

**FEDERAL FISCAL YEAR 2019
MONITORING REPORT
ON THE
MONTANA VOCATIONAL
REHABILITATION AND BLIND SERVICES
VOCATIONAL REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**



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

October 13, 2020

TABLE OF CONTENTS

	Page
Section 1: The Scope of the Review	1
Section 2: Focus Area – Performance of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	3
Section 3: Focus Area –Pre-Employment Transition Services for Students with Disabilities	20
Section 4: Focus Area – Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	24
Section 5: Focus Area – Joint Workforce Innovation and Opportunity Act Final Rule Implementation	43
Appendix A: State Vocational Rehabilitation Services and State Supported Employment Services Programs Performance Tables	48
Appendix B: Service Record Review Results	61
Appendix C: Fiscal Data Tables	64

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 Montana Vocational Rehabilitation and Blind Services (VRBS) 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 VR and Supported Employment Programs;
 - Pre-Employment Transition Services for Students with Disabilities;
 - Financial Management of the State VR and Supported Employment 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 April 30 through May 3, 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 Samuel Pierre and Caneshia McAllister (Technical Assistance Unit), Tonya Stellar (Vocational Rehabilitation Program Unit), Julya Doyle (Fiscal Unit), and Vernita Washington and Rimal Desai (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 VRBS 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, the Department of Labor and Industry's Workforce Services Division (WSD), the Office of Public Instruction's Adult Education and Family Literacy Program (AEFLP), other workforce development partners, and stakeholders in the monitoring process.

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

A. Purpose

Through this focus area, RSA assessed the achievement of employment outcomes, including the quality of those outcomes, by individuals with disabilities served in the VR program through conducting 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, 3, and 4

During program year (PY) 2017, VRBS reported 1,616 applicants and 1,699 individuals determined eligible for the VR program on the RSA-911. The VR agency reported two individuals with an IPE developed during PY 2017 as not receiving VR services and 151 participants with an IPE developed in PY 2017 as having VR services provided. Presumably, most of those determined eligible during PY 2017 were assigned to closed categories on the VR agency's order of selection (OOS). The effect of the VR agency's implementation of an OOS in October 2015, and closure of the last open priority category for individuals with most significant disabilities on March 9, 2017, is reflected in the decline in the number of applicants and individuals receiving services and the 781 percent increase in the number of individuals reported on the Quarterly Cumulative Caseload Report (RSA-113) on the OOS waiting list from FFY 2016 through the end of FFY 2018 (i.e., 300 to 2,644 individuals). VRBS suggested the decline in the number of applicants for the VR program was due to the influence of the OOS and the VR agency's resulting inability to serve new applicants, as well as the decline in the agency's outreach activities because of budget constraints.

During PY 2017, a total of 3,310 participants (including both those participants with IPEs developed prior to and during PY 2017), received VR services. The greatest percentage of participants served by VRBS in PY 2017 included individuals with cognitive disabilities (34.9 percent), psychological or psychosocial disabilities (31.2 percent), and physical disabilities (26.2 percent). Of the 356 individuals with disabilities who achieved competitive integrated employment or supported employment, 32 individuals with the most significant disabilities achieved supported employment. In PY 2017, VRBS' employment rate was 33.4 percent.

Measurable Skill Gains (MSG), one of the six primary indicators of performance under WIOA, is used to measure the interim progress of participants who are enrolled in education or training services for a specific reporting period. During PY 2017, VRBS reported 21.2 percent of participants as being eligible for measurable skill gains (i.e., the percentage of all VR program

participants who, during the program year, are in an education or training program that leads to a recognized postsecondary credential or employment). Of those participants eligible for measurable skill gains, 44.1 percent were reported as achieving measurable skill gains during PY 2017.

The VR Process

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

As reported on the RSA-113, the number of total applicants decreased by 53.7 percent from 3,800 individuals in FFY 2016, to 1,756 individuals in FFY 2018. VRBS indicated that Montana's unemployment rate (3.7 percent), decreased the need for employment assistance and also contributed to the decline in the number of individuals applying for VR services. VRBS attributed the significant decline in eligibility determinations to the delay in timely eligibility determinations, VRBS staff vacancies, and system errors. Specifically, VRBS reported that it had to make changes to its case management system in February 2019, to address inaccuracies due to the caseload summary report not pulling the correct case total for eligibility determinations.

During PY 2017, 81.4 percent of eligibility determinations were made within 60 days of the date of application by individuals with disabilities. Additionally, VRBS reported a small percentage of eligibility extensions for applicants during PY 2017.

Of the 2,199 individuals who exited the VR program in PY 2017, 785 individuals, or 35.6 percent, exited from various stages of the VR process prior to the development of an IPE. The greatest percentage of individuals exited the VR process after eligibility from an order of selection waiting list (31.8 percent) or after the development of an IPE but without an employment outcome (32.2 percent). The attrition of eligible individuals with an IPE prior to the achievement of employment may be due to the exponential increase in the overall percentage of eligible individuals with an IPE who did not receive services and the resulting decrease in the percentage of individuals with an IPE who received services from FFY 2016 through FFY 2018. Of the individuals who exited the VR program in PY 2017, 37.2 percent of individuals were reported as being unable to locate and 34.2 percent were reported as being no longer interested in VR services.

In an effort to decrease attrition from the VR process, VRBS communicated that it provides information and referral services to individuals on the waiting list, including referral to the workforce development system for other appropriate program services, as applicable, while awaiting VR services. VRBS' 42 VR counselors are required to maintain contact with individuals assigned to a closed priority category at least once every 180 days and at least once every 90 days for VR participants in receipt of services under an IPE. During the review, RSA and VRBS evaluated the reasons for and the need to develop retention strategies in order to decrease attrition from the identified stages of the VR process.

VR Services

Resources: Appendix A—Tables 1, 6 and 7

Of the 3,310 participants who received VR services in PY 2017, 1,399 participants, or 42.2 percent, received the following training services: graduate degree training (2.3 percent), bachelor's degree training (24.4 percent), and junior or community college training (15.5 percent). During the same period, VRBS reported 357 measurable skill gains (MSGs) earned, and 310 participants earning measurable skill gains. In PY 2017, 303 postsecondary transcripts and report cards were reported. While on-site, RSA confirmed inconsistencies between the amount of training provided, and the number of MSGs reported. Although VRBS policies require that VR counselors include secondary school or high school diplomas as miscellaneous training on the IPE, only 11 secondary diploma MSGs were reported in PY 2017, while 204 participants, or 6.2 percent, were reported as having received miscellaneous training. At the time of the on-site review, VRBS had not developed written policies, procedures, or internal controls to ensure the accurate reporting of MSGs. This will be further discussed in Sections C and D of this focus area.

Of the career services provided to participants in PY 2017, 1,050 participants, or 31.7 percent, received job search assistance, while 218 participants, or 6.6 percent, received job placement assistance. During the on-site portion of the review, VRBS shared that it recently transitioned from the purchase of job search and placement services to the direct provision of such services by its VR counselors. VRBS communicated that the smaller percentage of participants in receipt of job search and placement services was due to VRBS' practice of reporting these services in the case management system at the time an individual achieves employment and his or her case is successfully closed, rather than at the time such services are purchased or provided by VRBS staff. RSA clarified that all training, career and other services, purchased and provided to participants, are to be coded, tracked, and reported at the time of service provision.

In PY 2017, 258 participants, or 7.8 percent of all participants, received supported employment services; 56 youth with most significant disabilities, or 1.7 percent, received extended services; and 32 of the 356 participants who exited with employment, achieved supported employment. During the on-site review, VRBS communicated that the decrease in the availability of State extended services funding has affected VRBS' ability to secure long-term funding to support individuals with most significant disabilities in receipt of supported employment services.

In terms of other services provided to participants in PY 2017, 643 individuals, or 19.4 percent, received transportation services; 534 individuals, or 16.1 percent, received other services; and 499 individuals, or 15.1 percent, received maintenance services.

Quality of Employment Outcomes

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

In PY 2017, 356 individuals exited in competitive and integrated employment, 32 of whom achieved supported employment. The median hourly earnings in PY 2017 was \$10.29 per hour and the median hours worked per week was 28 hours. Of the individuals who achieved employment, 34.7 percent continued to receive social security benefits, including Social Security

Disability Insurance (SSDI) (22.2 percent) and Supplemental Security Income (SSI) for the aged, blind, or disabled (12.6 percent); and 61.8 percent maintained medical insurance coverage through Medicaid (41.6 percent) and Medicare (20.2 percent). The percentage of individuals at exit who received coverage through their employer was 22.8 percent.

In PY 2017, the greatest number of participants achieved employment outcomes in three major occupational areas: office and administrative support occupations (66 individuals), food preparation and serving related occupations (42 individuals) and building and grounds cleaning and maintenance occupations (37 individuals). The most frequent Standard Occupational Classification (SOC) codes reported by VRBS for participants who achieved competitive integrated employment or supported employment included stock clerks (28 participants), janitors and cleaners (25 participants), dishwashers (14 participants), and customer service representatives (10 participants).

Occupations with the highest median hourly earnings in which VRBS assisted individuals with securing employment, included legal occupations (\$23.00), healthcare practitioners and technical occupations (\$22.00), computer and mathematical occupations (\$18.00), and architecture and engineering occupations (\$18.00).

During the on-site review, VRBS communicated its investment in postsecondary education and training to support individuals with disabilities to achieve not only employment, but also career paths. RSA and VRBS discussed the need to assess in-demand industries and the preparation necessary to prepare individuals for such careers, as well as the development of strategies to increase the number of individuals who achieve employment.

Pre-Employment Transition Services

Resources: Appendix A—Tables 11 and 12

Of the 6,339 students with disabilities reported by VRBS in PY 2017, 76.5 percent received a pre-employment transition service. VRBS has instructed staff to provide pre-employment transition services to all students prior to determining eligibility to ensure that students may continue to receive pre-employment transition services once determined eligible in the event they are assigned to a closed OOS category. Of the 4,847 students with disabilities who received one or more pre-employment transition services, 4,599 were potentially eligible students, and 248 were applicants for VR services.

Of the 1,616 individuals who applied to the VR program in PY 2017, 15 percent, or 248 individuals were students with disabilities. RSA and VRBS discussed focused outreach to students in receipt of pre-employment transition services and the development of strategies to increase the number of students with disabilities applying for VR services.

Of the 23,470 pre-employment transition services provided in PY 2017, the greatest percentages of services were instruction in self-advocacy (24.7 percent), job exploration counseling (21.6 percent), and workplace readiness training (19.2 percent). The smallest percentage of pre-employment transition services provided was work-based learning experiences (15.7 percent).

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 VRBS outlining policies and procedures related to the case service record, reporting on the RSA-911, and internal control process (e.g. ensuring data accuracy, reliability, and timely submission) along with a case file description used by VR agency staff to organize case files. VRBS provided RSA with the VRBS MACS Manual last revised in January 2018, and a description of several automatic system alerts built into its case management system. VRBS also provided RSA with its Manual for the RSA-911 Case Service Report, as well as descriptions of codes to be used and entered into the WIOA/MAC fields.

During the on-site review, VRBS reported that its case management system includes several system alerts used to facilitate and monitor timely adherence to Federal time frames (e.g., eligibility determination and IPE development) and case management timelines, and to facilitate the collection and reporting of data on the RSA-911. For example, VR counselors receive system alerts 30 days prior to the due date for eligibility determinations and extensions, as well as the due dates for IPE development, extensions, and annual reviews. VRBS staff also can enter additional case management reminders into the system beyond the automatic reminders. Although the VRBS administrator receives monthly reports that include all of the system alerts and informs office supervisors of the upcoming activities due and deadlines, this practice had not been implemented as a written process or procedure at the time of the review.

VRBS policy does not require supervisory review of all eligibility determinations or priority category assignment; however, the newly appointed VR administrator implemented the practice of supervisory review of all eligibility determinations and priority category assignments in FFY 2018. Similarly, eligibility and IPE extensions also require supervisory approval. Although the eligibility extension requires client signature, the IPE extension only requires supervisory approval and signature. While on-site, VRBS informed RSA that it is in the process of updating its current eligibility extension policy.

In addition to the required review of eligibility and OOS priority category assignments, all IPE amendments require VR administrator approval to authorize IPE service costs over \$2,999. The authority to provide approval of IPE service costs may be delegated by the VR administrator to VR supervisors, as needed. Before a VR counselor can close an individual's case, the service

record must be reviewed and approved for closure by a supervisor. Additionally, bureau chief approval is required for self-employment plans, attendance at out-of-State colleges, vehicular modifications, and graduate school training services.

VRBS employs a quality assurance specialist who, at the time of the on-site visit, was in the process of developing a quality assurance/case review tool. Although VRBS field offices reported engaging in an informal review process, at the time of the on-site review, the VR agency did not have a formal systematic service record review process to limit reporting errors and to identify staff training needs. However, VRBS communicated its plan to implement a formalized service record review process to include monthly and quarterly reviews in the near future.

Service Record Review

RSA conducted a review of 20 service records for participants who exited with competitive integrated employment or supported employment and 20 service records of participants who earned measurable skill gains. The purpose of this review was to verify accurate reporting and 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, 20 percent of the service records reviewed had all required documentation, while 80 percent included discrepancies or did not have all required documentation. Of the 20 service records reviewed for individuals who achieved measurable skill gains, 25 percent had all required supporting documentation, while 75 percent included discrepancies or did not have all required documentation.

Of the 20 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 and the date of eligibility reported on the RSA-911. Of the service records reviewed, 60 percent included documentation of the date of the most recent IPE and documentation verifying the reported start date of employment. In 85 percent of the service records reviewed, there was documentation verifying the employment outcome at exit, and 65 percent of the service records included supporting documentation of the hourly wages reported at exit. Adequate supporting documentation of type of exit and date of exit was present in 80 percent and 60 percent of the cases reviewed, respectively.

Of the service records reviewed for individuals who achieved a measurable skill gain, 85 percent reflected service record dates that corresponded with the dates reported on the RSA-911 for the start date of initial VR service on or after IPE. As for the reported date enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment, 40 percent of the service records reviewed had the required documentation. For the service records in which an individual achieved a measurable skill gain through educational functioning level, one of two service records had the required documentation. For the service records in which an individual achieved a measurable skill gain through secondary transcript/report card, one of five service records had the required documentation, while 12 of 20 service records reviewed had the required documentation of postsecondary transcript/report card for those service records in which a measurable skill gain was gained through postsecondary transcript or report card. In the two service records reviewed

in which a measurable skill gain through training milestones was reported only one included the required documentation. One service record did not include the required documentation for the individual's achievement of a skills progression measurable skill gain.

