FEDERAL FISCAL YEAR 2020 REPORT ON THE REVIEW OF ARKANSAS DIVISION OF SERVICES FOR THE BLIND VOCATIONAL REHABILITATION AND SUPPORTED EMPLOYMENT PROGRAMS

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

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SECTION 1: THE SCOPE OF THE REVIEW

A. Background

Section 107 of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), requires the Commissioner of the Rehabilitation Services Administration (RSA) to conduct annual reviews and periodic on-site monitoring of programs authorized under Title I of the Rehabilitation Act to determine whether a vocational rehabilitation (VR) agency is complying substantially with the provisions of its State Plan under Section 101 of the Rehabilitation Act and with the evaluation standards and performance indicators established under Section 106 of the Rehabilitation Act subject to the performance accountability provisions described in Section 116(b) of WIOA. In addition, the Commissioner must assess the degree to which VR agencies are complying with the assurances made in the State Plan Supplement for Supported Employment Services under Title VI of the Rehabilitation Act.

In Federal fiscal year (FFY) 2020, RSA conducted a focused review of the State Vocational Rehabilitation Services program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by the Arkansas Division of Services for the Blind (DSB). 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; and
- Identified strategies and corrective actions to improve program and fiscal performance related to the following focus areas:
  - Performance of the VR and Supported Employment programs; and
  - Financial management of the VR and Supported Employment programs.

The nature, scope, and focus of this review and the process, by which RSA carried out its review activities from September 22, 2020 through October 29, 2020, was defined by information, documents, and data submitted by DSB, as well as technical assistance requests from the VR agency.

B. Review Team Participants

Members of the RSA review team included Jim Doyle and Jessica Davis (Vocational Rehabilitation Program Unit); Craig McManus (Fiscal Unit); Shannon Moler and Jason Hunter (Technical Assistance Unit); and Yann-Yann Shieh (Data Collection and Analysis Unit). Although not all team members participated in all aspects of the off-site review, 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 DSB for the cooperation and assistance extended throughout the review process. RSA also appreciates the participation of

others, such as the Workforce Innovation Technical Assistance Center (WINTAC) and the Arkansas Division of Workforce Services (DWS).

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 programmatic performance leading to the achievement of employment outcomes, including the quality of those outcomes, by individuals with disabilities served in the VR program through an analysis of VR program data, policies and internal controls, the VR process, and service delivery. The analysis below, along with any accompanying findings and corrective actions, is based, in part, 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 Performance

VR Agency Profile

In program year (PY) 2019, DSB reported a total of 303 applicants and 223 individuals determined eligible for the VR program on the RSA-911 Case Service Report. During this time, 223 individuals received VR services after developing an approved individualized plan for employment (IPE). No individual was reported as having an approved IPE but not receiving VR services.

The number of individuals exiting the VR program in competitive integrated employment after an IPE declined from 240 individuals (46.5 percent) in PY 2017 to 212 individuals (41.1 percent) in PY 2019. Of the total 516 individuals who exited the VR program in PY 2019, 379 individuals exited after receiving VR services and 137 individuals exited prior to receiving VR services. When comparing the number of individuals who exited the VR program with an employment outcome after receiving services to the total number of individuals who exited after receiving services, DSB had an employment rate of 55.9 percent in PY 2019. Of those individuals who achieved competitive integrated employment, none of those individuals exited with a supported employment outcome. DSB reported 14.3 percent of its participants were reported as eligible for measurable skill gains (MSGs) in PY 2019 and 47.5 percent of those individuals achieved MSGs on the WIOA performance indicator. At the time of the review, DSB was not on an order of selection (OOS) and reported there were no immediate plans to implement an OOS.

In accordance with the Transformation and Efficiencies Act of 2019, effective July 1, 2019, DSB moved from the Arkansas Department of Human Services to the Department of Commerce, Division of Workforce Services, for administrative purposes, but maintained its status as an independent commission. DSB reported that due to the reorganization and resulting staff relocations, it experienced high staff attrition and service disruptions.

The VR Process

Over the three-year period reviewed, the number of individuals who applied for the VR program declined from 557 individuals in PY 2017 to 303 individuals in PY 2019. During the same three-year period, the total number of individuals determined eligible for VR services declined from 462 individuals in PY 2017 to 223 individuals in PY 2019. Similarly, the number of eligible individuals receiving VR services under an IPE declined from 416 individuals in PY 2017 to 223 individuals in PY 2019. DSB attributed the decline of applicants and eligible individuals to the limited number of individuals with disabilities who are interested in competitive integrated employment after applying for the VR program. DSB reported that VR counselors are now providing a more accurate description of the VR program at application by emphasizing that the goal of the program is to achieve competitive integrated employment. As mentioned previously, DSB further reported that the decline in applicants can also be attributed to the agency's recent reorganization which resulted in a change of DSB's location and contact information.

RSA and DSB discussed the need to analyze further the reasons for the decline in the number of VR applicants and eligible individuals; develop goals to 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 the receipt of VR services. DSB has requested technical assistance in the areas of outreach and engagement of individuals and employers.

During PY 2019, 95.2 percent of eligibility determinations were made within 60 days from the date of application by individuals with disabilities. Of those individuals determined eligible, 6.7 percent involved an eligibility extension. During the same time period, DSB reported that 94.2 percent of individuals had their IPEs developed within 90 days from the date of eligibility determination.

Of the 516 individuals who exited the VR program in PY 2019, 74 individuals (14.3 percent) exited from application status before an eligibility determination was made and 15 individuals (2.9 percent) exited after being determined eligible for VR services, but before an IPE was developed. In addition, 167 individuals (32.4 percent) exited the VR program after an IPE was developed, but without an employment outcome.

Of the individuals who exited the VR program in PY 2019 without an employment outcome, the two most common reasons cited were reported as "no longer interested in receiving services or further services" (18.6 percent) and "unable to locate or contact" (10.3 percent), accounting for 28.9 percent collectively. DSB attributed these individuals' exit to multiple reasons such as a misunderstanding of the purpose of the VR program and lack of interest in achieving competitive integrated employment.

From PY 2017 to PY 2019, DSB reported nine individuals were determined ineligible for the VR program due to the individual's disability being too significantly disabled to benefit from VR services; however, there were no individuals reported to have exited the VR program during or after a trial work experience during the same period. DSB's current eligibility policy (chapter 4) indicates that an individual's case cannot be closed due to "disability too severe" unless trial work experiences have been provided; however, DSB indicated that VR counselors may be confused about the requirements for this type of exit when closing a case record due to a lack of clear guidance on how to properly conduct a trial work experience prior to closing a case as "disability too severe." DSB reported that the agency has provided training in the past on the requirements for exit types and that, as a part of its quality assurance process for case reviews, cases can only be closed by a supervisor after the case has been reviewed. The current eligibility policy also references providing extended evaluation after a trial work experience if no conclusions can be drawn from the trial work experience. DSB has worked with the Workforce Innovation Technical Assistance Center (WINTAC) on updating the current chapter 4 eligibility policy; however, the corrected draft policy has not been released for staff or public use.

VR Services

In PY 2019, DSB reported it provided VR services to 1,023 participants. Of those participants, eight individuals (0.8 percent) received graduate training, 70 individuals (6.8 percent) received bachelors level training, and nine individuals (0.9 percent) received junior or community college training, as reported on the RSA-911 report. During the same period, 28 individuals (2.7 percent) received occupational or vocational training, and no participant received apprenticeship training, Randolph-Sheppard Entrepreneurial training, or customized training. Of the career services provided in PY 2019, 18 individuals (1.8 percent) received job search assistance and 21 individuals (2.1 percent) received job placement assistance. Of the 1,023 participants who received VR services during PY 2019, DSB reported 14.3 percent of the participants were eligible for measurable skill gains (MSGs). During the same period, DSB reported 67 participants achieved MSGs for a total of 70 MSGs earned.

DSB is aware of the need to employ strategies to provide more training opportunities and career services that will result in higher quality employment outcomes. The agency has identified barriers to training and service provision, such as VR counselor job vacancies and transportation in rural areas. In PY 2019, DSB had 75 percent of its positions filled. At that time, the governor had a hiring freeze in place. DSB anticipates filling the positions when the hiring freeze is lifted.

Further, DSB provided supported employment services to 10 participants in PY 2019; however, there were no participants reported as having exited the VR program with a supported employment outcome. DSB attributed the lack of supported employment outcomes to community rehabilitation providers (CRP) placing participants in jobs that were not consistent with the individuals' IPE or area of interest, abilities, and informed choice. DSB's supported employment contracts with CRPs are one-page service agreements based on milestone payments, and do not outline terms and conditions, or requirements related to the appropriate placement of individuals receiving supported employment services.

DSB's supported employment policy (chapter 9) located in its current field services manual also contains insufficient information to describe when supported employment services begin during the VR process or the transition to extended services to youth with the most significant disabilities. DSB has received targeted technical assistance from WINTAC and developed a draft Supported Employment policy (chapter 15) to correct these issues; however, the draft is still not published in the agency's field services manual. DSB has requested technical assistance in the area of supported employment.

Additionally, DSB reported that the most frequently provided VR service, apart from vocational counseling and guidance (85.6 percent), was diagnosis and treatment of impairment services, with 45.5 percent, 45 percent, and 34.5 percent of individuals receiving this service in PYs 2017 through 2019, respectively. Data from the RSA-911 report indicate that a high percentage of participants who received diagnosis and treatment of impairment services and exited the program in competitive integrated employment were employed at the time of application. Specifically, the percentages of those who exited with an employment outcome and were employed at the time of the IPE development were 85 percent (PY 2017), 82 percent (PY 2018), and 84 percent (PY 2019). In addition, the percentages of those who exited with an employment outcome and received diagnosis and treatment of impairment services were 51 percent (PY 2017), 51 percent (PY 2018), and 30 percent (PY 2019). The percentages of those individuals who exited with an employment outcome, received this service, and were employed at the time of application and IPE development were 93 percent (PY 2017), 87 percent (PY 2018), and 94 percent (PY 2019).

DSB reported that the agency provides a high number of cataract and corneal cross-linking procedures to prevent the onset of legal blindness or improve the individual's visual impairment and to allow these VR participants to maintain or seek employment. Comparable benefits are considered, and an individual's medical insurance is applied when appropriate. DSB indicated that when an individual has medical insurance, the agency may pay all co-payments and related charges. DSB reported those who exited with an employment outcome and with some form of medical insurance in PY 2019 included 60.8 percent with private insurance through an employer (129 individuals), 8.5 percent Medicaid insurance (18 individuals), 7.5 percent Medicare insurance (16 individuals), and 8.5 percent through other private insurance (18 individuals).

Finally, DSB has expended more for purchases of diagnosis and treatment of impairments compared to the expenditures for all education and training purchases combined. In FFY 2019, DSB reported that it expended $1,231,848 for diagnosis and treatment services compared to $711,630 total for all training and education programs, including graduate or university training ($30,907), four-year college ($469,661), junior or community college ($20,559), vocational or occupational training ($162,442), and on-the-job training ($28,061), according to its FFY 2019 RSA-2 report. However, DSB is aware that the agency has a reputation for funding medical procedures and has been providing training to its staff to assess the availability of comparable services and benefits to cover the cost of such services.

DSB has implemented a financial needs assessment to determine the extent of an individual's financial contribution in the cost of education services; however, other VR services are exempt from a financial needs assessment. DSB indicated that this policy has been in place since the last administration of the VR program in the State. RSA discussed with DSB the need to consider only requiring a participant receiving postsecondary training to apply for and use support from the Federal Financial Student Aid Program, if granted, and requiring a financial needs test for other services, such as the diagnosis and treatment of impairments. RSA recommended DSB focus its resources on increasing opportunities for individuals eligible for VR services to receive recognized postsecondary education or training that would lead to competitive integrated employment.

Quality of Employment Outcomes

In PY 2019, 212 individuals exited with competitive integrated employment. The median hourly earnings at exit for those who achieved competitive integrated employment was $13.00 per hour and the median hours worked at exit was 40 hours. The State's minimum wage was $9.25 per hour in 2019.

