one-stop partners to implement the one-stop process, leading to a policy DEED issued in April 2018, which addresses IFAs. Despite the policy title reference infrastructure costs, it also appears to include additional costs that partners contribute, in accordance with 34 C.F.R. § 361.760.

The policy includes a section on reconciliation, which indicates that data sources used to allocate costs in IFAs will be reviewed for statistical fluctuations on a bi-annual basis. However, the policy states that "If any allocations deviate more than 5% during a review, this is considered to be a material change and adjusting reconciliation payments will be required." Material changes that occur in consecutive reviews will result in a new IFA completed within three months, coordinated by DEED. There is a subsequent section in the policy for IFA amendments, which references a substantial change, generally interpreted as more than 5 percent deviation of allocation percentages within the IFA. During the on-site discussions, RSA inquired into the responsible entity in local areas that conducts the periodic review and reconciliation and learned from DEED that the review is conducted by its own staff, not the local areas.

The Uniform Guidance provisions indicate that costs are allocable when they are chargeable or assignable to a Federal award in proportion to relative benefits received. Neither the Uniform Guidance nor joint implementation provisions for the one-stop service delivery system identify or permit the allocation of costs based on a minimum threshold, or for the reconciliation of partner shares to actual costs based on proportionate use and relative benefits received by one-stop partners. The Uniform Guidance indicates that any cost allocable to a particular Federal award may not be charged to other Federal awards to overcome fund deficiencies, to avoid Federal statutory, regulatory or grant award restrictions, or for any other reason (2 C.F.R. § 200.405(c)).

VRS is the entity designated in the State to administer the VR program, and for the allocation and expenditure of VR funds under its role as a one-stop partner, as required by 34 C.F.R. § 361.13(b)(1)(v) and 361.13(c)(1)(iv) and (v). As such, VRS must remain solely responsible for the expenditure and allocation of VR funds, including the assurance that budgeted or initial infrastructure costs, as well as additional costs, are reconciled to actual costs. While VRS is not required to function as the entity conducting the periodic reconciliation of one-stop infrastructure and additional costs, the reconciliation process agreed to at the local area must be implemented in such a manner that all partners can ensure costs charged to their grant awards are consistent

with Uniform Guidance and joint one-stop service delivery provisions, meaning partner contributions reflect proportionate use and relative benefits received by partners (34 C.F.R. §§ 361.700(c), 361.715(a)(4), and 361.755(b)).

Conclusion: As a result of this analysis, RSA is unable to determine the extent to which VRS met joint one-stop funding requirements in 34 C.F.R. part 361, subpart F, related to MOU and allocable infrastructure and additional cost requirements, because periodic reconciliation has been conducted based on a minimum threshold that is not reflective of partner contributions charged consistent with proportionate use and relative benefits received.

Corrective Actions: RSA requires that VRS—

- 5.1.1 Retain sole responsibility for its non-delegable functions as a DSU, as required by 34 C.F.R. §361.13; and
- 5.1.2 Work with LWDBs, chief elected officials, and one-stop partners to develop and implement procedures to periodically review and reconcile one-stop partner infrastructure and additional costs to actual cost based on partners proportionate use and relative benefits received, as required in 34 C.F.R. §§ 361.700(c), 361.715(a)(4), and 361.755(b).

Agency Response: In response to comments under SWDC: During RSA’s on-site monitoring of the VR program, RSA learned that VRS is represented on the GWDB by the Commissioner of DEED, who also represents other core programs, namely the Adult, Dislocated Worker, Youth, and Wagner-Peyser Employment Services programs.

VRS Update: The Director of VRS is now a member of the GWDB (since November 2019) and represents both SSB & VRS for Title IV.

- 5.1.1 VRS understands the sole responsibility that we have for non-delegable functions as a DSU.
- 5.1.2 VRS understands the need to develop and implement improved procedures to review and reconcile one-stop partner infrastructure and additional costs to actual costs.