D. Findings and Corrective Actions

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

2.1 Untimely Eligibility Determination

Issue: Is VRBS determining the eligibility of applicants for VR services within the statutory 60-day time frame from the date of application.

Requirement: In accordance with Section 102(a)(6) of the Rehabilitation Act and 34 C.F.R. § 361.41(b)(1), eligibility determinations are to be made for individuals who have submitted an application for VR services, including applications made through common intake procedures in one-stop centers under Section 121 of WIOA, within 60 days, unless there are exceptional and unforeseen circumstances beyond the control of the designated State unit (DSU); and the individual and DSU agree to a specific extension of time or an exploration of the individual's abilities, capabilities, and capacity to perform in work situations is carried out in accordance with 34 C.F.R. § 361.42(e).

Analysis: As part of the monitoring process, RSA analyzed the length of time it took for VRBS to make eligibility determinations for VR applicants. PY 2017 data reported by VRBS on the RSA-911 show—

- 81.4 percent of applicants had an eligibility determination made within the required 60-day period; and
- 2.7 percent of those with an eligibility determination made in PY 2017 received eligibility determination extensions.

During the on-site monitoring visit, VRBS reported that it had identified untimely eligibility determinations as a performance issue, and it planned to implement a new case management model using a team approach in order to improve VRBS staff performance in determining eligibility within the statutorily required 60-day period.

Conclusion: VRBS did not substantially meet the required 60-day time frame for eligibility determinations in PY 2017. As a result of the analysis, RSA determined that the VR agency did not satisfy the eligibility determination requirements in 34 C.F.R. § 361.41(b)(1).

Corrective Action Steps: RSA requires that VRBS—

- 2.1.1 Comply with Section 102(a)(6) of the Rehabilitation Act and 34 C.F.R. § 361.41(b)(1) by making eligibility determinations within the required 60-day period;
- 2.1.2 Assess and evaluate VR counselor performance and identify effective practices that ensure timely eligibility determinations are made within 60 days from the date of

- application, including the use of case management tools for, and supervisory review of, timely eligibility determinations;
- 2.1.3 Develop procedures for VR counselors and supervisors to track and monitor the timeliness of eligibility determinations; and
 - 2.1.4 Develop and implement internal controls, including a monitoring component, to ensure eligibility determination requirements are met.

VR Agency Response: VRBS concurs with this finding and recognizes the importance of processing eligibility determinations within the 60-day timeframe following application to promote rapid engagement and superior customer service.

To improve performance in this area, VRBS is enhancing its procedures and implementing tools to ensure continued high quality, timely case management throughout the eligibility process. VRBS has developed and implemented internal controls directing management to monitor all application deadlines and to promptly oversee and intervene to prevent cases from exceeding the 60-day eligibility requirement.

VRBS has developed and implemented a targeted case review instrument that captures data on individual counselor performance with a section specifically dedicated to application process and eligibility determination. If an eligibility determination is not completed within 60 days the scoring would indicate a zero, meaning “Not present, but necessary.” To work in conjunction with the case review instrument, VRBS has updated the VRBS Counselor Performance Appraisal to include an evaluation rating specifically on Eligibility Timeline. This will ensure continued VR counselor performance assessment and process improvement. Through the findings reported on these two instruments, management will then develop Employee Development Plans that identify development needs and action steps to ensure timely, high quality case management.

2.2 Internal Controls for Management of the Federal Award, Data Accuracy and Validity, and Supporting Documentation

Issue: Is VRBS maintaining effective internal controls over the Federal award to provide a reasonable assurance that VRBS is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award in accordance with 2 C.F.R. § 200.303. Do VRBS’ internal controls and policies ensure data accuracy and validity, and that case files adhere to the record of service requirements at 34 C.F.R. § 361.47. Specifically, in fulfilling these requirements, do the internal controls ensure that VRBS adheres to the requirements for processing referrals and applications pursuant to 34 C.F.R. § 361.41, 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 2 C.F.R. § 200.303, VR agencies are required to develop an internal controls process to provide reasonable assurances regarding the effectiveness and efficiency of operations, reliability of reporting for internal and external use; and to be implemented as a measure of checks and balances to ensure proper expenditures of funds, including the evaluation

and monitoring of compliance with statutes, regulations and the terms and conditions of Federal awards. Furthermore, 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.

Additionally, 2 C.F.R. § 200.303 requires a non-Federal entity to—

- 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 comply 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 non-compliance are identified, including noncompliance identified in audit findings.

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 non-compliance with Federal and State 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, to the extent 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. Furthermore, VR agencies, in consultation with the SRC, 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).

VR agencies must, in accordance with 34 C.F.R. § 361.41(a), establish and implement standards for the prompt and equitable handling of referrals of individuals for VR services, including referrals of individuals made through the one-stop service delivery systems under Section 121 of WIOA. The standards must include timelines for making good faith efforts to inform these individuals of application requirements and to gather information necessary to initiate an assessment for determining eligibility and priority for services. Further, once an individual has submitted an application for VR services, including applications made through common intake procedures in one-stop centers under Section 121 of WIOA, an eligibility determination must be made within 60 days (34 C.F.R. § 361.41(b)(1)), unless specific circumstances prohibit this in accordance with 34 C.F.R. § 361.41(b)(1)(I) and (ii). In fulfilling these requirements, the VR agency records the date it receives the application for VR services from the individual. Federal regulations in 34 C.F.R. § 361.45 outline the requirements for the development of the IPE and 34 C.F.R. § 361.46 outline the mandatory content of the IPE.

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 also agree that the individual is 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.

In accordance with 34 C.F.R. § 361.40(a), VR agencies are required to submit reports, including reports required under Sections 13, 14, and 101(a)(10) of the Rehabilitation Act in a manner that provides a complete count of the applicants and eligible individuals receiving services, including students receiving pre-employment transition services, and complies with any requirements necessary to ensure the accuracy and verification of those reports.

Analysis: As part of the monitoring process, RSA analyzed the internal controls implemented by VRBS, reviewed policies, and reviewed 40 service records, which included 20 service records of individuals who achieved competitive integrated employment or supported employment, and 20 service records of individuals who achieved measurable skill gains. During the course of the review, RSA identified the following areas for which sufficient internal control processes need to be developed and/or strengthened.

Insufficient Internal Control Policies

Prior to the on-site review, VRBS submitted a field-level case review tool used by some of the VR counselors and supervisors. However, at the time of the on-site review, VRBS had not implemented a comprehensive system of internal controls, such as case review policies and procedures implemented at the State or central office level that would inform quality assurance reviews and identify staff training needs. Upon review of VRBS' Policy and Procedure Manual (updated in December 2016), internal control documentation, and on-site discussions with the VRBS management staff, RSA determined that VRBS had neither established nor maintained a comprehensive system of effective internal controls nor sufficient policies and procedures to ensure consistency with applicable Federal requirements in accordance with 2 C.F.R. § 200.303.

Data Integrity

Of the 20 service records reviewed of participants who achieved a competitive integrated employment or supported employment outcome, 80 percent did not include all of the required documentation for data elements. However, 100 percent of the service records reviewed included dates for application and eligibility determination that matched the dates reported in the case management system and RSA-911, as well as the required documentation.

Of the service records reviewed, 40 percent did not include matching information filed in the service record, reported in the case management system, or reported on the RSA-911 for date of IPE, start date of employment in primary occupation at exit or date of exit or closure. Furthermore, 35 percent of service records reviewed did not include information that matched the hourly wage at exit or closure when comparing what was reported in the case file, case management system, and on the RSA-911 report.

VRBS reported that an informal process through which all IPEs are administratively reviewed was recently implemented by the VR administrator as an internal control to limit errors made by VR staff entering information into the case management system. No other internal controls had been implemented at the time of the on-site review to ensure that all information in the case file and reported in the case management system and on the RSA-911 match.

Accurate Reporting

In accordance with 34 C.F.R. § 361.40(a), VR agencies are required to submit reports, including reports required under Sections 13, 14, and 101(a)(10) of the Rehabilitation Act in a manner that provides a complete count of the applicants and eligible individuals receiving services, including students receiving pre-employment transition services, and complies with any requirements necessary to ensure the accuracy and verification of those reports. VRBS was unable to provide written data validation procedures as a part of its internal controls to safeguard data integrity, promote the timely resolution of data anomalies and inaccuracies or to ensure accurate reporting of data collected through the RSA-113 or the RSA-911. The RSA-911 is used to describe the performance of the VR and Supported Employment programs in the Annual Report to the Congress and the President, as required by Sections 13 and 101(a)(10) of the Rehabilitation Act.

As a result of the lack of data validation and internal control processes related to the collecting and reporting of data, VRBS and RSA were unable to substantiate the accuracy of the data reported on the RSA-113 and RSA-911, and whether the VR agency met the Federal requirements for reporting. For example, while the total number of applicants and eligible individuals decreased from FFYs 2016 to 2018 and the number of individuals on an order of selection waiting list increased from 300 individuals in FFY 2016 to 2,644 individuals in FFY 2018, VRBS reported that 371.5 percent of eligible individuals with an IPE received no services in FFY 2018 (as reported on the RSA-113). This percentage (based on 100 percent) should not be possible, and the error would have been identified, if there were written procedures for data verification. As discussed in Section B in the performance focus area, inconsistencies between

the amount of training provided, and the number of MSGs reported on the RSA-911 were also identified during the on-site review. Therefore, RSA was unable to verify the data elements related to MSGs reported on the RSA-911. Furthermore, the lack of written data verification procedures also prevented VRBS from identifying that all training, career and other services, purchased and provided to participants, were not being coded at the time of service provision in accordance with the RSA-911 instructions. RSA and VRBS discussed a number of errors, missing data, out-of-range values and anomalies that should have been corrected in order to ensure the validity and reliability of the data reported.

Lack of Supporting Documentation

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. §§ 361.47(a)(9) and 361.56 have been satisfied. Of the service records reviewed, 40 percent did not include required documentation to substantiate the date of IPE, start date of employment in primary occupation at exit or closure, or date of exit or closure. Upon review of IPEs and IPE amendments, some of the service records did not include both the signature of the eligible individual and the VR counselor. Specifically, three service records were closed with IPEs unsigned by the eligible individual, and one service record with an IPE not signed by the eligible individual or the VR counselor). The RSA review team clarified that VR services, provided under an IPE or IPE amendment, must not begin until the eligible individual and VR counselor sign and date the IPE.

The results of the service record review showed that the documentation VRBS maintained in service records was insufficient in terms of verifying the employment status of individuals at the start of employment and time of closure, as well as the hourly wages at exit. Of the service records reviewed of individuals who achieved competitive integrated employment or supported employment, 35 percent did not include documentation of hourly wage reported at exit or closure, 15 percent did not include documentation of the individual's employment status at exit or closure, and 20 percent did not include documentation to substantiate the date of exit or closure. As a result of the case review, RSA determined that the requirements for case closure, including the maintenance of documentation, in 34 C.F.R. §§ 361.47(a) and 361.56 were not met during the period of review. In addition, internal controls had not been implemented that ensure case closure requirements are met.

Measurable Skill Gains

While on-site, RSA reviewed 20 service records of participants who earned measurable skill gains and identified a number of reporting insufficiencies including the start date of the initial VR service on or after IPE development, date enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment; and all other measurable skill gains categories. The primary issue identified was the lack of supporting documentation to substantiate the measurable skill gains reported, as 12 of the 20 service records reviewed did not include the required documentation for data elements.

Of the service records reviewed for those individuals who received measurable skill gains, 15 percent did not include a start date of initial VR service on or after IPE development that matched what was reflected in the case file and reported in the case management system or on the RSA-911. Similarly, 80 percent of service records reviewed for individuals who achieved measurable skill gains substantiated by a secondary transcript or report card, 60 percent of service records reviewed for individuals enrolled during program participation in an education or training program leading to a recognized postsecondary credential or employment, and 40 percent of service records reviewed for individuals in receipt of measurable skill gains substantiated by a postsecondary transcript or report card did not include dates that matched across the case file and what was reported in the case management system or on the RSA-911. Furthermore, these service records did not include supporting documentation that substantiated the dates reported. Of the service records reviewed for date of most recent measurable skill gain for educational functioning level and training milestone, and skills progression, one case did not include information that matched across the case file and what was reported in the case management system or on the RSA-911, and did not include the required documentation for data elements.

VRBS cited system issues as the reason for discrepancies between the information reported in the RSA-911 and what was in the service record or case file. As a result, VRBS did not submit accurate reports as required by 34 C.F.R. § 361.40. At the time of the review, internal controls had not been developed or implemented to ensure that the information reported was substantiated by documentation included in the service record.

Written Policies and Procedures

VRBS' case closure procedures lack uniformity in implementation across the State, as well as a documented written policy. During the service record review, RSA noted that the timing of closure letters sent to clients varied from 30 days prior to closure to the date of actual case closure, and some letters were sent after the case was closed. Prior to closing the record of services of an individual who achieved an employment outcome, 34 C.F.R. § 361.56(c) requires agreement from the VR counselor and the individual that the employment outcome is satisfactory, and the individual is performing well in employment. The individual is also to be informed through appropriate modes of communication of the availability of post-employment services.

While on-site, RSA identified the need for the development of or revision to existing policies and procedures governing the provision of services for individuals with disabilities in accordance with 34 C.F.R. § 361.50. Specifically, some policies require clarification in order to align with the requirements in 34 C.F.R. part 361. At the time of the review, VRBS did not have written policies or procedures specific to the requirements for reporting measurable skill gains and other performance accountability measures, which may have contributed to the insufficient identification and reporting of measurable skill gains. Furthermore, internal controls have not been developed or implemented to ensure the accurate reporting of measurable skill gains, as well as the maintenance of supporting documentation to substantiate the gains reported.

Personally Identifiable Information (PII)

Designated State agencies and designated State units must adopt and implement written policies and procedures to safeguard the confidentiality of all personal information, including photographs and lists of names, in accordance with 34 C.F.R. § 361.38. At the time of the on-site review, Policy 7.1–Confidentiality (effective July 6, 2005) developed in accordance with Administrative Rules of Montana (ARM) § 37.30.1301 had not been updated pursuant to the Rehabilitation Act, as amended by WIOA and 34 C.F.R. § 361.38. Specifically, final 34 C.F.R. § 361.38 (a), (d) and (e) were revised to require that designated State units (DSUs) enter into written agreements with other organizations and entities receiving personal VR program information during the conduct of audits, evaluations, research, and for other program purposes. In addition to policies and procedures, internal controls to safeguard the confidentiality of all personal information are also required in accordance with 2 C.F.R. § 200.303.