During this same period, DSB reported the three most common employment types using the Standard Occupational Classification (SOC) titles, along with their median hourly earnings, for PY 2019 were janitors and cleaners, except maids and housekeeping cleaners (nine individuals, $10.46); heavy tractor-trailer truck driver (seven individuals, $11.54); and nursing assistants (six individuals, $11.50). Alternatively, the three employment types with the highest median hourly earnings during this period were licensed practical and licensed vocational nurses (five Individuals, $25.05); registered nurses (four individuals, $18.60); and secretaries and administrative assistants, except legal, medical, and executive (five individuals, $12.75).

RSA discussed the correlation between the provision of career services in postsecondary education or training programs and the quality of employment outcomes. DSB indicated the agency recognizes recent trends concerning the low number of participants in postsecondary education or training programs provided to prepare its participants for advanced or technical fields of employment. RSA discussed the need for DSB to train its VR counselors to increase education and training opportunities consistent with the local labor market.

Pre-employment Transition Services

During the period of review, DSB reported that it provided pre-employment transition services both in-house and through vendors. In PY 2017, DSB reported that pre-employment transition services counselors were assigned to specific schools to provide pre-employment transition services to students with disabilities. DSB and the State's general VR agency, Arkansas Rehabilitation Services (ARS), agreed to serve students with disabilities ages 16 through 21. The State also provides transition services to youth ages 16 through 21 under the Individuals with Disabilities Education Act (IDEA); however, transition planning may begin as early as age 14 if deemed necessary by an Individual Education Program (IEP) team. There was no process for providing pre-employment transition services to students under the age of 16 as outlined in the agency's pre-employment transition services policy.

During the review, DSB informed RSA that it could not track in its case management system students with disabilities who had not applied and been determined eligible for VR services, meaning those students who were potentially eligible for VR services. Instead, DSB served students with disabilities using two case types. Students with disabilities who received only pre-employment transition services were served in the Potentially Eligible (PE) track after applying and being determined eligible for VR services and completing an Individualized Plan for Employment (IPE) to receive these services.

Students who received VR services in addition to pre-employment transition services were served in the VR track after completing the application and eligibility determination process and developing a second IPE for those additional services. This means that students with disabilities could have received services under two different but concurrent cases and IPEs.

Pre-employment transition services counselors and VR counselors tracked the provision of pre-employment transition services through case notes. These services were also reported through personal activity reports (PARs), which interfaced with the State's financial accounting system, the Arkansas Accounting Statewide Information System (AASIS), but were not assigned to individual students or reported on the RSA-911 report. The agency only had the ability to report purchased pre-employment transition services authorized in its case management system on the RSA-911 report. Additionally, the PARs form used by the agency only included one cost objective for pre-employment transition services and did not allow staff to record time spent providing pre-employment transition services into separate cost objectives. The agency corrected the PARs form during the course of the review to include two separate cost objectives for staff to track time spent on required/coordination activities and authorized activities.

Additionally, DSB has received intensive technical assistance from the WINTAC on reporting processes in the agency's case management system. As a result, data show that potentially eligible students with disabilities who received pre-employment transition services rose from 0 in PY 2017 to 58 in PY 2018 to 74 in PY 2019. Staff now have the ability to track pre-employment transition services in the agency's case management system, which gives the agency the ability to report non-purchased services assigned to individual students on the RSA-911 report. Although the agency has provided training to its staff on these reporting processes and is slowly making progress, there are no written policies or procedures for staff to follow, as required by 34 C.F.R. § 361.50, nor are there sufficient internal controls to ensure staff are reporting correctly.

Currently, the agency reports doing occasional spot checks to ensure staff are capturing services appropriately, and that supervisors have good relationships with staff to ensure services are entered correctly. However, the agency noted that staff were still having difficulty performing the double entry of recording pre-employment transition services in case notes and as a non-purchased service as recently as PY 2019. Despite not having sufficient written policies or internal controls, the agency reports that it now tracks PE cases appropriately and does not need a PE case to go through the VR process, although students with disabilities are counseled on the advantages of applying for VR services upon referral. The agency asserted that students with disabilities served by pre-employment transition counselors should now be transferred appropriately in the case management system to a VR counselor to receive VR services.

For students receiving pre-employment transition services from vendors, there was a contract with the World Services for the Blind in place during the review period, as well as two fee-for-service agreements. The World Services for the Blind contract included milestone payments for the provision of pre-employment transition services, but it is not clear how the agency determined how students received the appropriate services, or how hours were tracked per individual student for each required pre-employment transition services activity provided. This was also true for the two fee-for-service agreements.

In regard to DSB's pre-employment transition policy, DSB has worked with the WINTAC on updating its policy (chapter 17) in the current field services manual since it had not been updated since 2016, and since it contains incorrect or insufficient information. For example, section

17.1.3 of this chapter states that “pre-employment transition services do not require a case to be opened,” but does not explain what this means in relation to requiring an application for services, the process for determining eligibility, developing an IPE, or how these actions are recorded in the case management system.

Additionally, when defining the age of a student with a disability, DSB’s current pre-employment transition services policy states that if an individual is age 22, he or she will only meet the definition of a “student with a disability” if his or her birthday falls on September 1 and the individual would meet the definition through August 31 of the following year. This information was not consistent with the State educational agency (SEA) agreement in place during the period of review or in the State’s current IDEA guidance.

In another example, the current policy does not mention pre-employment coordination activities or how to track these activities, although it does mention that counselors will attend all IEP meetings scheduled for the minor consumer. Additionally, the current policy covers the provision of authorized activities, but there is no discussion about the set-aside determination or when these activities may be provided. DSB has worked extensively with the WINTAC on updating its pre-employment transition services policy in the field services manual and training has been provided to staff; however, the policy is still in draft form and has not been released for its staff or the public even though DSB reports that the draft policy was approved by its Board in December 2019.

With regard to DSB’s set-aside determination related to the 15 percent reserve, DSB uses expenditures from previous years along with data on the number of students with disabilities it expects to serve to forecast and budget the 15 percent reserve. DSB also references in its set-aside determination that attending IEP meetings is coded as an authorized activity rather than a pre-employment transition services coordination activity as stated in 34 C.F.R. § 361.48(a)(4)(i).

Lastly, DSB provided statistical trends that suggest students with disabilities who receive pre-employment transition services are more likely to remain engaged in the rehabilitation process and are less likely to have their cases closed as “other than rehabilitated.” DSB is encouraged to build upon the work it has done with the WINTAC since 2018 and continue to provide pre-employment transition services to students with disabilities, including potentially eligible students, which can lead to more positive employment outcomes for the individuals it serves.

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.

Prior to the off-site review, RSA requested documentation from DSB that outlines its policies and procedures related to case service records, reporting on the RSA-911 report, and case management system internal controls. DSB provided the review team with the case management system's quality assurance (QA) Tool Review Procedures, the Performance Accountability Guide, and a Quality Assurance Comprehensive Case Review tool. The case management system's QA Tool Review Procedures document, which was in effect during the review period, contains screen shots of its case management system and instructions for conducting case reviews in the system. It does set up a schedule for supervisors and management to conduct case reviews, but it does not provide instructions that go beyond the system's requirements, such as what types of supporting documentation is needed to validate data entered in in its case management system.

In regard to the Performance Accountability Guide, which was in effect during the review period, instructions are given to enter data in its case management system; however, the instructions on data validation and what types of supporting documentation staff need to document in the case file are not clear. For MSGs, it is not clear how DSB determines allowable MSGs, ensures that appropriate supporting documentation is maintained in a participant's case file, or how it ensures that dates on the supporting documentation match dates in the case management system and the RSA-911 report.

With regard to the Quality Assurance Comprehensive Review tool, which is a more recent document, it states "For participants who have "training" as a planned service and/or [students with disabilities] SWDs, if there is an educational goal with an outcome or a measurable skill gain, is there supporting documentation in the case file?" However, it does not include the types of documentation needed in the case file to support an outcome or an MSG nor does it give any examples of what is needed. However, the agency reported that it has provided training to staff on what type of supporting documentation is needed to support an outcome or MSGs, and that it intends to develop a field guide for staff use and put guidance in future policy.

Additionally, as mentioned previously in this focus area, the number of individuals exiting the VR program in competitive employment after receiving services under an IPE declined from 240 individuals (46.5 percent) in PY 2017 to 212 individuals (41.1 percent) in PY 2019. The agency attributed this decline to difficulty obtaining proof of wages at closure, including difficulty obtaining Unemployment Insurance (UI) wage verification data. The agency reported that it started a new employment verification at closure process in PY 2018 and early PY 2019. Training has been provided to staff on this process to ensure data integrity; however, the process is not described in writing for staff use.

The review team provided technical assistance to DSB to help the agency develop policy, procedures, future trainings, and/field guides for its staff.

C. Technical Assistance and Recommendations

Performance Technical Assistance: RSA sent the documents and information listed below to DSB by email. These documents and information will be helpful for DSB when developing policies, procedures, and future trainings and job/desk aids for staff—

- RSA-TAC-19-01: This document outlines the source documentation needed to verify that performance data are valid and reliable.
- RSA-PD-19-03: This document outlines the requirements that each State VR agency must follow to collect and report on the revised RSA-911. Each State VR agency's internal controls should ensure that its—
  1. Data collection system is capable of capturing and reporting all the required Data Elements contained in RSA-PD-19-03;
  2. Staff have completed training necessary to ensure the collection and reporting of the required Data Elements; and
  3. Internal control processes to ensure the accuracy and validity of the data have been implemented.
- RSA-WINTAC Case Service Report (RSA-911) RSA-PD-19-03 training: This training goes into more detail about the requirements outlined in RSA-PD-19-03, including the requirement that VR agencies must have policies and procedures in place that—1) document how to determine training and education programs that meet the definition of WIOA Credential and MSGs; 2) require source documentation; and 3) explain how these are documented in the case management system.

Pre-Employment Transition Services Coordination and Authorized Activities: Although the activities under 34 C.F.R. § 361.48(a)(3)(v) (authorized activities) and 361.48(a)(4)(i) and (iii) (coordination activities) are similar, they each have a different focus. The focus of the coordination activities found in 34 C.F.R. § 361.48(a)(4)(i) and (iii) includes attending individualized education program (IEP) meetings for students with disabilities, when invited, and working with schools to coordinate and ensure the provision of pre-employment transition services to students with disabilities. On the other hand, the focus of the authorized activities found in 34 C.F.R. § 361.48(a)(3)(v) includes coordinating activities with transition services provided by local educational agencies under IDEA.

The coordination activities that include attending IEP meetings and working with schools to coordinate and ensure the provision of pre-employment transition services must be carried out and may be paid for using reserved funds. The authorized activity that includes coordinating activities with transition services provided by local schools may only be provided if DSB plans for and ensures that sufficient reserved funds will remain to provide all required and coordination activities to all students with disabilities who need them.

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

Pre-employment transition services set-aside determination: VR agencies are required to expend funds reserved for pre-employment transition services in a specific manner and must have internal controls that ensure the requirements are met (2 C.F.R. § 200.61). Therefore, the VR agency's processes should be well documented and include the reasons for selection of the data elements used. Documentation should be maintained to demonstrate the agency has met the requirement for the provision of pre-employment transition services required and coordination activities before assigning authorized pre-employment transition services to reserved funds.

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

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

Recommendation: RSA recommends that DSB build upon the work it has done previously with the WINTAC by continuing to pursue intensive technical assistance from the Vocational Rehabilitation Technical Assistance Center for Quality Management (VRTAC-QM), the Vocational Rehabilitation Technical Assistance Center for Quality Employment (VRTAC-QE), and the National Technical Assistance Center on Transition: the Collaborative (NTACT: C) in the areas of program management and pre-employment transition services.

D. Findings and Corrective Actions

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

Finding 2.1 Insufficient Policies

Issue: Did DSB maintain written policies covering the nature and scope of each of the VR services specified in 34 C.F.R. § 361.48, in accordance with 34 C.F.R. § 361.50, and the criteria under which each service is provided.

Requirements: Pursuant to 34 C.F.R. § 361.50, VR agencies are required to develop and maintain written policies covering the nature and scope of each of the VR services specified in 34 C.F.R. § 361.48 and the criteria under which each service is provided. The policies must ensure that the provision of services is based on the rehabilitation needs of each individual as identified in that individual's IPE, as required at 34 C.F.R §§ 361.45 and 361.46 and is consistent with the individual's informed choice pursuant to 34 C.F.R. § 361.52.