RSA Response: RSA appreciates the agency’s efforts to provide updates and clarifications on the SWDB and the funding of one-stop infrastructure costs under the VR program. Once the corrective action plan is developed and implemented, RSA will work with VRS to determine if updated processes consistently result in meeting Federal requirements and ongoing compliance.

Agency Request for Technical Assistance: The agency did not request technical assistance related to this finding.

APPENDIX A: STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS PERFORMANCE TABLES

Note: Calculations for these tables can be found in Appendix C of the MTAG.

Table 1—MN VRS VR Agency Profile (PY 2017)

Table 2—MN VRS Summary Statistics from RSA 113 (FFYs 2016-2018)

Table 3—MN VRS Number and Percentage of Participants Served by Primary Disability Type (PY 2017)

Table 4—MN VRS Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PY 2017)

Table 5—MN VRS Number and Percentage of Individuals Exiting by Reason during the VR Process (PY 2017)

Table 6—MN VRS VR Services Provided to Participants (PY 2017)

Table 7—MN VRS Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gain (PY 2017)

Table 8—MN VRS Median Hourly Earnings, Median Hours Worked per Week, Sources of Support, and Medical Insurance Coverage for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

Table 9—MN VRS Standard Occupational Classification (SOC) Titles (Major Groups): Percentages of Employment Outcomes and Median Hourly Earnings for Participants Who Exited with Competitive Employment or Supported Employment (PY 2017)

Table 10—MN VRS Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PY 2017)

Table 11—MN VRS Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PY 2017)

Table 12—MN VRS Number and Percentage of Required Pre-Employment Transition Services Provided (PY 2017)

Table 1—MN VRS VR Agency Profile (PY 2017)

VR Agency Profile Data	Number/Percentage
Employment Rate	45.5%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	2,701
Measurable Skill Gains Performance Indicator	17.7%
Percentage of Participants Eligible for Measurable Skill Gains	29.3%
Percentage of Timely Eligibility Determinations	98.1%
Percentage of Eligibility Determination Extensions	6.4%
Percentage of Timely IPE Development	96.8%
Number of Applicants	7,280
Number of Individuals Determined Eligible	7,082
Number of Individuals with an IPE and No VR Services Provided	0
Number of Participants (with an IPE and VR Services Provided)	6,324

Table 2—MN VRS Summary Statistics from RSA-113 (FFYs 2016-2018)

Performance Category	FFY 16	FFY 17	FFY 18
Total Applicants	7,978	8,096	7,754
Total Eligible Individuals (Before IPE)	7,871	7,722	7,134
Agency Implementing Order of Selection	Yes	Yes	Yes
Individuals on Order of Selection Waiting List at Year-End	1,085	1,503	1,993
Percentage of Eligible Individuals with IPE Who Received No Services	25.8%	20.4%	17.0%
Individuals with IPE Receiving Services	13,523	14,036	15,821

Table 3—MN VRS Number and Percentage of Participants Served by Primary Disability Type (PY 2017)

Primary Disability Type by Group	Number of Participants	Percent
Visual	4	0.0%
Auditory or Communicative	1,110	6.7%
Physical	2,222	13.3%
Cognitive	6,584	39.5%
Psychological or Psychosocial	6,755	40.5%

Detailed Primary Disability Type	Number of Participants	Percent
Blindness	0	0.0%
Other Visual Impairments	4	0.0%
Deafness, Primary Communication Visual	278	1.7%
Deafness, Primary Communication Auditory	78	0.5%
Hearing Loss, Primary Communication Visual	36	0.2%
Hearing Loss, Primary Communication Auditory	135	0.8%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	12	0.1%
Deaf-Blindness	0	0.0%
Communicative Impairments (expressive/receptive)	571	3.4%
Mobility Orthopedic/Neurological Impairments	372	2.2%
Manipulation/Dexterity Orthopedic/Neurological Impairments	188	1.1%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	528	3.2%
Other Orthopedic Impairments (e.g., limited range of motion)	90	0.5%
Respiratory Impairments	24	0.1%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	323	1.9%
Other Physical Impairments (not listed above)	697	4.2%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	6,584	39.5%
Psychosocial Impairments (e.g., interpersonal and behavioral impairments, difficulty coping)	5,738	34.4%
Other Mental Impairments	1,017	6.1%