Untimely Development of the IPE

In accordance with 34 C.F.R. § 361.45(e), the IPE must be developed as soon as possible, but not later than 90 days after the date of determination of eligibility, unless the State unit and the eligible individual agree to the extension of that deadline to a specific date by which the IPE must be completed. As part of the monitoring process, RSA analyzed the length of time it took for VRBS to develop IPEs from the date of eligibility determination and service initiation.

VR agencies report through the version of the RSA-911 in PD-16-04 the date of the most recent or amended IPE, which may or may not be the date on which the IPE was first developed. When calculating the period between the date of eligibility determination and the date the IPE was developed for each individual, RSA uses the reported date on which services on the IPE were first initiated if that date is earlier than that reported for the most recent or amended IPE. Therefore, this date may not be the date on which the IPE was signed though it may be closer than the date of the most recent or amended IPE. RSA has addressed these limitations in its calculations of timely IPE development through the revised RSA-911 in PD-19-03 implemented by VR agencies on July 1, 2020, which will require the agencies to report the date on which the IPE was signed.

Based on the calculation methodology under PD-16-04, in PY 2017, 68.8 percent of IPEs were developed within the Federally required 90-day period from the date of an individual's eligibility determination. VRBS reported its case management system contains a tickler system to monitor and alert VR counselors when IPE development and annual reviews are overdue. Support staff also review the timely case management alert and notify counselors of IPE deadlines. In addition, supervisors monitor the alert list to remind and follow-up with staff regarding timely IPE development.

Although some internal controls were built into the case management system and VR counselors, support staff, and supervisors review the activity due reports generated from the case management system, VRBS had not implemented an internal control process to ensure timely IPE development at the time of the on-site review.

Ineligibility Determinations

In PY 2017, two individuals with disabilities exited as applicants after being determined ineligible for VR services, no individuals exited from trial work experiences, and 10 individuals exited due to an ineligibility determination after previously having been determined eligible. No service record was closed due to an individual's disability being too significant to benefit from VR services. VRBS communicated the need to review ineligibility determinations to ensure such determinations were in accordance with 34 C.F.R. § 361.43.

RSA clarified that an individual cannot be determined to be unable to benefit from VR in terms of an employment outcome based on the severity of his or her disability, until the VR agency has conducted an exploration of the individual's abilities, capabilities, and capacity to perform in realistic work situations through trial work experiences as described in 34 C.F.R. § 361.42(e). At the time of the on-site review, VRBS did not have internal controls in place to ensure that ineligibility determinations were made if an individual did not require VR services to prepare for, secure, retain, advance in, or regain employment, or if previously eligible individuals were determined to be no longer eligible for VR services.

Conclusion: As a result of the analysis, RSA determined that VRBS is not maintaining effective internal controls over the Federal award that would provide a reasonable assurance that VRBS is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award in accordance with 2 C.F.R. § 200.303. RSA determined that VRBS has not implemented written policies, procedures or internal controls that ensure the accurate reporting of information for individuals who achieved competitive integrated employment or supported employment and participants who achieved measurable skill gains as required in 34 C.F.R. § 361.40; ensure case files and supporting documentation adhere to the record of service requirements in 34 C.F.R. § 361.47; ensure the timely development of the IPE pursuant to 34 C.F.R. § 361.45; and ensure adherence to 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. Finally, VRBS has not implemented internal controls to safeguard the confidentiality of all personal information, including photographs and lists of names, in accordance with 34 C.F.R. § 361.38. While these internal control deficiencies suggest elevated risk to VRBS' effectiveness and efficiency of operations, reliability and accuracy of Federal reporting, and compliance with applicable laws and regulations, the risk will be greatly reduced through management's development of internal controls, including data validation procedures, at a level of detail necessary to address the complexity of its systems.

Corrective Action Steps: RSA requires that VRBS—

- 2.2.1 Develop and implement a comprehensive system of effective internal controls and sufficient policies and procedures to ensure consistency with applicable Federal requirements in accordance with 2 C.F.R. § 200.303; and ensure that ineligibility determinations are made in accordance with 34 C.F.R. § 361.43; trial work experiences are provided pursuant to 34 C.F.R. § 361.42(e); IPEs are developed timely pursuant to 34

- C.F.R. § 361.45(e); and service record requirements and documentation are compliant with 34 C.F.R. §§ 361.47 and 361.56;
- 2.2.2 Develop data validation procedures to ensure the accuracy and validity of the data being collected and reported to RSA in compliance with 34 C.F.R. § 361.40 that include—written procedures for data validation that contain a description of the process for identifying and correcting errors or missing data, which may include electronic data checks; regular data validation training for appropriate program staff (e.g., at least annually); monitoring protocols, consistent with 2 C.F.R. § 200.328, to ensure that program staff are following the written data validation procedures and take appropriate corrective action if those procedures are not being followed; a regular review of program data (e.g., quarterly) for errors, missing data, out-of-range values, and anomalies; documentation that missing and erroneous data identified during the review process have been corrected; and regular assessment of the effectiveness of the data validation process (e.g., at least annually) and revisions to that process as needed;
 - 2.2.3 Develop written policies and procedures to ensure the review of determinations made by the designated State unit pursuant to 34 C.F.R. § 361.57; and the safeguarding of the confidentiality of all personal information, including photographs and lists of names, in accordance with 34 C.F.R. § 361.38;
 - 2.2.4 Develop service record review instruments for conducting both State and local level management and peer led service record reviews; and
 - 2.2.5 Develop mechanisms to collect and aggregate the results of these reviews and use the results to inform necessary training and evaluation of staff.

VR Agency Response: VRBS partially concurs. VRBS agrees procedures, controls, and policies should and will be updated to ensure consistency with Federal requirements in accordance with 2 C.F.R. § 200.303. At the time of review, these documents did not fully cover the requirement for determinations of ineligibility because the passage of WIOA amending the Rehabilitation Act and subsequent regulatory (C.F.R.) changes. In the year proceeding the RSA Monitoring, VRBS developed and executed continuous internal controls and procedures that directly address ineligibility determinations that include VR Exits and Ineligibility-Incapable of Benefiting from VR Services in an Employment Outcome. All VRBS staff, including supervisors, are required to complete virtual training on timelines for determining eligibility and the required documentation. Supervisors now individually and directly approve all exits prior to finalization as a direct safeguard to ensure thorough and complete exit determinations.

VRBS concurs that robust data validation procedures will ensure the accuracy and validity of data being collected and reported to RSA. VRBS has an active project underway to ensure the accuracy and validity of data collected and reported to RSA. Moreover, VRBS has implemented a targeted bundle of system design enhancements to the Montana Accounting Case Management System. To aid in validity of reported data, on a quarterly basis, the RSA-911 is extracted and verified through a RSA-911 edit checker. The edit checker is a tool, which uses logic and validation (against the 393 data elements) to detect data errors. If errors are detected, they are reviewed and corrected. The Department is building a new case management system with a new vendor, which will facilitate the strategic inclusion of data enhancement that are intended to facilitate thorough and accurate data collection and reporting.

VRBS concurs that service record review instruments are valuable and required final publication at the time of review. Since the on-site review, VRBS has designed, tested, and launched the following instruments: Client Benefit Purchase Review Procedure and Chart, Service Record Review Instrument, Counselor Performance Appraisal Instrument, and a multi-point Field Office Monitoring system. VRBS counseling staff are required to undergo training and instructions on these tools. These tools ensure compliance with federal and state mandates as well as promote and facilitate sound financial decision making.

The results from the various review instruments are recorded in an excel spreadsheet by individual counselor and can be sorted by office so the agency can identify individual counselor trends, localized trends or issues, and statewide systemic trends or issue. This data then informs and guides our monthly training sessions, requests for technical assistance, and further monitoring practices.

VRBS does not concur that the agency has not implemented internal controls to safeguard the confidentiality of personal information. All VRBS system users are required to complete annual security and confidentiality trainings and are required to use tools such as two-step user validation to protect personal information. At the time of monitoring, the agency did have a policy published and procedure being practiced specific to 34 C.F.R. §§ 361.38 and 361.57. *See* VRBS Policy 7.1 and ARM §§ 37.30.1301 and 37.5.337. These methods continue to guide our practices.

RSA Response: RSA appreciates the clarification provided and actions taken by VRBS in response to this finding. During the monitoring review, RSA reviewed VRBS' Policy and Procedure Manual, including Policy 7.1–Confidentiality (effective July 6, 2005) developed in accordance with ARM § 37.30.1301 and Policy 7.3–Case File Documentation (effective December 27, 2002) developed in accordance with ARM § 37.30.102. As a result of VRBS' comments, RSA modified the content of the personally identifiable information (PII) section of finding 2.2 to include the information provided by VRBS. RSA maintains the finding and appreciates VRBS' heightened emphasis on improving its internal controls and addressing the corrective action items. Once the corrective action plan is developed, RSA will work with the agency to determine if updated processes result in meeting Federal requirements and ongoing compliance.

E. Technical Assistance

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

- RSA and VRBS discussed the need to analyze the reasons, including the OOS, for the substantial decline in the number of VR applicants and eligible individuals; develop goals, as well as outreach and timely eligibility determination strategies, increase the number of individuals who apply and are determined eligible for VR services; and develop strategies to engage and retain individuals from the time of application to receipt of VR services to improve the VR agency's employment rate.
- RSA clarified that written policies and procedures need to be developed and implemented to ensure the IPE is agreed to and signed by the eligible individual or, as appropriate, the

individual's representative in accordance with 34 C.F.R. § 361.45(d)(3); and that VRBS needs to establish consistency in what is collected and reported as the IPE signature date. A client is permitted to provide a signed IPE in person, by mail, or by fax; however, VRBS has not issued guidance as to which IPE signature date VR counselors are to use when entering the IPE signature date. RSA clarified that VR agencies have the flexibility to define the IPE start date as the date the client signs the IPE, the latter of either the client or VR counselor signature, the date the supervisor signs the IPE, or the date an IPE was received and date stamped, if mailed or hand delivered to the VR agency.

- WIOA amendments to the Rehabilitation Act removed homemaker closures from potential employment outcomes with which VR agencies could assist. As such, VRBS was asked to remove homemaker closure policies from its VR Services Manual.
- RSA staff provided technical assistance on the RSA-911, including the development of ad hoc scripts to effectively validate data and documentation for reported data elements, and the use of ad hoc queries.
- RSA staff provided technical assistance related to the reporting of purchased and provided (in-house) services and performance measure requirements.
- RSA staff reviewed the internal control requirements in 2 C.F.R. § 200.303 and the requirements to maintain appropriate service record documentation in 34 C.F.R. § 361.47.
- RSA staff provided technical assistance to VRBS on its supported employment policies (updated February 2019) and clarified the definitions of extended services and supported employment services, including the distinct timelines for the provision of supported employment services (period not to exceed 24 months, unless extended under special circumstances for all individuals with most significant disabilities (34 C.F.R. § 361.5(c)(54)(iii))) and extended services for youth with most significant disabilities (for a period not to exceed 4 years, or at such time that a youth reaches the age of 25 years (34 C.F.R. § 361.5(c)(19)(v)), whichever occurs first. RSA also recommended that VRBS revise its supported employment policies to include working toward competitive employment on a short-term basis, reserving 50 percent of its supported employment fund for the provision of such services to youth with most significant disabilities, the 10 percent match requirement for the half of the supported employment grant used for services to youth with the most significant disabilities, and the requirement that no more than 2.5 percent of administrative costs can be charged to the supported employment grant in accordance with 34 C.F.R. Part 363.

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 VRBS' service delivery system and implementation of pre-employment transition services follows.

Structure of Service Delivery

Students with disabilities may self-refer or be referred to VRBS by school personnel in local educational agencies (LEAs), including teachers, school counselors, nurses, social workers and individualized education program (IEP) teams. VR counselors attend transition planning and IEP meetings, orientations, back to school nights, and high school career fairs when invited by the LEAs.

VRBS' 42 VR counselors serve all individuals with disabilities, including students and youth with disabilities, and are assigned to each high school (public, private and charter) in all 170 school districts across the State. VR counselors provide or arrange for the provision of pre-employment transition services to students with disabilities in classroom and community settings. In addition, VRBS has assigned a clerical assistant to work with VR counselors and the central office youth services specialist in order to track and report the provision of pre-employment transition services to each student in receipt of such services.

VRBS uses four mechanisms through which pre-employment transition services are provided statewide to all students with disabilities aged 14 through 21 who are potentially eligible and eligible for VR services, including the direct provision of services by VR counselors, community rehabilitation programs (CRPs), centers for independent living, and through school and special project contracts. During the on-site review, VRBS reported that CRPs provide three to four services in most areas across the State, and all five required activities are provided directly by the

VR counselors. In addition, the special projects implemented through contracts with the Montana Youth Leadership Forum, the Montana Youth Transitions, and the Movin' On program at Montana State University (MSU) and the University of Montana (U of M) were developed to provide the five required activities and assist students with disabilities in their preparation for college, life and careers. VRBS reported that it was not providing any of the nine authorized activities at the time of the on-site review. Also, it is not engaged in any third-party cooperative agreements, interagency transfers or establishment projects for the provision of VR services, including pre-employment transition services and transition services.

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

Outreach is provided by VR counselors assigned as liaisons to each high school during IEP meetings, transition and career fairs, parent/teacher conferences, support groups, and local transition boards and councils. Some VR counselors reported providing instruction and pre-employment transition services in classrooms. In addition, VR counselors share information about pre-employment transition services during orientation and family weekends at the Montana School for the Deaf and Blind. Individuals with disabilities served in smaller communities frequently recommend VRBS services to others in need of such services. Referrals for pre-employment transition services are made through points of contact (e.g., principals or special education case managers) to VR counselors. In many schools, the principal or special education staff initiate contact with the VR counselor to set up appointments and discuss VRBS services, including pre-employment transition services, with families and students.