Analysis: As part of the off-site review process, RSA analyzed the agency's field services manual. As noted in this focus area, DSB has worked with the WINTAC for several years prior to RSA's review on updating many of the chapters located in the current field services manual since it had not been updated since 2016. RSA also provided written feedback to DSB on several chapters at least one year prior to the off-site review, since some chapters contain incorrect or insufficient information, or have not been updated to reflect the new requirements that went into effect with the reauthorization of the Rehabilitation Act of 1973, as amended by WIOA. DSB reported that it has written the following six chapters of the field services manual and that it is in the process of promulgating the chapters for release to staff and the public:

- Chapter 1–General Information;
- Chapter 2–Informed Choice;
- Chapter 3–Intake;
- Chapter 4–Eligibility;
- Chapter 5–Order of Selection; and
- Chapter 13–Pre-Employment Transition Services

DSB also reported plans to update the following policies:

- Chapters 6–IPE; and
- Chapter 15–Supported Employment

It should be noted that chapters 4, 5, and 13 were reviewed and approved by the DSB Board in December of 2019 but were not promulgated for staff or public use as of the off-site review. DSB reported that it plans to finalize the new DSB field service manual by June 30, 2021.

Conclusion: As a result of the analysis, RSA determined that DSB was not maintaining written policies covering the nature and scope of each of the VR services, in accordance with 34 C.F.R. § 361.50, and the criteria under which VR services are provided, as specified in 34 C.F.R. § 361.48.

Corrective Action 2.1 RSA requires that DSB—

2.1.1 Develop sufficient policies and procedures so that the provisions of 34 C.F.R. § 361.50 are met;
2.1.3 Implement updated policies and procedures and make them available to staff and to the public; and
2.1.3 Develop and provide training to staff on the updated policies and procedures.

VR Agency Response: DSB partially concurs with this finding. The agency recognizes the importance of sufficient policies and procedures as outlined in 34 C.F.R. § 361.50 and began work to update policies in 2019. DSB consulted with WINTAC and RSA to develop the policy to ensure the new WIOA requirements were reflected throughout. The result of the technical assistance formalized the following policies: Chapter 1–General Information; Chapter 2–Informed Choice; Chapter 3–Intake; Chapter 4–Eligibility; Chapter 5–Order of Selection; and Chapter 13–Pre-Employment Transition Services. During this process, DSB moved from the Department of Human Services and merged under the Department of Commerce Division of Workforce Services.

DSB completed the public comment period on April 5, 2021 as part of the promulgation process for Chapters 1-5 and Chapter 13. Chapter 6-IPE, Chapter 7-Services, Chapter 8 Supported Employment are currently being developed for board approval and the promulgation. DSB will work with the Vocational Rehabilitation Technical Assistance Center for Quality Management (VRTAC-QM) on drafts of new chapters prior to release for public comment.

DSB provided training to all Field Services Staff on December 9, 2020, on Measurable Skill Gains and Credential Attainments including, how to enter employment verification into the case management system. On February 22, 2021, all DSB Field Supervisors received additional training on the types of RSA approved Employment Verification. This coincided with the directive released on March 8, 2021 to all DSB staff containing detailed requirements for employment verification. The directive was distributed to staff which included the MSG training as a reference. Both the directive and training discussed are available on the DSB SharePoint site and copies were provided to RSA during the monitoring visit.

DSB policies and procedures will be shared with all staff and become effective immediately after the promulgation process is completed. The policies and internal procedures are available on the DSB SharePoint site as a resource for staff. The agency will continue to conduct quarterly training sessions and provide technical assistance. Staff will continue to receive training on federal regulations and expectations to ensure interpretation is clear and concise across the agency.

RSA Response: RSA appreciates DSB’s efforts to develop and implement written policies covering the nature and scope of VR services. DSB’s response does not introduce any new information that would substantiate a change to the finding and the finding remains as written. RSA will review all updates or revisions made by DSB to its policies or procedures subsequent to the review as part of the corrective action plan (CAP) once the report has been finalized and a CAP has been agreed upon. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA and VR TAC QM to ensure program policy revisions meet federal requirements. The technical assistance will also assist DSB to ensure policy revisions, implementation and training meets the provisions of 34 C.F.R. § 361.50.

Finding 2.2 Insufficient Internal Controls

Issue: Did DSB maintain effective internal controls over the Federal award to provide a reasonable assurance that it was 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 and the requirements at 34 C.F.R. § 361.47(a).

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 implemented as a measure of checks and balances to ensure proper expenditure 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. The record of service must allow for accurate and timely data reports pursuant to 34 C.F.R. § 361.40 and meet the performance accountability provisions described in Section 116(b) of WIOA.

Analysis: As part of the off-site review process, RSA analyzed the internal controls implemented by DSB. DSB provided RSA with a description of various documents and tools used in its case review process. As previously discussed in this report, although the agency did provide its case management system's QA Tool Review Procedures, the Performance Accountability Guide, and a Quality Assurance Comprehensive Review document, these documents were not sufficient to ensure accurate reporting of data, or to ensure that case service records contain the required supporting documentation of services provided. Even though the agency has worked extensively with the WINTAC on training its staff on tracking and reporting data to ensure accuracy, these processes have not been formally described in writing to ensure staff have a resource to reference when questions arise or to ensure smooth transition when the attrition of staff occurs.

<u>Measurable Skill Gains Reporting</u>

DSB's data related to MSGs for PY 2019 show that, of the 718 participants for the fourth quarter, approximately 119 individuals are identified as being enrolled in an education/training program, with only 22 earning MSGs. Both of these numbers appear to be low and suggest the agency is not reporting correctly. For example, of the 63 enrolled in a four-year college training program paid for by the agency and 35 paid for by a comparable benefit (it is not known if these numbers are unique), only 11 are identified as earning MSGs in the fourth quarter. Although the agency does have guidance in place on how to enter data related to MSGs in the case management system and has provided training to staff on what type of supporting documentation is needed to support MSGs, it has not developed sufficient written guidance or policies for staff use.

For MSGs, DSB's existing internal control documents do not sufficiently describe how DSB determines allowable MSGs, how it ensures that appropriate supporting documentation is maintained in a participant's case file, including a description of what is considered appropriate supporting documentation, and how it verifies that the dates on the supporting documentation match dates in the case management system and the RSA-911 report. The agency reported that it intends to develop a field guide for staff use in which these issues will be addressed since the lack of this guidance may in part be resulting in the inaccurate reporting of data.

Insufficient Process to Ensure Accurate and Timely Reporting

DSB provided documents and tools that outline the process for conducting case reviews in its case management system; however, there is no documentation or instructions that go beyond the system requirements, such as what types of supporting documentation is needed to validate entered data. In each of the documents provided, it was noted that instructions are given on how to enter data in the case management system; however, the instructions on data validation and what types of supporting documentation staff need to document in the case file are not clear. This was further demonstrated by data related to DSB's processes for recording the number of individuals exiting the VR program in competitive employment after an IPE for which it started a new employment verification at closure process in PY 2018 and early PY 2019. DSB reported that training has been provided to staff on this process to ensure data integrity; however, the process has not been described in writing for staff use.

Conclusion: As a result of the analysis, RSA determined that DSB was not maintaining effective internal controls over the Federal award that would provide a reasonable assurance that it was 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. Furthermore, RSA determined that DSB did not have sufficient written policies, procedures, or internal controls that ensure the accurate reporting of information for participants who achieved MSGs or for individuals who achieved competitive integrated employment or supported employment; nor does the agency ensure case files and supporting documentation adhere to the record of service requirements.

Corrective Action 2.2 RSA requires that DSB—

2.2.1 Develop internal control policies and procedures to ensure that the provisions of 34 C.F.R. § 361.47 have been met, and through service record documentation, the requirements at 34 C.F.R. § 361.40 and RSA PD-19-03 (now in effect for the reporting of RSA-911 data since July 1, 2020) for the accurate reporting of its data are met;
2.2.2 Assess and evaluate current procedures for tracking and monitoring VR counselor performance and efficient practices used by high performing VR counselors and supervisors, including the use of case management tools to ensure supporting documentation requirements and the verification of employment are met;

2.2.3 Assess the results of the policies and procedures governing its internal control procedures to ensure compliance with the reporting of data.

VR Agency Response: DSB understands the importance of having internal control policies and procedures to ensure that the provisions of 34 C.F.R. § 361.47 are met. DSB concurs that service record documentation must ensure the requirements of 34 C.F.R. § 361.40 and RSA PD-19-03 for the accurate reporting of data are met.

All chapters of DSB's policy manual includes specific sections that focus on internal controls related to that chapter. These chapters will provide staff specific guidance on what type of supporting documentation must be included with service record entries.

DSB provided training to all Field Services Staff on December 9, 2020 on Measurable Skill Gains and Credential Attainments including how to enter the data into the case management system. On February 22, 2021, DSB Field Supervisors received additional training on the types of RSA approved Employment Verification. This coincided with the directive released on March 8, 2021 to DSB staff containing detailed requirements for employment verification. When the directive was sent to all staff, the training was included as a reference. Both the directive and training discussed are available on the DSB SharePoint site.

The current QA Tool Review templates asks auditors to verify that supporting documentation is included in the case file. The questions on the review templates will be re-examined and amended, as necessary, to instruct auditors to validate that dates on the supporting documentation match the dates on the data pages in the case management system. The Comprehensive Review Template Information Location document provides information to auditors regarding where to find necessary supporting documentation. This file also contains links to the appropriate policies, procedures, or training to provide guidance to the auditors for this information.

DSB continues to work with the Technical Assistance Centers and RSA for technical assistance and support to update policies and procedures to ensure compliance with reporting data. This assistance is then used to further develop guidance and training for staff.

RSA Response: RSA appreciates DSB's efforts to develop internal control policies and procedures. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA and VR TAC QM to improve existing internal controls and data compliance requirements.

Finding 2.3 Provision of Pre-Employment Transition Services to Potentially Eligible Students with Disabilities

Issue: Does DSB provide pre-employment transition services to students who are potentially eligible for VR services in accordance with 34 C.F.R. § 361.48(a).

Requirement: In accordance with 34 C.F.R. § 361.48(a)(1), pre-employment transition services must be made available Statewide to all students with disabilities, regardless of whether the student has applied or been determined eligible for VR services. The term "potentially eligible" as used in Section 113 of the Rehabilitation Act is specific to the provision of pre-employment transition services but is not defined in the Rehabilitation Act. The regulations in 34 C.F.R. § 361.48(a)(1) clarify that all students with disabilities, regardless of whether or not they have applied or been determined eligible for VR services, are potentially eligible to receive pre-employment transition services.

Analysis: During the review, DSB informed RSA that it could not track in its case management system students with disabilities who had not applied and been determined eligible for VR services, meaning those students who were potentially eligible for VR services. Instead, DSB served students with disabilities using two case types. Students with disabilities who received only pre-employment transition services were served in the Potentially Eligible (PE) track after applying and being determined eligible for VR services and completing an Individualized Plan for Employment (IPE) to receive these services. In essence, due to data collection and reporting limitations, DSB required all students with disabilities to apply and be determined eligible for services in order to receive services, including pre-employment transition services, and did not serve potentially eligible students.

RSA discussed the need for DSB to develop a system to report on all students with disabilities receiving pre-employment transition services throughout the State. Specifically, agencies are required to identify all pre-employment transition service required activities provided to a student with a disability, the total amount expended for each purchased required activity, who provided the service, and the dates of the service, in accordance with the instruction manual for the RSA-911 in Policy Directive (PD) 19-03 and 2 C.F.R. §200.302.

DSB reported that it will continue to implement the intensive technical assistance received from the WINTAC and that it anticipates that it will see improvements in this area during PY 2020.

Conclusion: As a result of the analysis, RSA determined that DSB is not in compliance with Section 113 of the Rehabilitation Act and 34 C.F.R. § 361.48(a) that require that VR agencies provide, or arrange for the provision of, pre-employment transition services to students with disabilities who are potentially eligible for VR services. The agency only served students who completed an application and were determined eligible for VR services, which means it did not serve potentially eligible students.