Table 4—MN VRS Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PY 2017)

Number of Individuals Who Exited the VR Program		7,257
Exit Type	Number of Individuals	Percent
Individual exited as an applicant, prior to eligibility determination or trial work experience	191	2.6%
Individual exited during or after a trial work experience	9	0.1%
Individual exited after eligibility, but from an order of selection waiting list	23	0.3%
Individual exited after eligibility, but prior to a signed IPE	977	13.5%
Individual exited after an IPE without an employment outcome	3,230	44.5%
Individual exited after an IPE in noncompetitive and/or nonintegrated employment	9	0.1%
Individual exited after an IPE in competitive and integrated employment or supported employment	2,701	37.2%
Individual exited as an applicant after being determined ineligible for VR services	39	0.5%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	79	1.1%

Supported Employment	Number of Participants
Number of Participants Who Exited with a Supported Employment Outcome in Competitive Integrated Employment	482
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment	0

Table 5—MN VRS Number and Percentage of Individuals Exiting by Reason during the VR Process (PY 2017)

Reason for Exit	Number of Individuals	Percent
Individual is No Longer Available for Services Due to Residence in an Institutional Setting Other Than a Prison or Jail	21	0.3%
Health/Medical	137	1.9%
Death of Individual	29	0.4%
Reserve Forces Called to Active Duty	0	0.0%
Foster Care	0	0.0%
Ineligible after determined eligible	0	0.0%
Criminal Offender	32	0.4%
No Disabling Condition	2	0.0%
No Impediment to Employment	9	0.1%
Does Not Require VR Service	11	0.2%
Disability Too Significant to Benefit from Service	0	0.0%
No Long-Term Source of Extended Services Available	0	0.0%
Transferred to Another Agency	79	1.1%
Achieved Competitive Integrated Employment Outcome	2,701	37.2%
Extended Employment	11	0.2%
Extended Services Not Available	4	0.1%
Unable to Locate or Contact	1,270	17.5%
No Longer Interested in Receiving Services or Further Services	2,073	28.6%
All Other Reasons	685	9.4%
Number of Individuals Who Exited the VR Program	7,257	

Table 6—MN VRS VR Services Provided to Participants (PY 2017)

Total Number of Participants Who Received VR Services	16,676
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Training Services Provided to Participants	Number of Participants	Percent
Graduate Degree Training	47	0.3%
Bachelor’s Degree Training	365	2.2%
Junior or Community College Training	340	2.0%
Occupational or Vocational Training	300	1.8%
On-the-Job Training	62	0.4%
Apprenticeship Training	1	0.0%
Basic Academic Remedial or Literacy Training	5	0.0%
Job Readiness Training	376	2.3%
Disability Related Skills Training	333	2.0%
Miscellaneous Training	254	1.5%
Randolph-Sheppard Entrepreneurial Training	0	0.0%
Customized Training	0	0.0%

Career Services Provided to Participants	Number of Participants	Percent
Assessment	3,105	18.6%
Diagnosis and Treatment of Impairment	24	0.1%
Vocational Rehabilitation Counseling and Guidance	6,714	40.3%
Job Search Assistance	567	3.4%
Job Placement Assistance	5,776	34.6%
Short-Term Job Supports	799	4.8%
Supported Employment Services	60	0.4%
Information and Referral Services	4,421	26.5%
Benefits Counseling	286	1.7%
Customized Employment Services	124	0.7%
Extended Services (for youth with the most significant disabilities)	0	0.0%

Other Services Provided to Participants	Number of Participants	Percent
Transportation	1,770	10.6%
Maintenance	1,198	7.2%
Rehabilitation Technology	184	1.1%
Personal Attendant Services	0	0.0%
Technical Assistance Services	93	0.6%
Reader Services	1	0.0%
Interpreter Services	73	0.4%
Other Services	1,597	9.6%