As a result of its FFY 2016 comprehensive Statewide needs assessment, VRBS placed a heightened emphasis on outreach to individuals with most significant disabilities, including youth with most significant disabilities, and their need for supported employment services; as well as outreach to students with disabilities, including students with accommodations under Section 504 of the Rehabilitation Act, students enrolled in Section 121 tribal programs, and other underserved, minority populations through partnerships with principals, assistant principals, teachers and school nurses. VRBS communicated its plan to extend outreach to individuals with disabilities served through other components of the statewide workforce development system. The VR agency provides training on soft skills, interview skills, job shadowing, and online workplace etiquette to students with disabilities in need of pre-employment transition services. VRBS also provides individualized services, including job coaching, driver's education, housing and mental health services under an IPE.

State Educational Agency (SEA) Agreement

VRBS and the Montana Office of Public Instruction (OPI) work collaboratively to plan, provide, and evaluate transition services and pre-employment transition services in order to ensure a seamless transition from school to post-school activities for students with disabilities who are eligible or potentially eligible for VR services in accordance with 34 C.F.R. § 361.22(b). VRBS' formal interagency agreement with OPI was executed on September 17, 2013 and expired on December 31, 2015. As such, a formal interagency agreement was not in effect during the period of review; however, at the time of the on-site review, VRBS shared a very comprehensive formal interagency agreement with OPI that included all of the required components in accordance with the statutory and regulatory requirements for such an agreement that was awaiting signatures

from OPI for its execution. Staff turnover at OPI delayed execution of the draft agreement, which was executed on May 29, 2019.

Provision of Pre-Employment Transition Services

In PY 2017, VRBS reported 6,339 students with disabilities, of which 4,847 students, or 76.5 percent, received pre-employment transition services. Of the 4,847 students who received pre-employment transition services, 4,599 were potentially eligible students with disabilities and 248 were VR applicants.

Pre-employment transition services are provided or coordinated by VRBS, CRPs and LEAs to provide students with early opportunities for job exploration as an introduction to work, assist students in making informed job choices, learn positive work habits, and participate in actual real work experiences. These services are provided in group settings (i.e., classroom) and also on an individualized basis to students with disabilities. At the time of the on-site review, the VR agency reported funds were not available after the provision of the required activities to provide any authorized activities in accordance with 34 C.F.R. § 361.48(a)(3). VRBS reported that it coordinates with workforce development partners, SEA, LEAs and other stakeholders to provide pre-employment transition coordination activities. VR counselors reported attending IEP and LEA staff meetings to assist with IEP development and transition planning. VR counselors also partner with local one stop centers and employers to develop work opportunities for students with disabilities, including internships and other employment opportunities as required in 34 C.F.R. § 361.48(a)(4).

C. Findings and Corrective Actions

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

D. Technical Assistance

During the course of the on-site review, RSA provided technical assistance to VRBS as described below.

- RSA provided technical assistance on VRBS' Pre-Employment Transition Services Policies and Procedures Guide (finalized April 2019). RSA clarified that if VRBS and LEAs arrange for the provision of pre-employment transition services in a general education classroom, the individual cost for each student in the class must be determined, and the CRP could only invoice the VR program for those students with disabilities participating in the program who were potentially eligible or eligible for the VR program.
- RSA provided technical assistance on VRBS' fiscal forecasting methodology, including how to forecast the number of students with disabilities in the State of Montana in need of pre-employment transition services, project the number of eligible and potentially eligible students with disabilities in the State and the number of students currently being served by VRBS, and determine the cost per student to provide required activities and cost of pre-employment transition coordination activities. RSA and VRBS also discussed how to calculate the amount of funds necessary for the provision of required pre-

employment transition services and whether funds remain for the provision of authorized activities under pre-employment transition services. RSA clarified that fiscal forecasting is to be based on student need, not staff capacity or fiscal resources.

- RSA provided technical assistance on establishing rates of payment for required activities as CRP service rates are currently based upon Medicaid rates (e.g., \$40/hour for individuals; \$24/hour for group of individuals). RSA discussed the need to establish a rate setting methodology and process to compare VRBS service rates to Medicaid rates; and annually review established rates to determine if rates need to be increased. RSA clarified that rates may be variable and could be determined based on urban and rural regions. For example, the rate for a pre-employment transition service offered in a rural school through a CRP or school contract may include several hours of staff travel time to get to the location and provide the service. The written procedures and rates established may be based on these additional factors. RSA and VRBS also discussed contract rates that are based on a number of students served, and suggested VRBS consider other procurement mechanisms to ensure the VR agency is paying reasonable rates proportionate to the benefit received.
- RSA provided technical assistance specific to the coding, tracking, and reporting of pre-employment transition services, and discussed the need to delineate codes for each of the five required activities not purchased from CRPs using a PERQS code, as well as establishing rates of payment (i.e., fee-for-service rates) for each pre-employment transition service provided through school and special project contracts.
- RSA clarified that the next comprehensive Statewide needs assessment was due in FFY 2019 and must include identification of the need for pre-employment transition services and transition services and address the requirements in 34 C.F.R. § 361.29(a)(1)(i)(D).
- RSA provided technical assistance on the case management system upgrade that will include a pre-employment transition services module. RSA staff spent time demonstrating how to capture and report services.
- RSA and VRBS discussed revising processes and policies to account for tracking expenditures for required activities and authorized activities. Most processes account for tracking expenditures for required activities provided to individuals, rather than the expenditures for authorized activities that may be used to increase or enhance the provision of pre-employment transition services and accounted for in fiscal State systems similar to administrative expenditures. Without written processes differentiating the two sets of activities, the VR agency potentially may not be able to fully report the provision of authorized activities.

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 funds 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 Federal fiscal year 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 VRBS' performance in meeting the period of performance requirements related to the proper assignment of obligations and expenditures to the correct grant awards.

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 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; and

- Randolph-Sheppard set-aside.

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 Department of Education. The RSA review team examined VRBS' 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.

As mentioned in more detail in Section 4.C of this report, in FFYs 2015 and 2016 the VR agency over-obligated and subsequently overspent the total amount of the Federal awards. VRBS obligated funds via its contracts without the Federal funds to liquidate the obligations. This lack of fiscal controls resulted in a deficit in Federal funds. As the VR agency continued obligating services, without available Federal funds, the agency liquidated the obligations, inappropriately assigned to the Federal awards, with State funds originally authorized to other programs. This significantly increased the amount of State funds used to support the VR program which resulted in an increase in maintenance of effort (MOE) baseline for the State. The large increase in maintenance of effort in FFYs 2016 and 2017 resulted in a large MOE deficit in FFY 2018.

The State's FFY 2019 and 2020 VR grant award amounts were reduced by the amount of the FFY 2018 MOE deficit. Additionally, the State will have another MOE deficit in FFY 2019. The MOE penalty resulting from inadequate fiscal controls has affected the VR agency's ability to continue to provide the level of services previously provided and resulted in the implementation of an order of selection.

C. Findings and Corrective Actions

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

4.1 Financial Management Deficiencies

Issue: Whether VRBS established sufficient financial management over the Federal award to provide reasonable assurance that VRBS is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award. This area of review is included on pages 31 through 35 of the MTAG.

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

- Preparation of reports required by general and program specific terms and conditions; and
- Tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

The Uniform Guidance, at 2 C.F.R. § 200.302(b), requires the financial management system of each non-Federal entity to provide for the following:

- Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received;
- Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 C.F.R. § 200.327;
- Records that identify adequately the source and application of funds for Federally-funded activities, which must contain authorizations, obligations, unobligated balances, assets, expenditures, income, and interest and be supported by source documentation; and
- Effective control over, and accountability for, all funds, property, and other assets, and must adequately safeguard all assets and assure that they are used solely for authorized purposes.

In addition, 34 C.F.R. § 76.702 requires States to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds.

As a recipient of Federal VR and Supported Employment funds, a State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These

methods of administration (i.e., the agency’s internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12). Additionally, 2 C.F.R. § 200.302(b)(7) requires the non-Federal entity to have written procedures for determining allowability of costs in accordance with Subpart E—Cost Principles of this part and the terms and conditions of the Federal award.

In addition, 2 C.F.R. § 200.303, among other things, requires a non-Federal entity to—

- 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;
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statute, 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.

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, a financial management deficiency would exist when the system does not allow management or employees to document compliance with the terms and conditions of the grant award. Additionally, internal control deficiencies 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 non-compliance with Federal and State requirements.

Analysis: RSA found several areas of concern that result from a lack of sufficient financial management processes and internal controls which would enable the VR agency to demonstrate that the requirements in 2 C.F.R. §§ 302 and 303 have been met. These concerns are identified below.

Lack of Effective Control over Federal and Non-Federal Funds

Through on-site discussions with VRBS management and review of the VR agency’s policy manuals, RSA found that the VR agency did not have sufficient policies, procedures, and internal controls to ensure consistency with applicable Federal requirements. RSA found that the VR agency lacked effective control over, and accountability for, funds and other assets. VR agencies are required to maintain sufficient control over all funds with records that adequately identify the source of funds, and maintain accurate, current, and complete disclosure of all financial results, as well as have written procedures determining allowability of costs in the cost principles.

During the on-site visit the VR agency was unable to substantiate numerous transactions, expenditures, and reported Federal and non-Federal funds. The VR agency's inability to appropriately document Federal and non-Federal obligated and expended funds demonstrated insufficient control and accountability for Federal funds and insufficient records identifying sources of funds for Federally-funded activities.

In addition, the VR agency lacked written processes or internal controls necessary to demonstrate effective control over, and accountability for, funds and reasonable assurance that VRBS is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Prior to the on-site visit, the VR agency submitted written processes, but most of the written procedures or processes were so outdated that agency staff implementing the procedures were unaware such processes existed and indicated implementation of the outdated policies was impractical or impossible. The absence of written procedures and internal controls, in addition to staff turnover in key positions within VRBS, means the agency did not have the ability to identify current requirements, demonstrate compliance with the requirements, or monitor its compliance with the terms and conditions of the grant awards. For example, the VR agency had no current processes detailing the following requirements (list is not exhaustive):

- Written processes related to managing contractual agreements including contract development, determining rates of payment, prior approval for contract costs, allowable contractual expenditures, or contract monitoring;
- Written processes for accounting for obligations and liquidations to the correct Federal fiscal year award, within the period of performance, for the correct cost objective;
- Written processes to ensure obligations and expenditures reported on the SF-425 meet requirements and are accurate; and
- Written reporting requirements for all required Federal financial reports.

Inadequate Financial Reporting Policies or Internal Controls

As mentioned above the VR agency lacked written processes for timely and accurate submission of the required Federal financial reports, including the SF-425 for all Federal grant awards (VR, Supported Employment, and Independent Living Services for Older Individuals Who are Blind (OIB)) as well as requirements for the RSA-2. Additionally, fiscal staff indicated they were unfamiliar with current policy directives detailing reporting requirements. VRBS also lacked internal control processes to ensure staff were aware of reporting requirements and were accounting for Federal and State funds in accordance with those requirements.

Due to the lack of agency internal control guides regarding Federal financial reporting, RSA reviewed the SF-425 reports submitted and supporting documentation of expenditures provided by VRBS and found multiple instances where the lack of sufficient controls resulted in inaccurate Federal reporting.

Obligations/liquidations—A review of the FFY 2017 SF-425 reports shows non-Federal obligations remaining on the final SF-425 report. These obligations must be liquidated by the end of the period of performance for the grant award and either reported as liquidated

or unspent funds on the final report. In the FFY 2018 final SF-425, VRBS reported all Federal expenditures were spent by the end of the year of appropriation. However, the grant award was not fully matched per Federal requirements (Section 19 of the Act). Additionally, when reviewing supporting documentation, even though final reports were submitted before the end of the period of performance, supporting documentation demonstrated that not all Federal and non-Federal funds were liquidated prior to the reports being submitted. Some liquidations occurred more than three months after the end of the period of performance, which would necessitate a late liquidation request per Federal requirements in 2 C.F.R. § 200.328(b). As a result, the grantee was not entitled to the Federal funds spent but not matched. In addition, the final SF-425 report showed all obligations and liquidations having occurred, but the VR agency reported not drawing down the Federal funds from G5.

A review of supporting documentation found that VRBS reported non-Federal expenditures for the provision of pre-employment transition services toward the 15 percent of Federal funds required to be reserved for the provision of such services, as reported on line SF-425 line 12b. Program regulations in 34 C.F.R. § 361.65(a)(3) applies the requirement for the reservation of funds for pre-employment transition services to expenditures of Federal VR program funds. Additionally, the VR agency was unable to provide details regarding the nature of the expenditures, as required, to validate they were actually for the provision of pre-employment transition services. The lack of written processes for tracking and accounting for non-Federal funds and internal controls to review non-Federal expenditures resulted in inaccurate Federal reporting.

Program income— The FFY 2018 reports showed program income as having been received by the second quarter and transferred to another eligible program in accordance with 34 C.F.R. § 361.63(c)(2), but the VR agency did not report the program income as expended. Per instructions in PD-15-05, the transfer of program income received from Social Security Administration (SSA) reimbursements to another eligible program constitutes a disbursement of those funds and must be reported on line 10n of the SF-425 report.

Program income, in accordance with 34 C.F.R. § 361.63(c)(1)(a), is considered earned in the fiscal year in which it is received. Because SF-425 reporting is cumulative, VRBS' final FFY 2018 SF-425 should have reflected the program income amounts reported on the fourth quarter SF-425 report. However, the final FFY 2018 SF-425 reports reported \$0 received in program income and \$0 transferred to other programs although supporting documentation reviewed demonstrated the amount reported in the prior report was accurate. VRBS did not have internal controls to ensure the appropriate tracking and reporting of program income.

Conclusion: As described above, areas of deficiency include lack of policies and procedures, internal controls, and overall accountability for financial management. VRBS does not maintain effective financial management, processes, or internal controls over the Federal awards necessary to provide reasonable assurances that the non-Federal entity 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. § 361.12 and 2 C.F.R. § 200.303. RSA is particularly concerned

about the overall lack of financial management in written processes and internal controls. Collectively, these deficiencies suggest generalized systemic deficiencies within the VR agency's control environment. The corrective action steps listed below will support VRBS in developing its ability to correct processes that have led to the non-compliance findings noted above.

Corrective Action Steps: RSA requires that VRBS—

- 4.1.1 Identify processes in which policies and procedures do not exist, and write/update policies and procedures to reflect Federal requirements, as required by 34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7);
- 4.1.2 Develop and implement written internal controls governing oversight of grant-supported activities, particularly with respect to reporting requirements, as required by 2 C.F.R. § 200.328(a); and
- 4.1.3 Revise and resubmit the SF-425s for all Federal awards not closed to accurately report all Federal and non-Federal expenditures and obligations.