Corrective Action 2.3: RSA requires that DSB—

2.3.1 Make available all required pre-employment transition services activities to students with disabilities throughout the State who are potentially eligible for VR services, regardless of whether or not the student has applied or been determined eligible for VR services;

2.3.2 Ensure that DSB's case management system has the capacity to track and report programmatic and fiscal data for students with disabilities who are potentially eligible to receive pre-employment transition services, as well as those who are eligible for VR services; and

2.3.3 Ensure that DSB develops and implements appropriate policies, procedures, staff training, and internal controls to track and report programmatic and fiscal data for students with disabilities who are potentially eligible to receive pre-employment transition services, as well as those who are eligible for VR services.

VR Agency Response: The agency partially concurs with the fact that it did not serve potentially eligible students for the entirety of the monitoring period. In 2017, the agency was only serving students with a disability who were determined to be eligible for VR services. However, in 2018, DSB began serving potentially eligible students and documenting this in our case management system. DSB concurs that in 2018, the agency system for tracking and reporting potentially eligible students did not completely meet Federal requirements. After receiving technical assistance from RSA and WINTAC, DSB was able to improve reporting, tracking, and providing services to potentially eligible and VR eligible students with a disability in 2019.

In 2019, DSB implemented a Potentially Eligible case type that tracks services provided to students with disabilities who are potentially eligible. This data continues to be tracked internally on the monthly internal reports that DSB pulls from its case management system. All Pre-ETS staff received training on these procedures and documentation in 2019. These procedures are formalized in Chapter 13 Pre-ETS of the new DSB policy manual.

RSA Response: RSA appreciates DSB's response to this compliance finding. DSB's response does not introduce any new information that would substantiate a change to the finding. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from VR TAC QM policy development, implementation, and development of training curriculum for Pre-Employment Transition Services to ensure the agency continues to meet federal requirements in this area.

SECTION 3: 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 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 review process, RSA reviewed the following areas related to financial management and accountability:

Period of Performance

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

Vendor Contracts

The RSA team reviewed three areas related to vendor contracts:

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

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

C. Technical Assistance and Recommendations

- RSA and DSB reviewed the period of performance requirements and discussed the critical nature of ensuring all Federal and non-Federal obligations are assigned, tracked, accounted, and reported in the appropriate grant and reporting periods, to properly determine the extent to which the VR agency met match, MOE, and Federal carryover requirements. RSA learned from the VR agency that its policy does not address the State and agency-specific details related to its case management system and State accounting system. This led to clarification about the requirement to report all non-Federal and Federal unliquidated obligations at the end of SF-425 reporting periods. RSA indicated that DSB needs to revise its policies and procedures for preparing the SF-425 report, with a particular focus on reporting unliquidated obligations.

- RSA noted that DSB used the Deduction alternative for program income on the SF-425 report. RSA clarified that VR agencies may only report program income disbursement using the Addition alternative, as the Department of Education has clarified the Deduction alternative is no longer an option for Department grantees. This decision was made to ensure any program income funds earned supplement program efforts.

- RSA staff provided technical assistance about tracking and reporting costs and services paid for with pre-employment transition services reserve funds. Reserve funds must be reported on Federal reports, including the RSA-911, SF-425 reports and the RSA-17 report beginning in FFY 2021, all of which have different requirements. The RSA-911 report captures both expenditures and service type (individual required activity) when under a contract for purchased consumer services, but it also requires reporting of which required activity is provided to a student with a disability when the activity is provided "in-house." While tracking of service provision is always required, personnel costs for pre-employment transition services provided by VR agency staff are only reported on the VR Federal financial reports (SF-425 and RSA-17), and these costs are also used to determine the amount of set-aside reserve funds necessary to provide required and coordination activities before DSB can plan to spend reserve funds on authorized activities. Therefore, there is no need for VR agency staff to track personnel costs down to the level of each of the five required activities to determine overall costs for reporting reserve expenditures. This is also true of coordination and authorized activities, which can be included on VR Federal financial reports as part of reserve expenditures.

  This means that VR agency staff must have a method to identify, track, and report the provision of the five specific required pre-employment transition services activities provided to students with disabilities as a service type. In addition, the VR agency personnel costs associated with providing pre-employment transition services (based on activity category) may be assigned and tracked using the following example cost objectives, which will assist with financial reporting and set-aside determination:

  - Time spent providing required and coordination activities combined together, as well as other VR services necessary to access or benefit from the required pre-employment transition services (see Notice of Policy Interpretation (85 FR 11848 (Feb. 28, 2020)); and
  - Time spent providing authorized activities as its own cost objective.

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

- RSA discussed with DSB options proposed to allocate leave. Since leave must be equitably allocated to all related activities and programs, RSA indicated that the allocation of leave should include a sample period of personnel time worked that is large enough to capture variations in time spent working on cost objectives over time and should not be based on a default allocation. Using multiple pay periods will result in a proportionate allocation to activities and programs worked on by DSB employees, not just the activities or programs worked on during the pay period the leave is taken by the employee, as this may result in activities or programs not receiving a fair allocation of leave costs.

- RSA discussed with DSB establishing internal controls to manage non-Federal sources of funds, taking into consideration each fund source, and the flexibilities regarding how the funds may be spent from each source. RSA clarified that all non-Federal funds spent on VR activities must be reported as match and MOE on VR Federal financial reports.

- RSA and DSB discussed the rate setting requirements that govern all purchased VR services in 34 C.F.R. § 361.50, and the provisions in the Uniform Guidance related to reasonable costs in 2 C.F.R. § 200.404, which the VR agency should consider and incorporate when developing a written policy governing rates of payment for VR services, which may include its fee schedule. These factors include, among others, acting with prudence, comparing rates other State or private agencies may pay for similar activities, comparing what the VR agency pays for similar activities across the State, and other sound business practices.

- RSA and DSB discussed the manner in which administrative costs are charged through direct and indirect mechanisms. DSB described that certain administrative activities at the State level and in DWS benefit DSB indirectly, and DSB is charged an allocation of these costs. Further discussions with DWS and DSB staff subsequent to the scheduled review period indicated that DSB is not included in the Statewide Cost Allocation Plan (SWCAP) or the DWS Public Assistance Cost Allocation Plan (PACAP). However, DSB may be subject to the same allocation methodologies as other agencies in the approved SWCAP and PACAP. RSA provided technical assistance that DSB must follow the Uniform Guidance requirements to ensure administrative costs are properly classified and charged to Federal awards consistently in like circumstances either as a direct or an indirect cost in order to avoid possible double-charging of Federal awards (2 C.F.R. § 200.412), and that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs (2 C.F.R. § 200.413), to ensure that costs are not 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 (2 C.F.R. § 200.403(d)). Since DSB and ARS (the general VR agency) are housed under DWS, the manner in which the two VR agencies are included in the SWCAP and PACAP, as well as the methodologies for allocating indirect costs based on cost category, should be consistent in accordance with the Uniform Guidance requirements. RSA will continue to participate in discussions with DWS, ARS, DSB, and the Federal cognizant agency for indirect costs to assist with the development of an acceptable and reasonable method for charging administrative costs through direct and indirect procedures.

D. Findings and Corrective Actions

RSA's review of DSB's performance in this focus area resulted in the identification of the following findings and the corresponding corrective actions to improve performance. RSA is concerned about the serious nature of the identified findings and the lack of internal controls that contributed to them. It is crucial that DSB take immediate steps to address these issues to ensure current and sustained compliance with Federal requirements.

Finding 3.1 Obligations and Expenditures Not Properly Assigned to Correct Period of Performance

Issue: Does DSB meet obligation and expenditure requirements in 2 C.F.R. § 200.71 and 34 C.F.R. § 76.707. Does DSB assign 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.

Requirement: As a recipient of Federal VR and Supported Employment program funds, DSB must have procedures that ensure the proper and efficient administration of its VR and Supported Employment programs and enable DSB 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 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 (2 C.F.R. § 200.302(b)). In addition, Education Department General Administrative Regulations (EDGAR) at 34 C.F.R. § 76.702 require 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 only charge to the Federal award allowable costs incurred during the period of performance (2 C.F.R. § 200.309, see also EDGAR 34 C.F.R. §§ 76.703 and 76.709). Grantees must implement internal controls necessary 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 the 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 DSB to correctly account for VR and Supported Employment program funds so that RSA can be assured that the agency has satisfied requirements for, among other things, match (34 C.F.R. § 361.60), MOE (34 C.F.R. § 361.62), and the reservation and expenditure of VR funds for the provision of pre-employment transition services (34 C.F.R. § 361.65(a)(3)).

A financial 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. EDGAR regulations at 34 C.F.R. § 76.707 explain when a State incurs an obligation for various kinds of services and property. Expenditures must be for payment of actual obligations. Obligations must be charged to a Federal award and must occur within the appropriate period of performance. 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).

Analysis: During the review, RSA and DSB discussed the agency's ability to track and report obligations in its systems. In preparation for the review effort, RSA transmitted a document request to learn more about the agency's policies and procedures for the topic areas identified in the MTAG. A review of the policies the agency submitted in response to the period of performance topic area indicated the policy is from the Arkansas Department of Human Services (DHS) Administrative Procedures Manual, Chapter 508, titled Federal/State/Private Grant Reporting. Additional documentation from the DHS Managerial Accounting Office described an overview of managerial accounting daily cash draw and Federal grant reporting processes, but were high level and did not include detailed information pertaining to the assignment, tracking, and reporting of obligations within the context of the VR program. This policy reflects administrative procedures that DHS performed on behalf of DSB prior to its reorganization on July 1, 2019. However, DSB does not have updated procedures related to its current administrative procedures for assignment, tracking, and reporting of obligations under DWS and the State Department of Commerce.

The agency described internal controls within its systems, including the assignment of internal order (IO) numbers that help to identify funds, which generally include the agency, type of program funds including non-Federal versus Federal or other cost objective, region or administrative costs, and the year of the award. IO numbers are used in both the case management system and State accounting system (AASIS). The case management system is restricted to one IO number at a time for a spending category, limiting the funds that may be spent to the one category. For example, if the case management system has the IO number for VR Federal funds in carryover status assigned, the agency cannot spend current year of appropriation VR funds out of the system. The result is the agency must monitor spending and the Quality Assurance manager must manually change IO numbers during the year to switch between award year funds.

A description of the purchased VR services authorization process indicated that a supervisor must review and approve authorizations, and the agency indicated during the review that the date of the supervisor's approval would represent the obligation of funds. DSB described the use of purchase orders (POs) in AASIS for administrative purchases, which also include IO numbers that are assigned on execution of the PO. The agency uses an open PO report to track these open obligations. However, it was noted that the case management system and AASIS do not interface for purchased VR services, indicating that obligations for purchased service authorizations are not available in AASIS. As a result, AASIS is only capturing expenditures for purchased VR services.

Despite the appearance of AASIS and the case management system's ability to assign and track obligation data for administrative and purchased VR services, respectively, a review of the SF-425 submissions for FFY 2018 and 2019 VR awards indicated that no unliquidated obligations were reported for Federal or non-Federal funds. Discussions with the agency about this process indicated that the agency was not reporting unliquidated obligations as they existed at the end of reporting periods for different reasons. One concern stated was that obligations incurred, for example, on September 30 may fall off the books if they are not liquidated. However, the primary reason for the lack of reporting unliquidated obligations relates to a DHS cost allocation process. DSB indicated this process occurs for all costs, including direct and indirect, in the period immediately following the end of the reporting period. This results in obligations that occurred at the end of the reporting period in the case management system and AASIS not to be reported, as they were either cancelled or liquidated in the cost allocation process. DSB confirmed that the warrant detail from AASIS is what was used to compile the SF-425 reports.

RSA discussed with DSB the need for formalized written policies and procedures for period of performance and Federal reporting to ensure that unliquidated obligations are assigned and tracked in accordance with EDGAR and Uniform Guidance requirements and reported accurately on Federal financial reports. RSA discussed the requirement of accurate Federal reporting of unliquidated obligations, expenditures, and unobligated Federal and non-Federal funds, as this information is necessary for RSA to determine the extent to which VR agencies meet non-Federal share requirements of match and MOE, as well as determining whether awards qualify for a carryover year and extension to the period of performance. Without accurate information submitted on SF-425 reports, RSA is unable to determine with certainty whether these requirements have been met.