Table 7—MN VRS Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gains (PY 2017)

Measurable Skill Gains Earned and Participants Earning Measurable Skill Gains	Number
Number of Measurable Skill Gains Earned	887
Number of Participants Who Earned a Measurable Skill Gains	862

Types of Measurable Skill Gains	Number
Educational Functioning Level	26
Secondary Diploma	830
Postsecondary Transcript/Report Card	17
Training Milestone	7
Skills Progression	7

Table 8—MN VRS Median Hourly Earnings, Median Hours Worked per Week, Sources of Support and Medical Insurance Coverage for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

Median Hourly Earnings and Hours Worked per Week at Exit

Number of Participants Who Exited in Competitive and Integrated Employment or Supported Employment	2,701
Median Hourly Earnings at Exit	\$11.00
Median Hours Worked per Week at Exit	25

Primary Source of Support at Exit	Number of Participants	Percent
Personal Income	260	9.6%
Family and Friends	1,329	49.2%
Public Support	913	33.8%
Other Sources	199	7.4%

Public Support at Exit	Number of Participants	Percent
Social Security Disability Insurance (SSDI) at Exit	678	25.1%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	431	16.0%
Temporary Assistance for Needy Families (TANF) at Exit	52	1.9%
General Assistance (State or local government) at Exit	128	4.7%
Veterans' Disability Benefits at Exit	8	0.3%
Workers' Compensation at Exit	9	0.3%
Other Public Support at Exit	189	7.0%

Medical Insurance Coverage at Exit	Number of Participants	Percent
Medicaid at Exit	0	0.0%
Medicare at Exit	252	9.3%
State or Federal Affordable Care Act Exchange at Exit	60	2.2%
Public Insurance from Other Sources at Exit	44	1.6%
Private Insurance Through Employer at Exit	0	0.0%
Not Yet Eligible for Private Insurance Through Employer at Exit	38	1.4%
Private Insurance Through Other Means at Exit	0	0.0%

Table 9—MN VRS Standard Occupational Classification (SOC) Titles (Major Groups): Percentages of Employment Outcomes and Median Hourly Earnings for Participants Who Exited with Competitive Integrated Employment or Supported Employment (PY 2017)

SOC Title	Number of Participants	Median Hourly Earnings
Office and Administrative Support Occupations	454	\$11.0
Production Occupations	422	\$10.0
Transportation and Material Moving Occupations	341	\$10.0
Food Preparation and Serving Related Occupations	275	\$10.2
Sales and Related Occupations	241	\$11.0
Building and Grounds Cleaning and Maintenance Occupations	227	\$12.0
Community and Social Services Occupations	189	\$10.5
Personal Care and Service Occupations	75	\$14.5
Education, Training, and Library Occupations	69	\$12.4
Healthcare Support Occupations	68	\$13.5
Protective Service Occupations	59	\$14.0
Installation, Maintenance, and Repair Occupations	41	\$15.4
Healthcare Practitioners and Technical Occupations	40	\$18.0
Constructive and Extraction Occupations	36	\$15.0
Management Occupations	35	\$18.0
Computer and Mathematical Occupations	30	\$16.0
Business and Financial Operations Occupations	24	\$12.0
Arts, Design, Entertainment, Sports, and Media Occupations	22	\$13.0
Architecture and Engineering Occupations	18	\$19.0
Life, Physical, and Social Science Occupations	17	\$21.5
Farming, Fishing, and Forestry Occupations	11	\$12.0
Legal Occupations	5	\$22.0
Military Specific Occupations	2	\$20.3
Randolph-Sheppard Vending Facility Operator	0	\$0.0
Randolph-Sheppard Vending Facility Clerk	0	\$0.0

Table 10—MN VRS Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PY 2017)