VR Agency Response: VRBS agrees with the importance of policies and procedures and the necessity of routinely updating both to ensure they reflect the most updated guidance, policies, and reporting requirements. VRBS is working closely with the DPHHS centralized General Ledger staff to ensure that written processes, procedures and internal controls meet Federal requirements. VRBS is prepared to share with RSA the updated processes, procedures, and internal controls.

VRBS staff participated in a WINTAC Community of Practice on Internal Controls in 2019, and DETD was chosen in 2019 by the DSA's fiscal unit to receive technical assistance as the Division internal controls. All VRBS fiscal staff are aligned and instructed about current policy directives detailing reporting requirements. VRBS now has comprehensive and clear written processes for timely and accurate submission of the required Federal financial reports, including the SF-425 for all Federal grant awards.

RSA Response: RSA appreciates the VR agency's efforts in working toward addressing the corrective action items. Once the corrective action plan is developed, RSA will work with VRBS to determine if updated processes result in meeting Federal requirements and ongoing compliance.

4.2 Incorrect Assignment of Obligations and Expenditures to the Federal Award

Issue: Whether VRBS assigns obligations and expenditures to the correct Federal award in accordance with 34 C.F.R. § 361.12; 2 C.F.R. §§ 200.77, 200.302, 200.303(a), 200.309; and 34 C.F.R. § 76.702. This area of review is included on pages 32 of the MTAG.

Requirements: As a recipient of Federal VR and Supported Employment funds, VRBS must have procedures that ensure the proper and efficient administration of its VR and Supported Employment programs and enable VRBS to carry out all required functions, including financial reporting (34 C.F.R. § 361.12). In accordance with the Uniform Guidance in 2 C.F.R. § 200.302(a), a State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be

sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. The Uniform Guidance, at 2 C.F.R. § 200.302(b), requires the financial management system of each non-Federal entity to provide for the identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received. In addition, 34 C.F.R. § 76.702 requires States to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds.

Each grant award has a defined “period of performance,” which is the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award (2 C.F.R. § 200.77). A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (2 C.F.R. § 200.309, see also 34 C.F.R. §§ 76.703 and 76.709). Grantees must implement internal controls to ensure obligations and expenditures for a Federal award are assigned, tracked, recorded, and reported within the applicable period of performance for that Federal award; thereby, ensuring grantees are managing the award in compliance with Federal requirements (2 C.F.R. § 200.303(a)). The proper assignment of Federal and non-Federal funds to the correct period of performance is necessary for VRBS to correctly account for VR funds so RSA can be assured that the VR agency has satisfied requirements for, among other things, match (34 C.F.R. § 361.60 and 34 C.F.R. § 363.23), maintenance of effort (MOE) (34 C.F.R. § 361.62), and the reservation and expenditure of Supported Employment program funds for the provision of supported employment services to youth with the most significant disabilities (34 C.F.R. § 363.22).

An obligation means “orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period” (2 C.F.R. § 200.71). For expenditures to be allowable under the Federal award, agencies must demonstrate that the obligation occurred within the period of performance of the Federal award. Regulations at 34 C.F.R. § 76.707 explain when a State incurs an obligation for various kinds of services and property. Therefore, in order to properly account for and liquidate expenditures, grantees must be able to assign an obligation to a Federal award based upon the date the obligation was made (34 C.F.R. §§ 76.703 and 76.709). Grantees must assign all Federal and non-Federal obligations and expenditures, on a Federal fiscal year basis, to the correct Federal award in accordance with the period of performance.

Analysis: RSA reviewed the VR agency’s policies and procedures regarding the assignment of Federal and non-Federal obligations and expenditures to the correct Federal award. RSA also reviewed supporting documentation for obligations and expenditures to ensure VRBS was correctly assigning and reporting obligations and expenditures to the proper period of performance in accordance with Federal requirements. Through the review of VRBS practices and discussions with VR agency staff, RSA found that, depending on the type of obligation or expenditure, VRBS is not assigning obligations to a Federal fiscal year award based upon the date the service is authorized or when the obligation of the expenditure occurred. Services are considered obligated when the batch of services are reported to fiscal staff for input into the financial system, but the VR agency does not have a process for financial staff to determine the date the obligation occurred. Additionally, travel reimbursements are obligated to the Federal award open at the time the request for reimbursement is received, rather than liquidating the

obligations from the Federal award to which the obligation should have been assigned (34 C.F.R. § 76.707(f)). Consequently, VRBS could not demonstrate that obligations and the liquidation of those obligations, for property, services, and contracts were charged to the correct Federal award.

Federal Funds

RSA's review of the supporting documentation identified expenditures where the VR agency paid for services rendered from an incorrect VR award because the invoice was paid using the date it was received instead of the date the authorization was created or the obligation occurred. As a result, the VR agency was not obligating Federal funds to the correct Federal award.

The VR agency also reclassified Federal expenditures from one Federal grant award to another via journal adjustments. While reclassifications are generally acceptable under accounting principles, the VR agency must ensure that expenditures reclassified to a different Federal fiscal year award are allowable charges to that Federal fiscal year award. Reclassifications must be accounted for in a manner that permits the tracking of specific obligations and expenditures to ensure that the reclassified expenditures were incurred during the appropriate period of performance (2 C.F.R. § 200.309). VRBS processes adjustments as a batch and financial staff do not have access to the original date of obligation. Additionally, the VR agency's inability to correctly identify Federal funds obligated to the correct Federal fiscal year of the award, in part, led to the VR agency obligating more Federal funds than authorized in FFY 2017. This resulted in the journaling of State funds, which, in turn, led to a large MOE penalty for the VR agency as described earlier in this section. The VR agency is unable to ensure that expenditures reclassified from one Federal award to another are for allowable costs assignable to the award to which they were reclassified (2 C.F.R. § 200.309).

Non-Federal Funds

VRBS accounts for and reports VR expenditures paid with non-Federal funds in a similar manner to the Federal funds process mentioned above. Specifically, the VR agency does not account for the date the obligation occurred with non-Federal funds to ensure the liquidation of those expenditures from the correct Federal award, but rather the date the expenditure is entered in the financial system. Due to the fact that the VR agency does not appropriately assign non-Federal obligations to the correct period of performance, the VR agency cannot ensure that the liquidation of those obligations is charged to the proper Federal award. If the non-Federal expenditures are charged to an incorrect Federal award, those expenditures may not be an allowable source of match for the Federal award funds drawn down by the VR agency. Additionally, the inability to correctly assign obligations within the correct year of appropriation, in part, led to the over-expenditure of Federal funds, and resulting MOE penalty. As a result, RSA was unable to determine whether the VR agency satisfied VR program requirements for match, MOE, and the reservation and expenditure of funds for the provision of pre-employment transition services.

Conclusion: Based upon the information above, RSA has determined that VRBS is not in compliance with the Federal requirements (34 C.F.R. § 361.12, 34 C.F.R. § 76.702, and 2 C.F.R. § 200.302) to accurately account for and report obligations and ensure expenditures are paid from the correct Federal award. As a result, RSA cannot determine whether the VR agency

satisfied requirements related to match, MOE, and the reservation of funds for the provision of pre-employment transition services. As a recipient of Federal VR and Supported Employment funds, VRBS must have procedures in place that ensure proper and efficient administration of its VR program, and that enable the VR agency to carry out all required functions. The methods of administration must ensure accurate data collection and financial accountability (34 C.F.R. § 361.12 and 2 C.F.R. § 200.302).

Corrective Actions: RSA requires that VRBS—

- 4.2.1 Develop and implement a financial data collection and analysis process so that VRBS can—
 - a) Ensure all Federal and non-Federal obligations are properly accounted for and obligated to the correct Federal fiscal year award in the VR agency’s financial management system;
 - b) Account for all expenditures and accurately liquidate Federal and non-Federal expenditures from the correct Federal fiscal year award based upon the correct assignment of obligations; and
 - c) Ensure all reclassified expenditures are assigned to the correct Federal fiscal year award based upon the date in which the obligation was incurred;
- 4.2.2 Update and implement policies and procedures to accurately account for and report Federal and non-Federal obligations and expenditures to the correct period of performance. These policies must address—
 - a) The assignment of obligated Federal and non-Federal funds to the appropriate Federal fiscal year award and the liquidation of such funds based upon the assignment of obligation; and
 - b) The reclassification of expenditures to ensure all expenditures meet the requirements of the Federal award and are appropriately accounted for based upon the Federal fiscal year in which the obligation was incurred; and
- 4.2.3 Develop and implement a written internal control process, as required in 2 C.F.R. § 200.303, including a monitoring component, that ensures sustained compliance with and correction of the specific areas identified in 4.2.1 and 4.2.2.

VR Agency Response: VRBS concurs and is developing financial data collection and analysis processes to ensure ongoing compliance with Federal requirements. VRBS has also reviewed, updated and implemented policies, procedures, and internal controls to accurately account for and report Federal and non-Federal obligations to the correct period of performance.

RSA Response: RSA appreciates the VR agency’s efforts in working toward addressing the corrective action items. Once the corrective action plan is developed, RSA will work with the VR agency to determine if updated processes result in meeting Federal requirements and ongoing compliance.

4.3 Insufficient Contract Development, Management and Oversight

Issue: Whether VRBS met the Federal requirements for procurement processes (2 C.F.R. § 200.317), including internal controls for such processes (2 C.F.R. § 200.302(b)(7)), determining allowability and allocability of costs (2 C.F.R. §§ 200.403 through 200.405), and

establishment requirements in 34 C.F.R. §§ 361.5(c)(16) and (17), 361.29, 361.49, and 361.60(b)(3)(i). This area of review is included on page 34, and 37 of the MTAG.

Requirements: VR agencies are required to follow their State procurement processes in accordance with the Uniform Administrative Requirements in 2 C.F.R. § 200.317, which states “when procuring property and services under a Federal award, a State must follow the same policies and procedures it uses for procurements from its non-Federal funds.” This includes Montana Code Annotated 2019 (MCA), Title 18, Chapter 4, as well as the applicable contractual clauses detailed in 2 C.F.R. § 200.326.

In accordance with the Uniform Guidance at 2 C.F.R. § 200.302(a): “Each State must expend and account for the Federal award in accordance with State laws and procedures for expending and accounting for the state's own funds. The State's and the other non-Federal entity'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 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.”

In addition, 2 C.F.R. § 200.302(b) states that the financial management system of each non-Federal entity must provide 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. This requirement is consistent with the definition of “internal control over compliance requirements for Federal awards” in 2 C.F.R. § 200.62(a)(3).

Agencies are also required to have written policies governing the nature and scope of each of the VR service specified in 34 C.F.R. § 361.48 and the criteria under which each service is provided (34 C.F.R. § 361.50(b)(1)). The policies must describe the nature and scope of services that will be provided to individuals and groups of individuals with disabilities, and the criteria that will be used to determine the provision of those services.

Analysis: RSA found several areas of concern that fall within the procurement process focus area. These concerns are identified below.

Lack of Internal Controls over State Procurement Processes

RSA found that VRBS procured client services without following the State’s procurement guidelines (MCA 18-4). During discussions with VRBS on-site, the VR agency indicated that contracts with school districts are based upon school interest, needs and services available. However, when procuring services with the school, VRBS does not follow State procurement procedures, which require the VR agency to follow the methods of source selection (MCA 18-4 Part 3). State policies allow for agencies to use another mechanism for procurement (MCA 18-4-302) if specific criteria are met. VRBS does not have documentation that these specific criteria were met prior to using another mechanism for procurement. VRBS did not follow its State procurement processes in accordance with the Uniform Administrative Requirements in 2 C.F.R. § 200.317.

Lack of Contract Monitoring and Internal Controls

As stated in finding 4.1 of this report, the VR agency did not have written processes for monitoring the terms and conditions of contracts, or agency contract expenditures. During on-site discussions, the VR agency indicated it did not monitor contracts to ensure contractors were in compliance with the terms and conditions of the agreement. Therefore, the VR agency was not monitoring contractors to ensure the contractors were—

- Providing services to only VR consumers;
- Providing the required services;
- Only billing for allowable VR service costs; and
- Maintaining required supporting documentation, etc.

In order to determine if vendors were providing only allowable VR services to VR clients, RSA requested VRBS provide supporting documentation from a vendor for services rendered in accordance with a vendor invoice. The VR agency was unable to provide the supporting documentation required to verify the expenditures billed were for allowable VR purposes. VRBS did not have sufficient internal controls for contract monitoring to accurately account for all Federal and non-Federal funds spent in the VR program as it is required to do by 2 C.F.R. § 200.328.

Additionally, during the on-site visit, RSA requested supporting documentation for expenditures or verification of expenditures indicated in contract summaries. The VR agency was unable to substantiate the expenditure of funds. Contracts also stated that the carryover of any unused funds was allowable from one Federal fiscal year to the next; however, the VR agency did not meet carryover requirements in FFYs 2017 and 2018, so the use of such funds was unallowable in the carryover year. VRBS did not have policies/procedures or internal controls to ensure the allowability of Federal and non-Federal funds assigned to a grant award.

Unallowable Expenditures

As a result of the VR agency's lack of policies or procedures for contract monitoring and lack of oversight of contractual expenditures, RSA reviewed written summaries provided by contractors detailing services provided. The summaries included unallowable expenditures in the VR program, such as pre-employment transition services to youth in ongoing supports, as well as expenditures only allowable as a part of the establishment authority in Section 103(b)(2)(A) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(1). A review of agency contracts revealed instances in which the contract includes expenditures paid by the VR agency to a vendor to establish its business. An example of these costs includes the construction of a green-house building, a new dishwasher, and a shredder for general purpose use. When RSA asked whether the greenhouse was built or when the dishwasher was purchased, the VR agency was unable to determine when the obligations and expenditures occurred, or if they had occurred.

Many contracts with school districts included a total monthly sum paid to the contractor for services. The total contract cost was determined based upon the cost the contractor needed to run its program, not on an analysis of what was reasonable, necessary, and allocable to the VR program. A review of supporting statements by contractors demonstrated the contract costs

included equipment the contractor may need as well as ongoing operational expenditures. VRBS had not completed any type of cost analysis to determine whether the contract costs were allowable based upon the proportional benefit to the VR program in accordance with 2 C.F.R. §§ 200.403 through 200.405. The inclusion of equipment and ongoing operational costs into the contract make a per consumer cost analysis more difficult. However, the VR agency is responsible for having internal controls for review of contract proposals to ensure the agreed upon costs are allowable, necessary, and allocable to the VR program.