Conclusion: Based upon RSA's analysis, it has determined that DSB is not in compliance with the Federal requirements in 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 non-Federal and Federal obligations and ensure expenditures are paid from the correct Federal award for the VR award. Additionally, the agency did not have sufficient internal controls to ensure that: 1) a written policy regarding period of performance has been developed to outline the steps and procedures to assign, track and report obligations and expenditures in systems for all cost categories identified in EDGAR, to ensure they are for allowable costs under the agency's approved State plan during the period of performance of the award; and 2) all non-Federal and Federal obligations and expenditures were accurately reported on the appropriate Federal Financial Reports for the appropriate awards.

RSA is concerned that the DSB financial management system does not meet Federal requirements because the agency is not able to ensure—

- Accurate fiscal data collection and financial accountability, as required by 34 C.F.R. § 361.12;
- The proper disbursement of and accounting for Federal funds, as required by 34 C.F.R. § 76.702; and
- Non-Federal and Federal obligations and expenditures are assigned and liquidated within the period of performance of the Federal award in accordance with the award's terms and conditions, as required by 34 C.F.R. § 76.707 and 2 C.F.R. § 200.302.

As a recipient of Federal VR program funds, DSB must have procedures in place that ensure proper and efficient administration of its VR program, and that enable DSB 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 Action 3.1: RSA requires that DSB —

3.1.1 Make requisite revisions to its financial data collection and analysis process to bring it into compliance so that DSB can—
  - Account for, track, and accurately liquidate all non-Federal and Federal expenditures from the correct FFY award, commensurate with the period of performance for the corresponding obligations based on when they were assigned; and
  - Accurately report non-Federal and Federal obligations and liquidations on the SF-425 report for the corresponding period of performance for Federal awards;

3.1.2 Update and implement policies and procedures to accurately account for and report all obligations and expenditures for the cost categories identified in 34 C.F.R. § 76.707 to the correct FFY award period of performance, ensuring the policies address—
  - The assignment of non-Federal and Federal obligations to the appropriate FFY award period of performance and the liquidation of such funds based upon the assignment of the obligation;
  - The accurate reporting of unliquidated obligations, expenditures and unobligated Federal non-Federal funds on the SF-425 and recently implemented quarterly RSA-17 reports; and
  - The obligation of contract services and authorizations in the financial management system to ensure liquidations are based upon the FFY in which the contracts were obligated; and

3.1.3 Develop and implement a written internal control process, including a monitoring component, to ensure ongoing compliance with Federal requirements for the areas mentioned in corrective actions 3.1.1 and 3.1.2.

VR Agency Response: DSB concurs with the findings and agrees with the recommended corrective actions steps. DSB will update the policies and procedures to accurately account for and report all obligations and expenditures for the cost categories identified in 34 C.F.R. § 76.707. DSB agrees that the development of new internal procedures allows the agency to comply through accounting and reporting obligations and expenditures to the correct Federal grant award to ensure period of performance is addressed. DSB has identified expenditures in the Arkansas Administrative Statewide Information Accounting System (AASIS) and AWARE to ensure accurate reporting of unliquidated obligations, expenditures, and unobligated Federal and non-Federal funds on future RSA-17 reports. DSB will submit the proposed written internal procedures to RSA for review during the corrective action plan process.

RSA Response: RSA appreciates the response from DSB and its intent to make necessary revisions to its financial data collection system; update policies and procedures related to assigning, tracking, liquidating, and reporting obligations; as well as the development of internal controls identifying how the agency will ensure compliance with period of performance requirements and monitor the process over time. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests RSA technical assistance specifically with development of a cost allocation plan or indirect rate process, contract rate setting and assigned contract language.

Finding 3.2 Financial Management System and Internal Controls Fail to Ensure Supporting Documentation is Maintained

Issue: Whether DSB's financial management system and internal controls satisfy the requirements of 34 C.F.R. § 361.12, 2 C.F.R. §§ 200.302, 200.303, and 200.333, given that DSB has not maintained documents supporting the expenditure of Federal grant funds under the VR program.

Requirements: The VR regulations at 34 C.F.R. § 361.12 require DSB to employ:

> methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

Similarly, the Uniform Guidance at 2 C.F.R. § 200.302(a) requires that a State's:

> financial management system, **including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal 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 (emphasis added).

The Uniform Guidance at 2 C.F.R. § 200.303(a), in pertinent part, requires States 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."

Furthermore, 2 C.F.R. § 200.333, in pertinent part, requires:

> Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.

Analysis: On July 1, 2019, the Arkansas Transformation and Efficiencies Act of 2019 transferred DSB from the Department of Human Services (DHS) to the Department of Commerce, housing it within the Division of Workforce Services (DWS). Both before and after the reorganization, DSB was organized under State law as an independent commission, functioning as a designated State agency. Therefore, DSB must adhere to the requirements in 34 C.F.R. §361.12 related to the proper and efficient administration of the VR and Supported Employment awards.

As part of FFY 2020 review activities focused on the fiscal integrity of the VR program, RSA submitted a document request to DSB to submit information related to the expenditure of non-Federal and Federal grant funds during the review period of FFYs 2017 through 2019, including those reported on the SF-425 reports for the FFY 2019 VR award. However, despite numerous requests for documentation prior, during and after the review, DSB was unable to readily and efficiently produce documentation requested in support of SF-425 reports included in the review effort. RSA learned during the review that when DSB was housed in DHS, a DHS fiscal analyst performed most of the administrative fiscal work on behalf of DSB, even though DSB signed off on the information.

RSA requested such information initially on November 22, 2019, in its notification to DSB of the FFY 2020 review, requesting a due date of January 15, 2020. Due to unforeseen circumstances out of the control of RSA and DSB, the on-site monitoring effort was postponed, until RSA determined in July 2020 that offsite reviews would be conducted for VR agencies in FFY 2020. In August, RSA resumed discussions with DSB related to the document request. In an email sent to DSB on September 4, 2020, RSA followed up and specifically requested fiscal documentation and clarification, including, but not limited to—

- A breakdown of the total match reported for each of the three FFYs (2017-2019) identifying the amount of match expended from each source (e.g., State appropriation, Randolph-Sheppard set-aside, other sources). (The match supporting documentation seems to include the appropriations bill, Randolph-Sheppard expenditures from the RSA-15, and what appears to be program income.)
- Accounting documentation of the match demonstrating when the non-Federal share was obligated, expended, and for what costs for each of the three FFYs.
- The total match, source, and accounting of the Supported Employment program award reserved to serve youth with disabilities match for FFYs 2017-2019.
- Supporting documentation for how the data for three SF-425 reports was processed from the State accounting system and case management system into the reports. State accounting documentation should be sufficient to demonstrate where, when, and on what were obligations and expenditures made for the various data elements on the forms. RSA requested the reports and data used to populate the SF-425 reports.

During fiscal review sessions on October 13, 2020, RSA and DSB began discussions about supporting documentation related to the September 30, 2019 SF-425 report for the FFY 2019 VR award. One such question included Federal unliquidated obligations for which the agency was unable to produce information to address the data reported during the review session. The agency provided documentation regarding Federal funds to RSA on October 28, 2020. Regarding the non-Federal share of the VR program, the required amount is based on a percentage of the total allowable costs incurred under the VR program, and 34 C.F.R. § 361.12, and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333 require DSB to maintain documentation supporting the allowability of these non-Federal expenditures used for match purposes under the VR program. In addition to the requests for documentation described above, RSA requested specific documentation related to match of the VR program in the October 27, 2020 fiscal session. DSB indicated that the records were housed in DHS and the agency was trying to contact someone to provide the data, but there had been significant turnover within DHS making it difficult to get the supporting documentation. DSB eventually submitted documentation to the RSA review team on November 24, 2020.

While it appears, based on DSB's assertions and signatures on the SF-425 report, that DSB was directly involved in submission of the SF-425 reports while it was housed under DHS, such actions are not sufficient to establish that DSB maintained administrative procedures – including those regarding financial management, internal control procedures, and maintenance of supporting documentation – to ensure that it employed methods of administration necessary for the proper and efficient administration of the VR program and for carrying out all functions under the program. Operating as a DSA, DSB must ensure it employs methods of administration that include procedures necessary to ensure financial accountability (34 C.F.R. § 361.12). Furthermore, as a Federal grantee, DSB also must ensure that its financial management system and internal controls satisfy the Uniform Guidance requirements in 2 C.F.R. §§ 200.302 and 200.303. Among those requirements, DSB must be able to ensure that it maintains records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award 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.

Since DSB was not able to demonstrate to RSA that it maintains control over its own supporting documentation, DSB has not demonstrated compliance with 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302, 200.303, and 200.333. Additionally, the inability to manage and control its data affects DSB's efforts to effectively manage the VR program, including its ability to collect and report timely and accurate information consistent with the Federal requirements and terms and conditions of the award.

Conclusion: DSB has not exercised the requisite methods of administration, financial management, or internal controls necessary to ensure financial accountability and the proper expenditure of funds for these projects. As mentioned above, 34 C.F.R. § 361.12 requires DSB to employ methods of administration that ensure the proper and efficient administration of the VR program, including financial accountability. Moreover, 2 C.F.R. §§ 200.302 and 200.303 require DSB to implement financial management and internal control procedures necessary to ensure the proper expenditure of program funds for allowable program costs. These procedures must include the retention of supporting documentation for the expenditures pursuant to 2 C.F.R. § 200.333.

Corrective Action 3.2: RSA requires that DSB develop and implement appropriate internal controls that ensure administrative procedures related to financial management, internal controls, and record retention specific to the maintenance of supporting documentation for data collected and reported satisfy Federal requirements at 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333.

VR Agency Response: DSB concurs with the findings and agrees with the recommended corrective actions steps. DSB agrees with the importance of internal control to measure requirements outlined in 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333. DSB is working to ensure that written processes, procedures, and internal controls meet Federal requirements since the transfer to the Department of Commerce Division of Workforce Services. The agency will provide required policy updates as part of the corrective action process.

RSA Response: RSA appreciates DSB's intent to develop and implement appropriate internal controls that ensure administrative procedures related to financial management and record retention specific to the maintenance of supporting documentation for data collected and reported. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA and VR TAC QM to ensure administrative procedures for fiscal internal controls and policy revisions meet Federal requirements outlined in 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302(a), 200.303(a), and 200.333.

Finding 3.3 Internal Control Deficiencies – Rates of Payment, Financial Reporting, and Personnel Costs

Issue: Does DSB maintain effective internal control over the Federal award to provide reasonable assurance that the agency is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award, including controls related to rates of payment for purchased VR services, financial reporting, and tracking personnel costs.

Requirements: A State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These methods of administration (i.e., the agency's internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12).

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

- Effectiveness and efficiency of operations;

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

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

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

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

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

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

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

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

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

A. Reasonableness of Rates of Payment for VR Services – During discussions with DSB management and a review of the agency's policies regarding VR services, RSA learned that DSB has a fee schedule that identifies the rates it uses for assigning costs to purchased VR services. The fee schedule referenced sections in the VR Field Services Manual that identified costs for specific goods or services. The language identified hourly rates and fees for various services, as well as a Diagnosis and Treatment section indicating the agency uses the Medicare non-facility limiting fee plus 10 percent to set Current Procedure Terminology (CPT) code service costs. It was noted that some of the hourly rates appear to be below the State's minimum wage. DSB provided RSA the Financial Guidelines for Purchased Services manual from DHS, where DSB previously was housed, before the July 1, 2019 reorganization. The document is from 2011, refers to DHS processes, and does not refer to the VR program generally, or any specific statutory or regulatory VR provisions. Additionally, DSB provided no documentation illustrating the implementation of a policy or process governing rates of payment for VR services. As a result, DSB does not have a current, written process or procedure outlining how rates of payment are determined for purchased VR services, and no way to demonstrate that rates of payment for VR services represent reasonable costs (2 C.F.R. § 200.404) and are determined consistent with VR requirements (34 C.F.R. § 361.50).