No.	SOC Title	Number of Participants	Median Hourly Earnings
1	Stock Clerks and Order Fillers	208	\$10.0
2	Cashiers	176	\$10.0
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	164	\$10.2
4	Combined Food Preparation and Serving Workers, Including Fast Food	124	\$ 9.8
5	Retail Salespersons	113	\$10.0
6	Dishwashers	100	\$9.5
7	Customer Service Representatives	83	\$11.0
8	Helpers--Production Workers	69	\$11.0
9	Laborers and Freight, Stock, and Material Movers, Hand	61	\$10.9
10	Personal Care Aides	58	\$11.4

Table 11—MN VRS Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PY 2017)

Students with Disabilities	Number/Percentage of Students
Total Students with Disabilities Reported	8,958
Students with Disabilities Reported with 504 Accommodation	130
Students with Disabilities Reported with IEP	8,655
Students with Disabilities Reported without 504 Accommodation or IEP	173
Total Students with Disabilities Who Received a Pre-Employment Transition Service	2,781
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	0
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	2,781
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	31.0%

Table 12—MN VRS Number and Percentage of Required Pre-Employment Transition Services Provided (PY 2017)

Pre-Employment Transition Services	Number of Pre-Employment Transition Services Provided	Percent of Total Pre-Employment Transition Services Provided
Total Pre-Employment Transition Services Provided	10,033	
Job Exploration Counseling	5,197	51.8%
Work Based Learning Experiences	1,441	14.4%
Counseling on Enrollment Opportunities	1,796	17.9%
Workplace Readiness Training	906	9.0%
Instruction in Self Advocacy	693	6.9%

APPENDIX B: SERVICE RECORD REVIEW RESULTS

Participants who Exited with Competitive Integrated Employment or Supported Employment

Data Element	Number with required documentation	Percent with required documentation	Number without required documentation	Percent without required documentation
Date of Application	20	100%	0	0%
Date of Eligibility Determination	19	95%	1	5%
Date of IPE	15	75%	5	25%
Start Date of Employment in Primary Occupation at Exit or Closure	12	60%	8	40%
Employment Status at Exit or Closure	13	65%	7	35%
Hourly Wage at Exit or Closure	12	60%	8	40%
Type of Exit or Closure	15	75%	5	25%
Date of Exit or Closure	7	35%	13	65%

Summary of Service Record Review for Participants who Exited with Competitive Integrated Employment or Supported Employment

Summary	Number (of 20)	Percent (of 20)
Service Records with all required documentation for Data Elements	3	15%
Service Records without all required documentation for Data Elements	17	85%

Reporting Considerations: Information in Supporting Documentation, Case Management System, and RSA-911

Data Element	Number (of 20) where All Information Matches	Percent (of 20) where All Information Matches	Number (of 20) where All Information Does Not Match	Percent (of 20) where All Information Does Not Match
Date of Application	20	100%	0	0%
Date of Eligibility Determination	18	90%	2	10%
Date of IPE	15	75%	5	25%

Start Date of Employment in Primary Occupation at Exit or Closure	11	55%	9	45%
Hourly Wage at Exit or Closure	12	60%	8	40%
Date of Exit or Closure	6	30%	14	70%

Participants who Earned Measurable Skill Gains (MSG)

Data Element (MSG Types as applicable)	Number with required documentation	Percent with required documentation	Number without required documentation	Percent without required documentation
Start Date of Initial VR Service on or after IPE	17	85%	3	15%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	19	95%	1	5%
Date of Most Recent MSG: Educational Functioning Level	0		1	
Date of Most Recent MSG: Secondary Transcript Report Card	17		2	
Date of Most Recent MSG: Postsecondary Transcript/Report Card	1		1	
Date of Most Recent MSG: Training Milestone	0		1	
Date of Most Recent MSG: Skills Progression	0		1	

Summary of Service Record Review of Participants who Earned Measurable Skill Gains (MSG)

Summary	Number (of 20)	Percent (of 20)
Service Records with all required documentation for Data Elements (as applicable)	14	70%
Service Records without all required documentation for Data Elements (as applicable)	6	30%