An agency's internal controls must ensure that only allowable expenditures are charged to the Federal award. As mentioned above, RSA's review of contracts identified multiple contracts in which the VR agency paid for unallowable expenditures. While it is allowable to reimburse vendors for a fee that may include some ongoing operating expenditures, they must be of proportional benefit to the VR program, and VR funds can only be used to increase the vendors effectiveness in providing VR services if the establishment authority is used. Requirements related to the establishment authority are applicable to public entities as well as private entities and the expenditures are only allowable so long as all requirements related to the establishment authority are met (e.g., pre-planning and match requirements) (34 C.F.R. §§ 361.5(c)(16) and (17), 361.29(c)(6), and 361.49(a)(1)). For establishment purposes, ongoing operational expenditures are unallowable once the entity has been established. Because VRBS did not satisfy all of the pre planning requirements, did not have written policies governing establishment (34 C.F.R. § 361.50), did not follow its own State procurement processes (2 C.F.R. § 200.317), and did not conduct monitoring to ensure allowable costs were charged to the VR award for the purposes of the agreement (2 C.F.R. § 200.303), the VR agency lacked the authority to use VR program funds for establishment.

No Policy Governing Rates of Payment for Services

VRBS did not have written policies governing the rate-setting methodology used to assign costs for purchased VR services. Discussions with VR agency staff members during the on-site visit demonstrated that as a result of the financial circumstances mentioned, the VR agency attempted to manage financial expenditures by cutting rates for contractors. When budgetary constraints were implemented, the VR agency reviewed the current fee schedule and revised it based upon the operational budget. The VR agency had no documented processes for revision of rates of payment for VR services and were subsequently unable to document the revised cost of purchased services were adequate to sustain the provision of required VR services.

Because VRBS does not have written policies governing the rate-setting methodology it uses to assign costs for purchased VR services, and it has no clear guidelines to determine authorized rates of payment for VR services, VRBS cannot ensure that all expenditures incurred for the provision of purchased VR services are allowable, reasonable, and allocable to the VR program. Therefore, VRBS cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, VRBS has not complied with the administration and internal control requirements set forth in 34 C.F.R. § 361.12 and 2 C.F.R. § 200.303(b), respectively.

Conclusion: As described above, VRBS does not maintain effective internal controls in regard to contract procurement and management over the Federal award that provide reasonable

assurances that the non-Federal entity 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. § 361.12 and 2 C.F.R. §200.303. Specific internal control areas of deficiency include contract development and execution to ensure accuracy and reasonableness, rate setting for purchased services, oversight of grant-supported activities, adherence to State procurement policies, and overall accountability. Collectively, these deficiencies suggest generalized systemic deficiencies within the VR agency's control environment.

Corrective Actions: RSA requires that VRBS—

- 4.3.1 Develop and implement written policies or procedures governing oversight of agency adherence to State procurement policies, as required by 2 C.F.R. § 200.313(b);
- 4.3.2 Develop and implement written policies or procedures governing oversight of grant supported contractual activities in accordance with 2 C.F.R. § 200.328(a);
- 4.3.3 Develop and implement written policies or procedures governing the manner in which VRBS will set fees for purchased VR services that are based on reasonable costs established by the VR agency, as required in 34 C.F.R. § 361.50(c)(1);
- 4.3.4 Amend or revise contracts with establishment costs and develop and implement internal controls, within 120 days of the issuance of the final monitoring report, to ensure—
 - a) Only costs that are allowable, reasonable, and allocable to the VR program are included in the contract; and
 - b) All project costs have been determined to be allowable, reasonable, and allocable to the VR program; and
- 4.3.5 Develop and implement internal controls to ensure monitoring of contractors and vendors, as required by 2 C.F.R. § 200.328.

VR Agency Response: VRBS does not concur. Contrary to the information reported in this section, at the time of the monitoring VRBS did monitor contracts and continues to do so to ensure that required activities are being performed, expectations met, and funds accounted for appropriately. The Administrative Rules of Montana outline specific procedures for the agency to follow for non-performance by a vendor. All the VRBS contracts outline actions that can be taken by VRBS for a contractor's failure to perform its duties and responsibilities in accordance with the terms of the contract such as withholding payment, seeking reimbursement and establishing a corrective action plan. VRBS will enhance internal controls to ensure that oversight of grant-supported contractual activities occurs. VRBS will transfer future contracts to the Total Contract Manager program which allows for a one-stop record to assist with monitoring contracts and associated records.

VRBS has documented policies to govern the rates of payment for purchased services and the process by which the agency determines the fees/rates are reasonable. VRBS contracts contain language stating that VRBS may adjust the rates if sufficient funds are not made available for the appropriate fiscal year for the purposes of the program. Following RSA Technical Assistance provided during the monitoring session, VRBS changed the fee schedule for new contracts to a fee per service with a rate adjustment for services provided in a rural setting. VRBS agrees that internal controls are important to ensure that rate setting methodology is used consistently throughout the VRBS programs. VRBS will develop and implement statewide internal controls to ensure consistent rate setting methodology and monitoring of contractors.

VRBS has revised contracts to ensure that only costs that are allowable and allocable to the VR program are included in the contract. This includes clear, updated contract language articulating a prohibition on establishment costs. Further, the contracts contain a full list of other unallowable costs. As a matter of clarification, the greenhouse cited as an example was not purchased by the school in question following conversations on allowable costs between the program and the school.

Related to state procurement policies, contracts with school districts and other governmental units are expressly exempted from the Montana Procurement Act (Mont. Code Ann. § 18-4-101 et seq). *See* Mont. Code Ann. § 18-4-132(3)(a). Moreover, the definition of “services” under the act expressly excludes “the provision of human services administered by the department of public health and human services” (Montana Code Ann. § 18-4-123(18)(b)). The result is that the Montana Procurement Act applies to the very procurements made by VRBS. Where other exceptions do not apply, however, VRBS contracts are let in accordance with the Act and Montana Department of Administration (DOA) procurement rules (ARM § 2.5.101 et seq).

RSA Response: RSA maintains the finding and appreciates VRBS’ commitment to ensuring compliance with Federal requirements. RSA notes that Montana Code Ann. § 18.4.132(2) states that rules adopted therein do not prevent any governmental body or political subdivision from complying with the terms and conditions of any grant or cooperative agreement, including the requirement for source documentation. RSA has removed the reference to sole source procurement, and the remainder of the finding and the required corrective action items remain unchanged.

4.4 Insufficient Allocation of Expenditures

Issue: Whether VRBS satisfied the requirements for cost allocation in 2 C.F.R. §§ 200.56 and 200.403 through 200.405, as well as personnel cost allocation requirements in 2 C.F.R. §§ 200.430 and 200.431. This area of review is included on page 30-32 and 36 of the MTAG.

Requirements: In accordance with Uniform Guidance at 2 C.F.R. § 200.405(a), a cost is allocable to a Federal award or cost objective if the goods or services involved are chargeable to that cost objective in accordance with the relative benefit received. Additionally, in accordance with 2 C.F.R. § 200.430(i)(1)(vii), charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed and must, among other things, support the distribution of the employee’s salaries or wages among specific activities or cost objectives if the employee works on more than one Federal award.

Additionally, the Uniform Guidance in 2 C.F.R. § 200.403(d) requires that costs must be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose, in like circumstances, has been allocated to the Federal award as an indirect cost.

The Uniform Guidance in 2 C.F.R. § 200.62(a)(3) also defines “internal control over compliance requirements for Federal awards” as being a process that ensures, among other things, that obligations, liquidations and transactions are accurately recorded and accounted for to

demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Analysis: RSA reviewed the VR agency’s written processes and procedures, including allocation of costs for personnel, to ensure the agency was assigning personnel costs, including fringe benefits, in accordance with the Uniform Guidance. As a result of RSA’s review, including on-site interviews with VRBS staff, RSA determined that not all VRBS staff time is allocated to the correct cost objective. VRBS administers multiple programs, including the VR, State Independent Living Services, OIB, and Supported Employment programs. However, VR agency staff were not allocating time between the separate cost objectives appropriately. For example, staff that work with multiple programs (cost objectives), like the Director or staff working on financial transactions, charged time and effort solely to the VR program even though their functions required them to work on all of the programs that VRBS administers. For staff working on multiple cost objectives, personnel costs must be allocated proportionally between all of the different programs administered by the VR agency (2 C.F.R. § 200.413(c)) or included in the indirect cost rate or cost allocation plan.

Additionally, in the State cost allocation plan, VRBS costs are allocated via a direct cost pool. The cost allocation plan states that “direct projects/grants represent either benefit costs or program administration costs that are clearly tied to a State or Federal program, whereas indirect project/grants report costs that are tied to more than one program.” However, as mentioned above, VRBS administers multiple programs. As a result, time and effort benefitting other programs is being charged directly to the VR program which is in violation of 2 C.F.R. § 200.403(d) that requires consistent treatment of similar costs.

Conclusion: VRBS did not satisfy the general cost allocation and personnel cost allocation requirements in the Uniform Guidance (2 C.F.R. §§ 200.405 and 200.430), as the VR agency was improperly directly charging costs to VR that must be allocated proportionally to all benefiting programs. Additionally, the VR agency did not have sufficient internal controls to verify the proper assignment of personnel staff time in accordance with the appropriate cost objective. The improper allocation of direct costs and personnel costs resulted in unallowable costs being charged to the VR program. The unallowable direct costs and personnel costs represent questioned costs. These unallowable costs represent questioned VR costs.

Corrective Actions: RSA requires that VRBS—

- 4.4.1 Cease using VR funds to pay for direct and personnel costs that must be allocated to other cost objectives;
- 4.4.2 Revise and implement a cost allocation plan or indirect cost rate to correctly assign direct costs to the correct cost objectives, or include such costs in the indirect rates;
- 4.4.3 Revise SF-425 reports for all Federal awards not closed to remove unallowable and unallocable direct costs; and
- 4.4.4 Develop and implement a written internal control process, including a monitoring component, to ensure ongoing compliance with cost allocation requirements and accurate SF-425 reporting.

VR Agency Response: VRBS partially concurs. The DSA fiscal staff are analyzing the state cost allocation plan considering this report. The DSA fiscal staff concurs with changing the allocation method of the Administrator and will change from Time & Effort reporting to an FTE supervised allocation to ensure the administrator's time is supporting all VRBS programs (OIB, Supported Employment, VR, and State Independent Living Services). The time and effort reporting for the VRBS agency staff (such as fiscal staff) follow a procedure every month to allocate time worked that month between the separate cost objectives appropriately. For example, the FTE charge time and effort to multiple cost objectives, not solely to the VR program. All VRBS staff working on multiple cost objectives charge their personnel time proportionately between the programs on which they have worked or overseen.

The SF-425s for FFY19 and FFY20 remain open and will reflect the changes for the Administrator allocation to accurately reflect VR costs for the Administrator. The remaining allocation pools of VRBS staff time are being correctly allocated for personnel costs to meet the general cost allocation and personnel cost allocation requirements in the Uniform Guidance (2 C.F.R. §§ 200.405 and 200.430).

RSA Response: RSA appreciates the VR agency's efforts in working toward addressing the corrective action items. Once the corrective action plan is developed, RSA will work with the VR agency to determine if updated processes result in meeting Federal requirements and ongoing compliance. The finding and the required corrective action items remain unchanged.

4.5 Prior Approval Requirements Not Met

Issue: Whether VRBS satisfied prior approval requirements in 2 C.F.R. § 200.407. This area of review is included on page 36-37 of the MTAG.

Requirements: The Uniform Guidance at 2 C.F.R. § 200.407, includes a list of specific circumstances for which prior approval from the Federal awarding agency in advance of the occurrence is either required for allowability or recommended in order to avoid subsequent disallowance or dispute based on the unreasonableness or non-allocability. For example, 2 C.F.R. § 200.439(b)(1) states that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding or pass through entity. The Uniform Guidance at 2 C.F.R. § 200.62(a)(3) also requires the agency have internal control over compliance requirements for Federal awards to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

On November 2, 2015, the Department of Education adopted the final regulations found in 2 C.F.R. part 200 ([Federal Register notice 80§ FR 67261](#)). The Department issued notifications to grantees regarding the new requirements and made training and technical assistance documents available to grantees to assist in implementation of the new requirements. To ensure that RSA grantees were aware of the applicability of the prior approval requirements, RSA included a special clause on the FFY 2016 Grant Award Notifications that stated, in pertinent part:

[T]he prior approval requirements listed in the Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (2

C.F.R. part 200) are applicable to this award... Grantees are responsible for ensuring that prior approval, when required, is obtained prior to incurring the expenditure. Grantees should pay particular attention to the prior approval requirements listed in the Cost Principles (2 C.F.R. 200 subpart E).

In addition, information regarding the requirements in 2 C.F.R. part 200 was communicated to grantees via RSA's listserv on September 23, 2015.

Analysis: RSA requested the VR agency's written policies, procedures, or processes ensuring the agency was meeting the prior approval requirements when applicable. VRBS did not have policies for prior approval but provided guidance and processes for prior approval for select items of cost. VRBS incorrectly assigned a threshold of \$5,000 for all expenditures, not just equipment, before prior approval is required. The VR agency did not have prior approval policies or procedures for all expenditures requiring prior approval as identified in the Uniform Guidance at 2 C.F.R. § 200.407. To determine whether the lack of internal controls resulted in non-compliance with the prior approval requirements, RSA reviewed agency expenditures and the review identified instances where the VR agency spent Federal funds on expenditures and obligations that had not received the required prior approval. During the on-site review, RSA identified expenditures for rearrangement and reconversion (2 C.F.R. § 200.462) that were directly charged to the VR award without prior approval from RSA. Additionally, the VR agency directly charged administrative and clerical staff time to the VR award without prior approval in accordance with 2 C.F.R. § 200.413(c). A review of contracts and supporting documentation demonstrated that equipment was purchased by contractors with Federal funds used for VR purposes, exceeding the State's capitalization threshold of \$5,000, and prior approval was not obtained before the obligation of the funds, in accordance with 2 C.F.R. §§ 200.33 and 200.439.

Conclusion: RSA's analysis found that VRBS did not meet the prior approval requirements pursuant to the Uniform Guidance (2 C.F.R. § 200.407).