Federal regulations require DSB to establish procedures that enable it to administer the VR program in an efficient manner to ensure it can carry out all VR functions properly (34 C.F.R. § 361.12). Furthermore, Uniform Guidance provisions at 2 C.F.R. § 200.303(b) require DSB to establish internal controls that ensure the agency complies with all Federal requirements. DSB also must establish and maintain written policies that govern the rates of payment for all purchased VR services (34 C.F.R. § 361.50(c)(1)). The Federal cost principles require that costs be allowable, reasonable, and allocable to the program (2 C.F.R. §§ 200.403 through 200.405). To be allocable to a program, the cost must be relative to the benefit received (2 C.F.R. § 200.405(a)). Because DSB does not have written policies that sufficiently govern the rate-setting methodology DSB uses to assign costs for purchased VR services, and it has no clear guidelines for staff members to follow in determining when to authorize rates of payment for VR services, including rates included in contracts, DSB cannot ensure that all expenditures incurred for the provision of purchased VR services are allowable, reasonable, and allocable to the VR program. Therefore, DSB cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, DSB has not complied with the VR administration and internal control requirements set forth at 34 C.F.R. § 361.12 and 2 C.F.R. § 200.303(b), respectively.

B. Federal Financial Reporting – RSA requested documentation from DSB as part of its review activities, including those for various policies and procedures. RSA received the

Overview of Managerial Accounting Daily Cash Draw and Federal Grant Reporting Process policy. A review of this policy indicated the Managerial Accounting office referenced was part of DHS, the State department where DSB was formerly housed, prior to its July 1, 2019 reorganization. It is RSA's understanding that the DSB relied on DHS and the Managerial Accounting office to conduct many of the activities for operating and administering the VR program, including the preparation of Federal financial reports. The DHS policy included language about the development of specific policies, procedures, and internal controls for Federal reporting for grant awards that require additional monitoring, are complex in nature, or require additional reporting for compliance. Attachment B of this document applied to the Federal Grant Reporting Process. A review of the attachment yielded no further instructions specific to the VR program and its reporting requirements. The additional document that DSB provided regarding reporting was RSA's own Policy Directive (PD)-18-01, which is guidance for completing the SF-425 report for the State Supported Employment Services program.

During RSA's review of Federal financial reports, RSA learned that DSB staff have completed recent SF-425 reports due after the reorganization, with assistance from general agency staff working on administrative activities that benefit DSB. However, these reports were not completed following a formalized written policy and procedure. As a result, the agency does not have a comprehensive written policy or procedure describing how it will synthesize data from the case management system and State accounting system to generate reports including the SF-425 and RSA-2 reports. The use of SF-425 PDs issued by RSA may assist with identifying the category of data for each element within SF-425 reports. However, during the review RSA discussed the importance of developing specific VR reporting policies and procedures necessary to operationalize how data from the VR agency's case management system, State accounting system, and other relevant sources are systematically compiled, calculated, and reported to meet the requirements of the data elements in the VR SF-425 report. Such procedures are necessary for all Federal reports (e.g., SF-425, RSA-17, RSA-911) to ensure DSB meets Federal requirements consistent with RSA reporting guidance, Uniform Guidance, and terms and conditions of the award. Additionally, such policies will not only ensure accuracy of reporting, but assist DSB with training new staff and conducting succession planning activities.

Uniform Guidance requirements at 2 C.F.R. § 200.302(a) require that a State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and 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. As discussed in Finding 3.1, the agency has not been accurately reporting unliquidated obligations on SF-425 reports. A comprehensive period of performance policy will help inform DSB's Federal reporting policies, to ensure all obligations are reported consistent with EDGAR 34 C.F.R. § 76.707. Additionally, the agency has not been reporting all non-Federal share on Federal reports, as discussed in Finding 3.5. Furthermore, the agency reported program income using the Deduction alternative on the SF-425 report. RSA clarified that DSB can only report using the Addition alternative, as the Department of

Education has clarified that the Deduction alternative is no longer an option for Department grantees to ensure program income funds earned supplement program efforts. DSB should include language in its policies to outline procedures and internal controls to ensure accurate Federal financial reporting.

As described above, DSB cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, DSB has not complied with the VR program provisions and internal control requirements set forth at 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4). RSA reminded DSB that the implementation of robust policies and procedures to submit SF-425 reports should be replicated as it develops policies for the RSA-17, incorporating the instructions in Dear Colleague Letter (DCL)-20-02 that RSA published on August 13, 2020.

C. Personnel Cost Allocation – During the review, RSA discussed with DSB its procedures for tracking personnel time across cost objectives. The agency shared its personnel activity reports (PARs) with RSA, describing how staff track time to various cost objectives. The PAR is a spreadsheet that contains a Summary tab where staff can enter time worked on various programs during the pay period, a Detail tab for describing work on cost objectives, and an Instructions tab with some notes to help staff enter data. However, the limited instructions have not been formalized into a more comprehensive policy to provide instructions to staff regarding data entry. In addition, RSA learned that leave is allocated based on a default code with a preset allocation and is not allocated based on time spent working on all programs across a sample timeframe to accurately capture time spent working on all programs. RSA further clarified that to allocate leave based on proportionate use, a sample time period for PARs must be large enough to offset variances that may occur in personnel hours worked on programs in a given pay period when the leave is taken. Regardless, the use of a default code to allocate leave is not consistent with Uniform Guidance requirements to ensure the leave is allocated to all benefiting programs relative to benefits received (2 C.F.R. § 200.431(b)).

Federal regulations require DSB to establish procedures that enable it to administer the VR program in an efficient manner to ensure it can carry out all VR functions properly (34 C.F.R. § 361.12). Furthermore, Uniform Guidance provisions at 2 C.F.R. § 200.303(b) require DSB to establish internal controls that ensure the agency complies with all Federal requirements. The Federal cost principles require that costs be allowable, reasonable, and allocable to the program (2 C.F.R. §§ 200.403 through 200.405). To be allocable to a program, the cost must be relative to the benefit received (2 C.F.R. § 200.405(a)). Uniform Guidance provisions at 2 C.F.R. § 200.431(b)(2) require leave costs to be equitably allocated to all related activities, including Federal awards.

Because DSB does not have written policies addressing the methodology DSB uses to track personnel costs and allocate leave, DSB cannot ensure that all expenditures incurred for the provision of VR services are allowable, reasonable, and allocable to the VR program. Therefore, DSB cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, DSB has not complied with the VR administration and internal control requirements set forth at 34 C.F.R. § 361.12 and 2 C.F.R. § 200.303(b), respectively.

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

Specifically, internal control deficiencies exist for developing rates of payment and tracking personnel costs to ensure that expenditures reported are accurate, reasonable, allocable, and allowable, in accordance with 2 C.F.R. §§ 200.403-200.405, and deficiencies exist for tracking accounting and reporting program and fiscal data for service provision accurately on the RSA-2 or RSA-911 reports.

Corrective Action 3.3: RSA requires that DSB—

3.3.1 In the first quarterly update after approval of the CAP, develop and implement policies and procedures to—
- Govern determination of rates of payment for all purchased VR services, including those procured through contracts;
- Accurately collect and report program and fiscal data on Federal Financial and performance reports, including the SF-425, RSA-17 and RSA-911 reports, which reflect the actual costs per services provided per student receiving required pre-employment transition services activities and other VR services; and
- Instruct staff regarding procedures for completion of PARs and identify methodologies to allocate leave costs based on a sufficient timeframe that reflects proportionate use and relative benefits received by programs; and

3.3.2 In the first quarterly update after approval of the CAP, develop and submit to RSA comprehensive written policies and procedures to—
- Outline the specific processes describing how DSB will synthesize data from the case management system and State accounting system to generate reports including the SF-425, RSA-911 and RSA-17 reports;
- Develop, review and submit Federal reports, including, but not limited to, the SF-425, RSA-911 and RSA-17.

VR Agency Response: DSB concurs with the findings and agrees with the recommended corrective actions steps. DSB concurs that a process for determining rates of payment for all services and established rates are necessary to improve implementation. As part of the review process, DSB has requested technical assistance from RSA in developing effective methodologies for developing rates of payment.

DSB’s Quality Assurance team currently has a process in place for reviewing and submitting the RSA 911 prior to submission. This process works to identify anomalies and errors prior to submission to RSA. This review also provides feedback on future training and potential internal controls. The RSA 911 Procedures document was provided to RSA during the monitoring visit.

As mentioned on page 32, DSB staff currently use the PARS form to complete and track work on each grant. Staff in the agency were also provided email guidance to explain the documents to ensure implementation instructions were clear. This guidance has been added to the Instructions Tab of the PARS document. The information has also been added to the DSB SharePoint site for reference by staff.

RSA Response: RSA appreciates DSB’s intent to develop and implement internal controls and policies and procedures related to rates of payment for VR services; accurate collection and reporting program and fiscal data on Federal Financial and performance reports, including the SF-425, RSA-17 and RSA-911 reports; and the accurate tracking, allocation and reporting of personnel time. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA and VR TAC QM to revise the current rate payments procedures. Also, DSB requests technical assistance to improve PARS and leave procedures.

Finding 3.4 Lack of Internal Controls for the Development, Implementation, and Monitoring of Contracts

Issue: Does DSB maintain effective internal control over the Federal award to provide reasonable assurance that the agency is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award, including controls related to developing, implementing and monitoring contracts.

Requirements: In accordance with Uniform Guidance at 2 C.F.R § 200.327, a non-Federal entity's contracts must contain the applicable provisions described in Appendix II (Contract Provisions for Non-Federal Entity Contracts Under Federal Awards).

NOTE: Below are summaries or references to the required contractual provisions in Uniform Guidance. The VR agency should refer to Appendix II and individual citation references for the full text in its review of the applicable provisions that should be incorporated into the terms and conditions of each of its contracts.

(A) Contracts for more than the simplified acquisition threshold must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate.

(B) All contracts in excess of $10,000 must address termination for cause and for convenience by the non-Federal entity including the manner by which it will be effected and the basis for settlement.

(C) Equal Employment Opportunity.

(D) Davis-Bacon Act, as amended. When required by Federal program legislation, all prime construction contracts in excess of $2,000 awarded by non-Federal entities must include a provision for compliance with the Davis-Bacon Act. In accordance with the statute, contractors must be required to pay wages to laborers and mechanics at a rate not less than the prevailing wages specified in a wage determination made by the Secretary of Labor.

(E) Contract Work Hours and Safety Standards Act. Where applicable, all contracts awarded by the non-Federal entity in excess of $100,000 that involve the employment of mechanics or laborers must include a provision for compliance that each contractor must be required to compute the wages of every mechanic and laborer on the basis of a standard work week of 40 hours. Work in excess of the standard work week is permissible provided that the worker is compensated at a rate of not less than one and a half times the basic rate of pay for all hours worked in excess of 40 hours in the work week.

(F) Rights to Inventions Made Under a Contract or Agreement.

(G) Clean Air Act.

(H) Debarment and Suspension. A contract award must not be made to parties listed on the governmentwide exclusions in the System for Award Management (SAM), in accordance with the OMB guidelines.

(I) Byrd Anti-Lobbying Amendment. Contractors that apply or bid for an award exceeding $100,000 must file the required certification.

(J) See §200.323 (Procurement of recovered materials.).

(K) See §200.216 (Prohibition on certain telecommunications and video surveillance services or equipment.).

(L) See §200.322 (Domestic preferences for procurements.).

In addition, refer to the Requirements section of Findings 3.2 and 3.3 for VR regulatory and Uniform Guidance citations related to the administration, financial management and internal control requirements specific to the VR program and grants in general (34 C.F.R. § 361.12, 2 C.F.R. §§ 200.61, 200.62(a)(3), 200.302(a), 200.302(b)(4), and 200.303).

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

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

A. Lack of Contractual Internal Controls – During the review, RSA discussed with DSB staff and reviewed contracts for purchased consumer services, including sample invoices and supporting documentation from different contracts. DSB provided documents from the three-year period of review, and RSA noted that the various contracts provided by DSB were titled and structured quite differently, including State Contract Award, Sub-Grant Agreement, Services Agreement, and a Memorandum of Agreement (MOA).