Reporting Considerations: Information in Supporting Documentation, Case Management System, and RSA-911

Data Element (MSG Types as applicable)	Number (of 20) where All Information Matches	Percent (of 20) where All Information Matches	Number (of 20) where All Information Does Not Match	Percent (of 20) where All Information Does Not Match
Start Date of Initial VR Service on or after IPE	16	80%	4	20%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	19	95%	1	5%
Date of Most Recent MSG: Educational Functioning Level	0		1	
Date of Most Recent MSG: Secondary Transcript Report Card	17		2	
Date of Most Recent MSG: Postsecondary Transcript/Report Card	1		1	
Date of Most Recent MSG: Training Milestone	0		1	
Date of Most Recent MSG: Skills Progression	0		1	

APPENDIX C: FISCAL DATA TABLES

Note: Calculations for these tables can be found in Appendix F of the MTAG.

VR Resources and Expenditures—FFYs 2016–2018

VR Resources and Expenditures	2016	2017	2018*
Total program expenditures	\$55,191,618	\$52,740,332	\$44,468,438
Federal expenditures	\$43,139,000	\$41,047,205	\$30,700,413
State agency expenditures (4 th quarter)	\$12,052,618	\$11,693,127	\$13,768,025
State agency expenditures (latest/final)	\$12,052,618	\$11,693,127	\$13,768,025
Federal formula award amount	\$39,447,260	\$39,432,205	\$40,547,363
Reserve amount required for pre-employment transition services (15 percent)	\$6,470,850	\$6,157,081	\$6,329,604
Amount expended on pre-employment transition services	\$5,350,107	\$6,157,204	\$4,969,072
Percentage expended on pre-employment transition services	12.40%	15.00%	11.78%
MOE penalty from prior year	\$0	\$0	\$0
Federal award amount relinquished during reallocation	\$0	\$0	\$0
Federal award amount received during reallocation	\$3,691,740	\$1,615,000	\$1,650,000
Federal funds transferred from State VR agency	\$0	\$0	\$0
Federal funds transferred to State VR agency	\$0	\$0	\$0
Federal award amount (net)	\$43,139,000	\$41,047,205	\$42,197,363
Federal award funds deobligated	\$0	\$0	\$0
Federal award funds used	\$43,139,000	\$41,047,205	\$42,197,363
Percent of formula award amount used	109.36%	104.10%	104.07%
Federal award funds matched but not used	\$0	\$0	\$0

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

Non-Federal Share and Maintenance of Effort—FFYs 2016–2018

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2016	2017	2018*
Match required per net award amount	\$11,675,485	\$11,109,345	\$11,420,633
Match provided (actual)	\$12,052,618	\$11,693,127	\$13,768,025
Match difference**	-\$377,133	-\$583,782	-\$2,347,392
Federal funds matched (actual)	\$43,139,000	\$41,047,205	\$42,197,363
Percent Federal funds matched	100.00%	100.00%	100.00%
MOE required	\$11,686,018	\$11,688,127	\$12,052,618
MOE: Establishment/construction expenditures	\$0	\$0	\$0
MOE actual	\$12,052,618	\$11,693,127	\$13,768,025
MOE difference**	-\$366,600	-\$5,000	-\$1,715,407

* 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.

Program Income and 4th Quarter Data—FFYs 2016–2018

Program Income and 4th Quarter Data	2016	2017	2018*
Program income received	\$5,013,242	\$5,355,912	\$6,538,215
Program income disbursed	\$5,013,242	\$5,355,912	\$6,511,917
Program income transferred	\$2,893,840	\$2,672,946	\$2,630,672
Program income used for VR program	\$2,119,402	\$2,682,966	\$3,881,245
Federal grant amount matched (4 th quarter)	\$43,139,000	\$41,047,205	\$42,197,363
Federal expenditures (4 th quarter)	\$31,053,583	\$29,263,450	\$31,266,655
Federal unliquidated obligations (4 th quarter)	\$6,220,860	\$5,135,372	\$0

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