Corrective Actions: RSA requires that VRBS—

- 4.5.1 Within three months after the issuance of the monitoring report, develop and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with the prior approval requirements and the Frequently Asked Questions (FAQs) Prior Approval – OSEP and RSA Formula Grants, issued by OSERS on October 29, 2019.

VR Agency Response: VRBS concurs and is prepared to share procedures and internal control processes that have been published and implemented to ensure ongoing compliance with the prior approval requirements pursuant to the Uniform Guidance (2 C.F.R. § 200.407).

RSA Response: RSA appreciates the VR agency's efforts in working toward addressing the corrective action items. Once the corrective action plan is developed, RSA will work with the VR agency to determine if updated processes result in meeting Federal requirements and ongoing compliance.

D. Technical Assistance

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

Match/MOE

RSA provided extensive technical assistance to VRBS regarding the upcoming maintenance of effort penalty as a result of obligating more Federal funds than awarded. During the on-site visit, RSA and VRBS discussed the FFY 2018 MOE penalty expected to be reduced from the FFY 2019 VR award. For the last few Federal fiscal years, the VR agency's implementation of State policies (MOM) resulted in the inability to obligate and spend all of its State funds and, thus, to carryover any Federal funds. RSA, VRBS, and DSA fiscal staff reviewed State accounting policies and Federal requirements and determined that the State policy did not preclude the VR agency from carrying over Federal funds. As a result of this clarification, RSA and VRBS reviewed each line item expenditure in FFY 2019 to determine the date of obligation, and if the expenditure could be journaled from Federal to State funds, in accordance with agency policies and procedures, enabling the VR agency to carryover Federal funds. The VR agency was able to substantiate the obligation of all State funds received in the year of appropriation and make the necessary journal adjustments, in order to carryover Federal funds. The journaling of Federal to State funds also allowed the VR agency to have additional Federal funds on-hand for obligation when the MOE penalty was assessed from the FFY 2019 award.

Additionally, in discussing period of performance requirements, and during the review of line-item expenditures, RSA and VRBS were able to increase the total amount of FFY 2018 non-Federal funds obligated, thus decreasing the amount of the MOE penalty. Discussions regarding State accounting policies and Federal requirements, in conjunction with the review of expenditures, enabled the VR agency to fully use the Federal and non-Federal funds appropriated to the agency. This technical assistance provided during the on-site visit allowed the VR agency to reduce its upcoming MOE penalty by more than \$1 million, reducing the total effect of the penalty on the agency.

Internal Controls

RSA provided technical assistance to VRBS regarding the definition of and requirements for internal controls and reviewed the requirements for internal controls in the Uniform Administrative Requirements at 2 C.F.R. §§ 200.302(b)(4) and 200.303. In addition, RSA reviewed each item that the non-Federal entity must adhere to in 2 C.F.R. § 200.303 and discussed what constitutes good internal controls. The VR agency must have written guidance for establishing and maintaining effective internal control over the Federal award available to all staff for their reference in order for internal controls to work. Good internal control includes a developed process that is used to test and verify if the internal controls work for the agency, and they must include a process used to take action when instances of non-compliance are identified. Additionally, internal control practices include taking reasonable measures to safeguard protected personally identifiable information. RSA and VRBS also discussed the importance of

ensuring that policies not only reflect the requirements of the law but should address how the VR agency will enact those requirements in order to determine if VRBS is complying with applicable Federal and State policies.

Period of Performance

RSA provided technical assistance to VRBS regarding agency internal controls to ensure accurate Federal reporting and accounting of Federal and non-Federal expenditures. RSA and VRBS reviewed the requirements in 2 C.F.R. §§ 200.71 and 200.77 as well as 34 CFR § 76.707 that detail when an obligation is incurred for specific transactions along with the FAQ document issued on March 22, 2017, regarding the period of performance (RSA: Period of Performance for Formula Grant Awards FAQs). Technical assistance was provided regarding tracing the funds at the time of encumbrance in the financial system and determining how to obtain this information in the case management system. In addition, RSA and VRBS discussed adjusting agency accounting practices to ensure obligations and liquidations are accounted for with the same Federal award, in order to determine when an obligation occurs based upon the type of transaction, and processing journal adjustments within State fiscal processes and in accordance with Federal requirements. RSA and the VR agency discussed period of availability of Federal funds at the end of the period of performance, including the requirement to liquidate all remaining obligations within 90 days at the end of the period of performance (2 C.F.R. § 200.328(b)), and how late liquidation requests and period of performance affect reporting requirements. RSA clarified that when a refund is received from a prior year award, the refund must be applied to the Federal fiscal year award from which the original expenditure was made, in accordance with 2 C.F.R. § 200.406(a).

Establishment Requirements

RSA provided technical assistance to VRBS regarding establishment requirements. This included discussions concerning the purpose and Federal requirements for establishment in 34 C.F.R. §§ 361.5(c)(16) and (17) and 361.49(a)(8). RSA and VRBS reviewed pre-planning requirements (34 C.F.R. § 361.29), costs in implementation of construction or establishment that may require prior approval from RSA (2 C.F.R. § 200.407), cost allocation requirements for the non-Federal entity to ensure only allowable expenditures are paid for with Federal VR funds (34 C.F.R. § 361.3 and 2 C.F.R. §§ 200.403 through 200.405), implementation requirements (34 C.F.R. § 361.5(c)(16) and (17)), and requirements to maintain written policies related to all establishment activity (34 C.F.R. § 361.50 and 2 C.F.R. § 200.302(b)(7)).

Prior Approval

RSA provided technical assistance to VRBS regarding prior approval requirements in the Uniform Guidance (2 C.F.R. § 200.407). Under each activity, RSA and the VR agency discussed possible costs, with specific examples, that may require prior approval. In particular, RSA and VRBS reviewed requirements for costs requiring prior approval in contractual agreements, and discussed additional items of costs requiring prior approval that are not purchased services for clients but are administrative, such as direct assignment of personnel costs for administrative and clerical staff (2 C.F.R. § 200.413(c)) or rearrangement and reconversion costs (2 C.F.R.

§ 200.462). RSA and VRBS reviewed the agency's policy related to prior approval to determine if it addressed key elements, including—

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

Prohibition Against Subgranting

RSA provided technical assistance to VRBS regarding the prohibition against subgranting Federal awards made under the VR and Supported Employment programs. RSA and the VR agency reviewed contractual language in conjunction with state policies and applicability of requirements with the VR Federal funds. Language in one of the contracts appeared to suggest the VR agency was subgranting Federal VR funds. Although VRBS indicated that this was not the case, it was not clear in the contract and RSA discussed updating the contract to ensure it was clear that the VR agency was not subgranting the Federal funds.

A State agency may not subgrant awards made under the Rehabilitation Act, for the VR, Supported Employment, and Client Assistance programs. EDGAR at 34 CFR §76.50(b) states that the authorizing statute determines the extent to which a State may: 1) use grant funds directly; and 2) make subgrants to eligible applicants. This means that the authorizing statute must specifically permit subgranting in order for the subgranting of Federal funds to be permissible. Because neither the Act nor its implementing program regulations specifically permit subgranting under either the VR, Supported Employment, or Client Assistance programs, such subgranting is not permitted.

SECTION 5: FOCUS AREA – JOINT WORKFORCE INNOVATION AND OPPORTUNITY ACT FINAL RULE IMPLEMENTATION

A. Purpose

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

WIOA strengthens the alignment of the public workforce development system's six core programs through unified strategic planning requirements, common performance accountability measures, and requirements governing the one-stop delivery system. 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 PY 2016 Unified or Combined State Plan and PY 2018 modifications; 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.

During the on-site review, VRBS and its workforce partners reported a high degree of collaboration at all levels. The State Workforce Development Board (State Board), known in Montana as the State Workforce Innovation Board, was established to strengthen the alignment of the VR program with the other core programs of the workforce development system through unified strategic planning, common performance accountability measures, and requirements governing the one-stop delivery system. The State Board is responsible for the development of policies and internal controls that govern the board.

The State Board includes executive and WIOA committees (committees). The State Board facilitates the development and continuous improvement of the Montana workforce development system through its executive committee, comprised of board offices and at-large representatives appointed by the State Board chair. The State Plan development and modification is reviewed and approved by WIOA partners, the State Board, and the Governor. To support and maintain these partnerships, the State Board, and the designated State agency (DSA), the Montana Department of Public Health and Human Services (DPHHS), established a memorandum of understanding (effective through June 30, 2019). At the time of the on-site review, the next iteration of the MOU was under development.

Committees work to implement innovative strategies by focusing on employer engagement; improving system alignment and connections; building career pathways, and industry and sector partnerships; supporting skill development programs; accessing local labor market analysis; defining requirements and assessing one-stop career centers; engaging community systems by convening, brokering, and leveraging with business, community, education, and agency partners; and evaluating performance measures designed to measure the effectiveness and continuous improvement of the service delivery systems.

Governance

State Boards and Local Workforce Development Boards (LWDBs), which must include representation from all six core programs, including the VR program, set strategy and policies for an aligned workforce development system that partners with education, economic development, and human service agencies, and businesses. The VR representative on the State Board 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).

On November 2, 2018, the State Board, received a waiver from the U.S. Department of Labor's Employment and Training Administration (ETA) to function as a Single Statewide Planning Area with no LWDBs. The waiver allows for the State Board to carry out the functions of the LWDB and was effective for PYs 2018 through 2019 (July 1, 2018 – June 30, 2020). The Single Statewide Planning area is broken into two local areas that do not have any authority. One local area includes 10 counties, while the second local area includes 46 counties.

The State Board is located under the Montana Department of Labor, and supports its vision, mission, and commitment to all customers through its partnership of State and local government,

business, economic development, and community organizations. The State Board also guides the strategic alignment of programs, resources, and employer services.

At the time of the review, the DSA director of the DPHHS represented the VR program on the Montana State Board. The VR representative on the State Board must be an individual who has optimum policy making authority for the VR program. RSA advised that the head of the designated State unit (DSU) should represent VRBS on the State Board because the DSU director has optimum policy-making authority for the VR program. The Montana Department of Labor's Workforce Services Division (WSD) Administrator indicated that in previous years the DSU director was appointed as the VR representative on the State Board and, as indicated in the approved PY 2020 Montana Combined State Plan, again represents the VR program on the State Board.

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.

Montana has one comprehensive American Job Center (AJC) site and 16 affiliate sites across the State. Although VRBS is not currently co-located in any of the AJC sites, it reported representation at all the AJCs, as well as collaborative relationships with all of the workforce partners, to ensure that customers can benefit from multiple programs and services and achieve their employment goals. The 16 affiliate sites are designed to provide a full range of assistance to job seekers and employers. VRBS staff are trained to refer customers to the programs and resources that address identified needs. The AJC operations staff and core workforce development partners receive cross-training in order to implement the comprehensive one-stop center goals. VRBS reported that core workforce development partners are trained on the VR program, including the referral and application processes, and VR services.

During the on-site review, VRBS, WSD, and the AEFLP representatives communicated that the core workforce development partners developed collaborative policies, procedures, and best practices to facilitate the integration of services, and ensure job seekers' needs were met and referrals to other resources were made. Co-enrollment was also encouraged to coordinate consistent services that complemented and strengthened the services offered by each individual program. Local management teams, representing partner agencies at the AJCs, collaborated to ensure that services provided were coordinated and non-duplicative. Customer flow, shared resources, co-enrollment, special initiatives and programs, and area workforce needs were addressed collectively. Every VR field office and AJC staff participated in train-the-trainer trainings in order to promote AJC services, including VR services, to employers and other community partners.

VRBS, WSD, and the AEFLP reported that the comprehensive AJC and affiliate sites use printed materials (e.g., posters, flyers, brochures) with common universal design. The outreach and marketing materials developed for AJC distribution to workforce development partners, job

seekers, and employers contain notice of the availability of accommodations and auxiliary aids and services in order to access programs and services at each AJC site location. The AJC and its affiliate sites also bear appropriate signage identifying the services available to customers.

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. Under WIOA, these requirements apply across all six core programs, with a few exceptions. RSA reviewed the VR agency's progress and implementation of performance accountability measures and data sharing and matching requirements.

The Montana Department of Labor has procured MWorks, a case management system for the collection and reporting of data and information and granted VRBS and all other workforce development partners access to the system. At the time of the review, VRBS was in the process of gathering data from the MWorks system. The data collected for performance measures in PYs 2017 and 2018 set the baseline for the negotiation of program accountability measures for PYs 2020 and 2021. Performance accountability issues are discussed in sector strategy meetings.

Effectiveness in Serving Employers

At the time of the on-site visit, the State partners had only selected "Retention with the same Employer," one of the three proposed approaches for measuring the effectiveness in serving employers performance measures. During the on-site review, RSA reviewed the joint guidance with VRBS, WSD, and AEFLP to clarify the requirement that two approaches be selected and implemented. VRBS will collaborate with its State Board partners to collect and report the data for these shared outcomes using MWorks.

C. Findings and Corrective Actions

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

D. Technical Assistance

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

Effectiveness in Serving Employers

Section 116(b)(2)(A)(i)(VI) of WIOA requires that the U.S. Departments of Education and Labor establish a primary indicator of performance for "Effectiveness in Serving Employers." In the joint performance accountability guidance, RSA-TAC-17-01, RSA explained that States are required to select two of three approaches while participating in a pilot program to measure the core programs' collective efforts to serve employers in the State. States may also establish and report on a third State-specific approach, in addition to the two approaches selected from the three that follow:

1. Retention with the Same Employer: This approach captures the percentage of participants who exit and are employed with the same employer in the second and fourth quarters after exit;
2. Repeat Business Customers: This approach tracks the percentage of employers who receive services that use core program services more than once; and
3. Employer Penetration Rate: This approach tracks the percentage of employers who are using the core program services out of all employers represented in an area or State served by the public workforce system (i.e., employers served).

At the time of the on-site visit, VRBS had selected “Retention with the Same Employer” as its pilot measure. Montana had not selected the second of the two required measures. During the on-site visit RSA reviewed the joint guidance with VRBS, WSD, and AEFLP to clarify the requirement that two approaches be selected and implemented. RSA informed VRBS that in order to meet the requirement, the State is required to select two of three approaches to measure the effectiveness in serving employers. Therefore, the State had not complied with Section 116(b)(2)(A)(i)(VI) of WIOA and 34 C.F.R. § 361.155 by only selecting and implementing one approach to measure the effectiveness in serving employers. After consultation with DOL and the U.S. Department of Education’s Office of Career, Technical, and Adult Education on this matter, RSA recommended that Montana select and implement a second approach to measure effectiveness in serving employers.