RSA discussed the definition of a contract, as identified in Uniform Guidance, as a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. RSA reminded DSB that while Uniform Guidance indicates States must follow the same policies and procedures it uses for procurements from its non-Federal funds, DSB must also ensure all DSB procurement documents meet programmatic and fiscal contractual requirements, including those in Appendix II of Uniform Guidance, as well as VR-specific requirements. Generally, the review of the contracts identified a need to strengthen the identified responsibilities of DSB and CRPs/vendors to ensure that the VR agency is receiving what it requires of vendors, including services delivered and supporting documentation of services provided.

The State Contract Award document included the most comprehensive terms and conditions, including requirements identified in Appendix II of Uniform Guidance. It should be noted that this contract was not for purchased services for VR participants. RSA encouraged DSB to review the terms and conditions carefully to ensure all appropriate Appendix II contractual requirements were included.

RSA expressed concern to DSB regarding the Sub-Grant agreement. RSA reminded DSB that based on the application of EDGAR requirements in 34 C.F.R. § 76.50 to the VR program, VR funds may neither be granted nor subgranted (subawarded), and the VR program does not have subrecipients. Furthermore, the subgrant document provided by DSB indicated that the scope of work was to have Centers for Independent Living (CILs) function as conduits for VR services and consumer information, conducting outreach activities to persons from minority populations who are blind or severely visually impaired. Described as a minority outreach grant, the language indicated the activities were authorized under Title VII of the Rehabilitation Act (Independent Living). However, the language and agreement clearly identified the State Vocational Rehabilitation award (CFDA 84.126A) as the funding source. RSA pointed out the discrepancy in the contractual language, but DSB responded by indicating this contract is no longer operational. It should be noted that this contract was not for purchased services for VR participants.

The World Services for the Blind MOA contract is used for the purchase of pre-employment transition services. It did not contain a specific terms and conditions section but included an Assurances section at the beginning of the document, as well as Compliance and Monitoring, Implementation and Termination, and Cancellation Clause sections at the end of the document. RSA encouraged DSB to review the MOA carefully to ensure all appropriate

Appendix II contractual requirements were included. Additional review of the document identified the five required activities under pre-employment transition services, including four milestone payments that appeared to combine some of the required activities together (e.g., Milestone 2 included independent living (work readiness) and self-advocacy modules; and Milestone 4 included job exploration and work experience). RSA's review of the authorization and invoice provided by DSB for the MOA resulted in further concerns. A sample authorization and invoice submitted by the vendor referenced Module 5 and indicated it was for work readiness training. There are only four milestones in the MOA, and the third milestone includes workplace skills training. DSB provides contractors with a Student Pre- and Post-Survey for each student, which includes a description indicating that the surveys are to gain an understanding of work readiness knowledge. However, additional language indicates the survey should address all five required activities, despite authorization for only work readiness training and an invoice confirming only work readiness training was provided. The completed survey addressed areas other than work readiness. In addition, the survey indicated the student participated in two work-based learning experiences, again, with only work readiness training authorized. However, there was no further information provided by the contractor that would permit DSB to calculate and report how much of the $3,700 milestone was allocable to any of the specific five required pre-employment transition services activities.

DSB provided two additional documents as contracts, identified as an Application to provide Pre-Employment Transition Services. The Purpose section of the documents for both CRPs (Challenge Solutions and Superior Success) identified the provision of the five required pre-employment transition services activities. RSA did not receive specific signed, executed contracts for these two CRPs to review terms and conditions, scope of work, responsibilities, etc. However, a review of sample authorizations, invoices, and supporting documentation for the two CRPs revealed some concerns. A review of the Challenge Solutions documents identified a sample authorization for workplace readiness training. The submitted invoice also indicated the CRP provided only workplace readiness training. Similar to the MOA described above, a progress report was completed by the CRP. The progress report includes a description indicating that the progress reports are to gain an understanding of work readiness knowledge but goes on to say the report should address all five required activities, despite authorization only for work readiness training and an invoice indicating only work readiness training was provided. The completed progress report addressed areas other than work readiness. In addition, the survey indicated the student participated in a work-based learning experience, despite the authorization for only work readiness training. Furthermore, there was no detailed information provided that would permit DSB to calculate and report how much of the $1,000 payment was allocable to any of the specific five required pre-employment transition services activities. A similar review of the Superior Success authorization identified an authorization and invoice for workplace readiness training. As with Challenge Solutions, a progress report was submitted that specified workplace readiness should be assessed, but also reported out on all five required activities, including work-based learning experiences, even though they were not authorized. Additional language in the vendor application indicated that self-advocacy will be embedded into all five of the pre-employment transition service modules, further complicating the ability of the CRP and DSB to ascertain the amount of expenditures for each required activity. No additional narrative or supporting documentation was provided to determine how much of the $1,000 payment should be allocated to each of the required activities.

Lastly, the Service Agreement documents are one-page documents that do not contain many of the required contract requirements as identified in Appendix II of Uniform Guidance, and RSA is unsure how these documents would meet State procurement requirements without any substantive terms and conditions. DSB indicated that these documents are agreements generated for each provider of services. A review of the narrative indicates that the services listed include a blend of pre-employment transition required activities and supported employment activities. RSA clarified with DSB that the provision of pre-employment transition services and supported employment services do not overlap. Further review of the document identifies four milestones that reflect various activities, including: $1,000 for referral; $3,000 for job placement; $1,000 for 30 days after placement; and $3,000 for 90-day stabilization. RSA clarified with DSB that if these milestones are for supported employment, only the 30 and 90-day post placement activities may be paid with Title VI Supported Employment award funds, and the referral and placement costs must be paid with VR funds, as Supported Employment award funds are for ongoing support or extended services for individuals who are already in a supported employment position. The document failed to clarify how the $1,000 for referral was benefitting the VR agency.

Similar to other contracts, RSA noted concerns on authorizations generated by DSB. In some instances, the services described on the authorization included multiple services that did not align with the milestone fee. One Ed Davis service agreement authorization for $1,000 included, under the Service Authorization - Description section, Job Services On-The-Job Supports-Supported Employment Referral Fee, which seems to imply that referral and placement services are included, but the $1,000 fee is only for referral. A second example authorization for $1,000 included both job placement assistance and 30 days, which are separate milestones with different service fees. Additionally, a third example authorization for $3,000 included both job placement assistance and 90 days on the job, which are also separate milestones. This lack of clear and consistent service description on authorizations demonstrates deficient internal controls related to the development and approval of authorizations for purchased VR services.

RSA's general review of the contracts indicated that the scope of work, responsibilities, supporting documentation, and invoice requirements are not structured in such a manner that clearly identifies how services that DSB is purchasing are provided by the contractor/CRP. The documentation does not describe how the CRP will provide services to students, track service provision to each student, and provide detailed supporting documentation back to DSB to demonstrate services were provided at the minimum standard that DSB expects. In addition, there is no mechanism within the review of submitted invoices and supporting documentation sufficient for DSB to ensure full payment is warranted to the contractor, or to accurately report the amount of funds spent per service per student on RSA-911 and RSA-2 reports. RSA stressed that contractual language must be consistent with the Uniform Guidance requirements in 2 C.F.R. § 200.302(a), requiring that a State's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions, and 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. However, a review of the contract language developed by DSB and supporting documentation submitted by vendors demonstrated these requirements are not met on a consistent basis.

While not specifically required by the Uniform Guidance, RSA discussed throughout the review the need for DSB to ensure that contract scopes of work include clear and consistent language, outlining the responsibilities of DSB and the CRP/contractor to meet Uniform Guidance requirements. Such language should include not just identification of each service provided in the contract, but the requirements of the CRP/contractor to track the cost and provision of each service to each individual and submit information sufficient to determine if services are provided in a manner that meets DSB's expectations and requirements. The contract language should include programmatic requirements of each service, fiscal requirements for payment, and details to meet reporting requirements on all reports, including the SF-425, RSA-2, and RSA-911, the latter two reports requiring the reporting of expenditures per service per individual. While DSB indicated it reviews invoices for payment, a written policy or procedure for review of supporting documentation and invoices submitted by CRPs is necessary to structure how DSB reviews invoices and supporting documentation, whether the documentation meets the contracts standards, and the extent to which the CRP should be paid full, partial or no payment. These standards may be built into the contract provisions and will enhance DSB's ability to effectively manage the VR and Supported Employment programs.

Due to the lack of internal controls surrounding contract development and management, DSB cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, DSB has not complied with the VR program provisions and internal control requirements set forth at 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4).

B. Contract Monitoring – The Uniform Guidance at 2 C.F.R. § 200.303(c) requires grantees to implement internal controls sufficient to ensure the grantee evaluates and monitors the agency's activities to ensure compliance with Federal requirements. In addition, 2 C.F.R. § 200.328(a) requires DSB to be responsible for the operation of all grant-supported activities. VR program implementing regulations at 34 C.F.R. § 361.12 require DSB to employ methods of administration necessary for the proper administration and for carrying out all functions under the State Plan. These methods include procedures to ensure accurate data collection and financial accountability. As such, DSB must monitor and evaluate grant-supported activities to ensure compliance of all activities performed under the VR program. As part of the preparatory review effort, RSA sent a document request to DSB for information related to the review topics in the MTAG. For the request related to contract monitoring (Section VI.4.C and D), the agency primarily indicated that it has some processes to review of authorizations and invoices. The document request results included a DHS Introduction to the Financial Guidelines for Purchased Services, but this information is not relevant to DSB at this time and did not include any specific contract monitoring that DSB would conduct. As a result, the agency did not provide sufficient policies and procedures for contract monitoring, and discussions with the agency during the review effort and the VR response to the document request confirmed the agency did not have any current samples of completed monitoring at the time of the review. The agency staff acknowledged the need to develop a more robust contract monitoring protocol, and to conduct contract monitoring in a more structured and formal manner, incorporating programmatic elements along with legal and fiscal requirements.

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

Specifically, internal control deficiencies exist for developing contracts, monitoring contracts, reviewing and approving invoices and supporting documentation, which does not permit DSB to ensure all costs charged to the contracts are reasonable, necessary, allocable, and allowable under the VR program, as required by Federal cost principles in Uniform Guidance. DSB does not have mechanisms to monitor and reconcile contracts reimbursed with Federal funds, to ensure that expenditures reported are accurate, allocable, and allowable, in accordance with 2 C.F.R. § 200.405, or to track, account, and report program and fiscal data for service provision accurately on the RSA-2 or RSA-911 reports.

Corrective Action 3.4: RSA requires that DSB—

3.4.1 By the second quarterly update after approval of the CAP, develop and implement written policies and mechanisms governing the development of contracts to ensure –

- Contracts follow a clear and concise development process, consistent with State and Federal requirements, outlining a scope of the specific services the contractor will provide, measurable goals, objectives and expected outcomes, and tracking and reporting requirements of the contractor to ensure DSB has data sufficient to meet VR service provision and Federal reporting requirements; and
- Costs for all pre-employment transition services required activities provided through contracts and VR services are allocable and allowable in accordance with 2 C.F.R. § 200.405 and Sections 110(d)(1) and 113 of the Rehabilitation Act; and

3.4.2 By the second quarterly update after approval of the CAP, develop and implement written policies and procedures governing the oversight of grant-supported activities, as required by 2 C.F.R. § 200.328(a), particularly with respect to—

- Requiring uniform requirements and tools CRPs/contractors can use to submit expenditures and supporting documentation that accurately tracks non-Federal and Federal activities, and reflects costs and services provided under pre-employment transition services and VR services;
- Contract monitoring steps, schedules and instruments to ensure that programmatic and fiscal performance expectations are achieved, and procedures to identify

contractual performance deficiencies and establish corrective action plans for contractors; and

- Staff members' review of invoices prior to and during payment processing including confirmation that supporting documentation sufficiently demonstrates the contractor is meeting the deliverables and requirements of the contract.

VR Agency Response: DSB concurs that all contracts should contain uniform requirements for service providers that outline the scope of services to be provided. DSB appreciates the technical assistance provided by RSA during the monitoring review on this topic. DSB will initiate a review of all contracts, create, and implement written policies and mechanisms governing the development of contracts to ensure all **c**osts for VR services are allocable and allowable.