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

Table 1— MT VRBS VR Agency Profile (PY 2017)

Table 2— MT VRBS Summary Statistics from RSA-113 (FFYs 2016-2018)

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

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

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

Table 6— MT VRBS VR Services Provided to Participants (PY 2017)

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

Table 8— MT VRBS 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— MT VRBS 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— MT VRBS Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PY 2017)

Table 11— MT VRBS 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— MT VRBS Number and Percentage of Required Pre-Employment Transition Services Provided (PY 2017)

Table 1— MT VRBS VR Agency Profile (PY 2017)

VR Agency Profile Data	Number/Percentage
Employment Rate	33.4%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	356
Measurable Skill Gains Performance Indicator	44.1%
Percentage of Participants Eligible for Measurable Skill Gains	21.2%
Percentage of Timely Eligibility Determinations	81.4%
Percentage of Eligibility Determination Extensions	2.7%
Percentage of Timely IPE Development	68.8%
Number of Applicants	1,616
Number of Individuals Determined Eligible	1,699
Number of Individuals with an IPE and No VR Services Provided	2
Number of Participants (with an IPE and VR Services Provided)	151

Table 2— MT VRBS Summary Statistics from RSA-113 (FFYs 2016-2018)

Performance Category	FFY 16	FFY 17	FFY 18
Total Applicants	3,800	3,016	1,756
Total Eligible Individuals (Before IPE)	3,677	1,146	235
Agency Implementing Order of Selection	Yes	Yes	Yes
Individuals on Order of Selection Waiting List at Year-End	300	1,796	2,644
Percentage of Eligible Individuals with IPE Who Received No Services	19.0%	49.7%	371.5%
Individuals with IPE Receiving Services	3,362	4,460	2,922

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

Primary Disability Type by Group	Number of Participants	Percent
Visual	127	3.8%
Auditory or Communicative	128	3.9%
Physical	867	26.2%
Cognitive	1,155	34.9%
Psychological or Psychosocial	1,033	31.2%

Detailed Primary Disability Type	Participants	Percent
Blindness	59	1.8%
Other Visual Impairments	68	2.1%
Deafness, Primary Communication Visual	33	1.0%
Deafness, Primary Communication Auditory	15	0.5%
Hearing Loss, Primary Communication Visual	7	0.2%
Hearing Loss, Primary Communication Auditory	52	1.6%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	4	0.1%
Deaf-Blindness	3	0.1%
Communicative Impairments (expressive/receptive)	14	0.4%
Mobility Orthopedic/Neurological Impairments	261	7.9%
Manipulation/Dexterity Orthopedic/Neurological Impairments	59	1.8%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	148	4.5%
Other Orthopedic Impairments (e.g., limited range of motion)	105	3.2%
Respiratory Impairments	22	0.7%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	149	4.5%
Other Physical Impairments (not listed above)	123	3.7%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	1,155	34.9%
Psychosocial Impairments (e.g., interpersonal, and behavioral impairments, difficulty coping)	980	29.6%
Other Mental Impairments	53	1.6%

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

Number of Individuals Who Exited the VR Program	2,199
--	-------

Exit Type	Number of Individuals	Percent
Individual exited as an applicant, prior to eligibility determination or trial work experience	80	3.6%
Individual exited during or after a trial work experience	-	0.0%
Individual exited after eligibility, but from an order of selection waiting list	700	31.8%
Individual exited after eligibility, but prior to a signed IPE	5	0.2%
Individual exited after an IPE without an employment outcome	709	32.2%
Individual exited after an IPE in noncompetitive and/or nonintegrated employment	-	0.0%
Individual exited after an IPE in competitive and integrated employment or supported employment	356	16.2%
Individual exited as an applicant after being determined ineligible for VR services	2	0.1%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	63	2.9%

Supported Employment	Number of Participants
Number of Participants Who Exited with a Supported Employment Outcome in Competitive Integrated Employment	32
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment	-

Table 5— MT VRBS 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	6	0.3%
Health/Medical	17	0.8%
Death of Individual	20	0.9%
Reserve Forces Called to Active Duty	-	0.0%
Foster Care	-	0.0%
Ineligible after determining eligible	10	0.5%
Criminal Offender	10	0.5%
No Disabling Condition	22	1.0%
No Impediment to Employment	19	0.9%
Does Not Require VR Service	23	1.0%
Disability Too Significant to Benefit from Service	-	0.0%
No Long-Term Source of Extended Services Available	-	0.0%
Transferred to Another Agency	11	0.5%
Achieved Competitive Integrated Employment Outcome	356	16.2%
Extended Employment	1	0.0%
Extended Services Not Available	-	0.0%
Unable to Locate or Contact	819	37.2%
No Longer Interested in Receiving Services or Further Services	753	34.2%
All Other Reasons	74	3.4%
Number of Individuals Who Exited the VR Program		2,199

Table 6— MT VRBS VR Services Provided to Participants (PY 2017)

Total Number of Participants Who Received VR Services	3,310
---	-------

Training Services Provided to Participants	Number of Participants	Percent
Graduate Degree Training	77	2.3%
Bachelor Degree Training	808	24.4%
Junior or Community College Training	514	15.5%
Occupational or Vocational Training	222	6.7%
On-the-Job Training	50	1.5%
Apprenticeship Training	15	0.5%
Basic Academic Remedial or Literacy Training	24	0.7%
Job Readiness Training	572	17.3%
Disability-Related Skills Training	44	1.3%
Miscellaneous Training	204	6.2%
Randolph-Sheppard Entrepreneurial Training	10	0.3%
Customized Training	9	0.3%

Career Services Provided to Participants	Number of Participants	Percent
Assessment	987	29.8%
Diagnosis and Treatment of Impairment	148	4.5%
Vocational Rehabilitation Counseling and Guidance	3,277	99.0%
Job Search Assistance	1,050	31.7%
Job Placement Assistance	218	6.6%
Short-Term Job Supports	504	15.2%
Supported Employment Services	258	7.8%
Information and Referral Services	68	2.1%
Benefits Counseling	141	4.3%
Customized Employment Services	19	0.6%
Extended Services (for youth with the most significant disabilities)	56	1.7%

Other Services Provided to Participants	Number of Participants	Percent
Transportation	643	19.4%
Maintenance	499	15.1%
Rehabilitation Technology	430	13.0%
Personal Attendant Services	11	0.3%
Technical Assistance Services	90	2.7%
Reader Services	16	0.5%
Interpreter Services	42	1.3%
Other Services	534	16.1%

Table 7— MT VRBS 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	357
Number of Participants Who Earned a Measurable Skill Gains	310

Types of Measurable Skill Gains	Number
Educational Functioning Level	29
Secondary Diploma	11
Postsecondary Transcript/Report Card	303
Training Milestone	11
Skills Progression	3

Table 8— MT VRBS 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	356
Median Hourly Earnings at Exit	\$10.29
Median Hours Worked per Week at Exit	28

Primary Source of Support at Exit	Number of Participants	Percent
Personal Income	243	68.3%
Family and Friends	19	5.3%
Public Support	91	25.6%
Other Sources	3	0.8%
Public Support at Exit	Number of Participants	Percent
Social Security Disability Insurance (SSDI) at Exit	79	22.2%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	45	12.6%
Temporary Assistance for Needy Families (TANF) at Exit	-	0.0%
General Assistance (State or local government) at Exit	-	0.0%
Veterans' Disability Benefits at Exit	2	0.6%
Workers' Compensation at Exit	-	0.0%
Other Public Support at Exit	2	0.6%
Medical Insurance Coverage at Exit	Number of Participants	Percent
Medicaid at Exit	148	41.6%
Medicare at Exit	72	20.2%
State or Federal Affordable Care Act Exchange at Exit	-	0.0%
Public Insurance from Other Sources at Exit	4	1.1%
Private Insurance Through Employer at Exit	81	22.8%
Not Yet Eligible for Private Insurance Through Employer at Exit	24	6.7%
Private Insurance Through Other Means at Exit	41	11.5%

Table 9— MT VRBS 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	66	10
Food Preparation and Serving Related Occupations	42	9
Building and Grounds Cleaning and Maintenance Occupations	37	10
Personal Care and Service Occupations	28	10
Community and Social Services Occupations	28	14
Production Occupations	26	12.5
Sales and Related Occupations	19	9.5
Transportation and Material Moving Occupations	18	10
Education, Training, and Library Occupations	14	14.5
Constructive and Extraction Occupations	11	14
Healthcare Practitioners and Technical Occupations	11	22
Installation, Maintenance, and Repair Occupations	11	12
Healthcare Support Occupations	10	13.2
Protective Service Occupations	6	13.4
Arts, Design, Entertainment, Sports, and Media Occupations	6	10
Computer and Mathematical Occupations	5	18
Architecture and Engineering Occupations	4	18
Business and Financial Operations Occupations	4	15
Management Occupations	4	15
Farming, Fishing, and Forestry Occupations	4	10.5
Legal Occupations	1	23
Life, Physical, and Social Science Occupations	1	15.5
Homemaker	0	0
Military Specific Occupations	0	0
Unpaid Family Worker	0	0

Table 10— MT VRBS 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	28	9.0
2	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	25	10.0
3	Dishwashers	14	9.3
4	Customer Service Representatives	10	10.0
5	Substance Abuse and Behavioral Disorder Counselors	8	17.0
6	Social and Human Service Assistants	8	13.0
7	Combined Food Preparation and Serving Workers, Including Fast Food	8	8.8
8	Personal Care Aides	7	10.5
9	Food Preparation Workers	7	9.4
10	Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	7	18.3

Table 11— MT VRBS 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	6,339
Students with Disabilities Reported with 504 Accommodation	777
Students with Disabilities Reported with IEP	5,107
Students with Disabilities Reported without 504 Accommodation or IEP	629
Total Students with Disabilities Who Received a Pre-Employment Transition Service	4,847
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	4,599
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	248
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	76.5%

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

Pre-Employment Transition Services	Number of Pre-Employment Transition	Percent of Total Pre-Employment Transition Services Provided
Total Pre-Employment Transition Services Provided	23,470	
Job Exploration Counseling	5,078	21.6%
Work-Based Learning Experiences	3,683	15.7%
Counseling on Enrollment Opportunities	4,420	18.8%
Workplace Readiness Training	4,500	19.2%
Instruction in Self-Advocacy	5,789	24.7%

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	20	100%	0	0%
Date of IPE	12	60%	8	40%
Start Date of Employment in Primary Occupation at Exit or Closure	12	60%	8	40%
Hourly Wage at Exit or Closure	13	65%	7	35%
Employment Status at Exit or Closure	17	85%	3	15%
Type of Exit or Closure	16	80%	4	20%
Date of Exit or Closure	12	60%	8	40%

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	4	20%
Service Records without all required documentation for Data Elements	16	80%

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	20	100%	0	0%
Date of IPE	12	60%	8	40%
Start Date of Employment in Primary Occupation at Exit or Closure	12	60%	8	40%
Hourly Wage at Exit or Closure	13	65%	7	35%
Date of Exit or Closure	12	60%	8	40%

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	20	100%	0	0%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	8	40%	12	60%
Date of Most Recent MSG: Educational Functioning Level	1		1	
Date of Most Recent MSG: Secondary Transcript Report Card	1		4	
Date of Most Recent MSG: Postsecondary Transcript/Report Card	12		8	
Date of Most Recent MSG: Training Milestone	1		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)	8	40%
Service Records without all required documentation for Data Elements (as applicable)	12	60%

**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	17	85%	3	15%
Date Enrolled During Program Participation in an Education or Training Program Leading to a Recognized Postsecondary Credential or Employment	8	40%	12	60%
Date of Most Recent MSG: Educational Functioning Level	1		1	
Date of Most Recent MSG: Secondary Transcript Report Card	1		4	
Date of Most Recent MSG: Postsecondary Transcript/Report Card	12		8	
Date of Most Recent MSG: Training Milestone	1		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	\$21,866,977	\$21,786,047	\$12,420,836
Federal expenditures	\$13,700,185	\$12,134,502	\$9,228,937
State agency expenditures (4 th quarter)	\$8,166,792	\$9,651,545	\$3,191,899
State agency expenditures (latest/final)	\$8,166,792	\$9,651,545	\$3,191,899
Federal formula award amount	\$11,511,355	\$11,534,448	\$11,793,410
Reserve amount required for pre-employment transition services (15 percent)	\$2,055,027	\$1,820,175	\$1,769,012
Amount expended on pre-employment transition services	\$2,446,100	\$4,822,224	\$1,560,453
Percentage expended on pre-employment transition services	17.85%	39.74%	13.23%
MOE penalty from prior year	\$0	\$0	\$0
Federal award amount relinquished during reallocation	\$0	\$0	\$0
Federal award amount received during reallocation	\$2,188,830	\$600,054	\$0
Federal funds transferred from State VR agency	\$0	\$0	\$0
Federal funds transferred to State VR agency	\$0	\$0	\$0
Federal award amount (net)	\$13,700,185	\$12,134,502	\$11,793,410
Federal award funds deobligated	\$0	\$0	\$0
Federal award funds used	\$13,700,185	\$12,134,502	\$11,793,410
Percent of formula award amount used	119.01%	105.20%	100.00%
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	\$3,707,928	\$3,284,179	\$3,191,863
Match provided (actual)	\$8,166,792	\$9,651,545	\$3,191,899
Match difference**	-\$4,458,864	-\$6,367,366	-\$36
Federal funds matched (actual)	\$13,700,185	\$12,134,502	\$11,793,410
Percent Federal funds matched	100.00%	100.00%	100.00%
MOE required	\$3,647,791	\$3,423,269	\$8,166,792
MOE: Establishment/construction expenditures	\$0	\$0	\$0
MOE actual	\$8,166,792	\$9,651,545	\$3,191,899
MOE difference**	-\$4,519,001	-\$6,228,276	\$4,974,893

* 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 Carryover	2016	2017	2018*
Program income received	\$1,407,028	\$392,577	\$1,394,616
Program income disbursed	\$1,407,028	\$392,577	\$1,394,616
Program income transferred	\$20,000	\$20,000	\$0
Program income used for VR program	\$1,387,028	\$372,577	\$1,394,616
Federal grant amount matched (4th quarter)	\$13,700,185	\$12,134,502	\$11,793,410
Federal expenditures (4th quarter)	\$13,700,185	\$12,134,502	\$7,101,277
Federal unliquidated obligations (4th quarter)	\$0	\$0	\$0

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