RSA Response: RSA appreciates DSB's intent to develop and implement internal controls and policies and procedures related to the development of contracts to ensure all Federal requirements are met and the oversight of grant supported activities, including a contract monitoring process. RSA looks forward to working with DSB to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA and VR TAC QM to develop policy and procedures for contracts. In addition, DSB requests technical assistance to develop monitoring processes used by the agency

Finding 3.5 Maintenance of Effort (MOE) Reporting

Issue: Whether the VR agency reported all allowable non-Federal expenditures under the VR program as instructed on its SF-425 reports which RSA uses to determine whether the agency satisfies its match and MOE requirements under the VR program.

Requirement: Section 101(a)(3) of the Rehabilitation Act requires that the VR services portion of the Unified or Combined State Plan assure that the State will provide the non-Federal share (21.3 percent) "of **the cost** of carrying out [the VR program]" (emphasis added). In addition to the match (non-Federal share) requirement, Section 111(a)(2)(B) of the Rehabilitation Act requires the State to satisfy an MOE requirement:

> (B) The amount otherwise payable to a State for a fiscal year under this section shall be reduced by the amount by which expenditures from non-Federal sources under the State plan under this title for any previous fiscal year are less than the **total of such expenditures** for the second fiscal year preceding that previous fiscal year (emphasis added).

The VR regulations at 34 C.F.R. § 361.62 reinforce that MOE is calculated based on the total non-Federal expenditures incurred under the VR program:

> (a) General requirements. The Secretary reduces the amount otherwise payable to a State for any fiscal year by the amount by which the **total expenditures** from non-Federal sources under the vocational rehabilitation services portion of the Unified or Combined State Plan for any previous fiscal year were less than the **total of those expenditures** for the fiscal year two years prior to that previous fiscal year (emphasis added).

All non-Federal costs incurred by the VR agency must be allowable, reasonable, and allocable under the VR program in accordance with 2 C.F.R. §§ 200.403 through 200.405. In addition, all costs must be verifiable (2 C.F.R. § 200.306(b)(1)).

Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) outline the allowable VR program expenditures that States can make on services to groups related to the Business Enterprise Program (BEP) (including the vending facilities operated under the Randolph-Sheppard Act, 20 U.S.C. § 107, et. seq. (R-S Act)) with Federal VR funds, and therefore with non-Federal funds used for match and MOE purposes under the VR program. Specifically, Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) make clear that the following VR services to groups are allowable under the VR program:

> 1) Management services and supervision[1] provided by the VR agency; 2) The acquisition by the VR agency of vending facilities or other equipment; 3) The purchase of initial stocks and supplies during the initial establishment period not to exceed six months; and 4) Initial operating expenses during the initial establishment period not to exceed six months.

Section 107(b)(3) of the R-S Act permits States to set aside from the net proceeds of the operation of vending facilities in the State, funds that may be used by the State for certain purposes set forth in the law and described more fully in the regulations at 34 C.F.R. § 395.9. Pursuant to 34 C.F.R. § 395.1(s), "Set-aside funds" means funds which accrue to a State licensing agency (SLA) from an assessment against the net proceeds of each vending facility in the State's vending facility program and any income from vending machines on Federal property which accrues to the SLA. 34 C.F.R. § 395.9(b) provides that funds may be set aside only for the purposes of—

(1) Maintenance and replacement of equipment;
(2) The purchase of new equipment;
(3) Management services; [2]
(4) Assuring a fair minimum return to vendors; or

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[1] The VR regulations at 34 C.F.R. § 361.49(a)(5)(i) makes clear that "management services and supervision," for purposes of the VR program, "includes inspection, quality control, consultation, accounting, regulating, in-service training, and related services provided on a systematic basis to support and improve small business enterprises operated by individuals with significant disabilities. Management services and supervision may be provided throughout the operation of the small business enterprise."

[2] The definition of "management services," for purposes of the R-S Act at 34 C.F.R. § 395.1(j), is "Management services means supervision, inspection, quality control, consultation, accounting, regulating, in-service training, and other related services provided on a systematic basis to support and improve vending facilities operated by blind vendors. Management services does not include those services or costs which pertain to the ongoing operation of an individual facility after the initial establishment period." The definition of "Management services and supervision" in the VR regulations is almost the same, except that management services may be provided throughout the operation of the small business enterprise, rather than only for the initial establishment period. (34 C.F.R. § 361.49(a)(5)(i)).

(5) The establishment and maintenance of retirement or pension funds, health insurance contributions, and provision for paid sick leave and vacation time….

In comparing the requirements governing allowable services to groups under the VR program and allowable uses of set-aside funds under the R-S Act regulations, there are four categories of expenditures from a State's set-aside funds under the State's R-S vending facility program, in accordance with 34 C.F.R. § 395.9, that are also allowable VR expenditures for services to groups under 34 C.F.R. § 361.49(a)(5): maintenance of equipment[3]; replacement of equipment; the purchase of new equipment; and management services. RSA's PAC-89-02 (January 3, 1989) and PD-99-05 (March 19, 1999) are consistent with the statutory and regulatory requirements just described with respect to the use of a State's R-S Act vending facility program set-aside funds for allowable VR program purposes, including for satisfying match and MOE requirements.

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

Analysis: During the review, RSA and DSB discussed the non-Federal expenditures (*i.e.*, Recipient Share on Line 10j) reported on the agency's SF-425 reports for the VR program, which RSA uses to determine whether the State of Arkansas has satisfied the match and MOE requirements under the VR program. While reviewing the reported non-Federal expenditures, RSA and DSB also reviewed the sources of those reported non-Federal expenditures, including non-Federal expenditures paid by DSB with set-aside funds generated under the State's R-S Act vending facility program and reported on the RSA-15, as it can do in its capacity as an SLA for that program. As part of its review, RSA requested documentation from DSB from all sources of match. DSB submitted copies of the RSA-15 reports for FFYs 2017 through 2019 (*i.e.*, the period covered by this review), which indicated set-aside funds were expended each year on activities that are allowable VR activities that benefit services to groups under Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5). In addition, DSB submitted to RSA a document identifying non-Federal expenditures for FFY 2019, incurred from October 1, 2018 through September 30, 2019, that comprise the FFY 2019 MOE expenditures (hereinafter referred to as the "FFY MOE Expenditures"), after the scheduled review sessions were completed. The document included both direct expenditures pulled from the State accounting system (AASIS) and indirect expenditures that resulted from the quarterly cost allocation process used while DSB was located in DHS. The document reflected queries for internal order numbers

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[3] Although "maintenance of equipment" is not specifically authorized under section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) for purposes of the VR program, such expenditures are allowable with Federal funds under 2 C.F.R. § 200.452 when those costs are necessary to keep the equipment in an efficient operating condition, so long as the costs do not add to the permanent value of the property or appreciably extend its intended life. Therefore, Federal VR funds, as well as non-Federal funds used for match purposes, may be used to pay for maintenance of equipment costs, consistent with the Federal cost principles at 2 C.F.R. §§ 200.403 through 200.405.

HQ1X and BQ1X, representing non-Federal expenditures used toward satisfying the State's MOE requirement under the VR program for the first three quarters of FFY 2019 at DHS, and the last quarter of FFY 2019 at DWS, respectively, after DSB moved from DHS to DWS on July 1, 2019. A review of the expenditures queried from AASIS, the State accounting system, indicated the expenditures generally fell into two categories: DSB administrative payments; and participant services payments, but the documentation did not identify any costs reported for expenditures of the State's R-S Act vending facility program set-aside funds that would be allowable as non-Federal share under the VR program and which should have been reported as such on Line 10j of the SF-425s. Discussions with DSB during the review period revealed that DSB has only been reporting the non-Federal expenditures from the cost allocation process as non-Federal share on line 10j of the SF-425s. DSB informed RSA that it had not been reporting set-aside expenditures because they were not necessary to satisfy the State's match or MOE requirement for the VR program.

Further review of the FFY 2019 MOE expenditures indicated that, in fact, at least $2,162,220 in non-Federal expenditures were spent benefitting the VR program. This amount is $376,714 more than the $1,785,506 reported in line 10j of the 9/30/2019 SF-425 report for DSB's FFY 2019 VR award. When RSA inquired about the discrepancy, DSB explained that, prior to the July 1, 2019, move from DHS to DWS, the total indirect charges to the HQ1X internal order number were not known until the cost allocation reports were run after the quarter ended on June 30. DSB would then know if the indirect charges exceeded the amount needed to satisfy the MOE requirement under the VR program and by how much. The agency would use the fourth quarter of the FFY (July 1 – September 30) to make accounting adjustments so that the amount required to satisfy the MOE requirement would remain consistent from year to year. However, due to DSB's transfer from DHS to DWS, DSB was not able to make accounting adjustments for the excess non-Federal expenditures because DSB indicated the fiscal accounting, from when the agency was located within DHS, was not available to DSB after June 15, 2019, two weeks before DSB moved to DWS. RSA recognizes that these issues can arise when the administration of the VR program is transferred from one State agency to another and that is why the following two terms, among others, were included in the Grant Transfer Agreement that DSB signed on June 25, 2019:

> The TRANSFEREE and TRANSFEROR agree to comply with the terms and conditions of each of these grants including cooperating with closeout and audit procedures, the submission of financial status and performance reports, and grant monitoring. TRANSFEROR and TRANSFEREE also agree to cooperate with ED in resolving outstanding fiscal matters, such as those related to the satisfaction of match and maintenance of effort requirements and the submission of financial status reports.
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> TRANSFEROR and TRANSFEREE agree that each will be responsible for programmatic and fiscal requirements, including the satisfaction of match and maintenance of effort requirements and the submission of all required reports for each of the grants described herein for the period of time that the grants were under its responsibility, as applicable. Both TRANSFEROR and TRANSFEREE agree to

cooperate with ED in resolving any outstanding programmatic and fiscal matters that arose under each period of their respective responsibility, regardless of when the issues become apparent.

Therefore, given the terms of the signed Grant Transfer Agreement, it was incumbent on DSB to work with DHS and DWS to ensure it had access to the fiscal data necessary to submit accurate financial reports, particularly with respect to non-Federal expenditures incurred for the benefit of the VR program. Because DSB did not ensure accurate financial reporting, DSB under-reported non-Federal expenditures used by RSA for calculating the State's FFY 2019 MOE by $376,714 on the SF-425 reports.

In addition to the above-described unreported non-Federal expenditures incurred under the VR program in FFY 2019, as the SLA, DSB collects set-aside funds, as defined at 34 C.F.R. § 395.1(s), from R-S Act vending facilities in the State. DSB uses these set-aside funds to pay for allowable VR expenditures incurred in accordance with Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5) (*i.e.*, purchase of new equipment, replacement of equipment, maintenance of equipment, and management services and supervision) that count toward the State's satisfaction of the match and MOE requirements under the VR program. However, DSB confirmed with RSA during review sessions that these costs paid with set-aside funds are not reported as non-Federal share on Line 10j of the VR program's SF-425 reports. Discussions with DSB indicated that it does not have formal written reporting policies for RSA to review regarding how the agency treats and reports set-aside fund expenditures that qualify as non-Federal share for purposes of the VR program because they are allowable expenditures incurred as a service to groups under the VR program (*i.e.*, those incurred for the purchase of new equipment, replacement of equipment, maintenance of equipment, and the provision of management services and supervision).

During and after the review, RSA pursued the issue regarding the non-reporting of non-Federal expenditures incurred with set-aside funds to determine the extent to which DSB incurred any expenditures for these costs during the period covered by the review that should have been reported on Line 10j as non-Federal expenditures on DSB's VR SF-425 reports for the VR program. As described above generally, the RSA-15 reports identified set-aside expenditures that fell into cost categories that constitute allowable non-Federal expenditures for the VR program and which should have been reported on Line 10j of the agency's SF-425s for the VR program, including – Purchase of New Equipment, Maintenance of Equipment, and Management Services. Expenditures from these combined categories totaled $34,503 in FFY 2017, $25,510 in FFY 2018, and $23,619 in FFY 2019.[4] In addition, the RSA-15 identifies Federal vending machine income that accrued to DSB as the State licensing agency, which meets the definition of set-aside funds in 34 C.F.R. § 395.1(s), and identified that some of this income was spent on cost categories that constitute allowable activities under the VR program (*i.e.*, those incurred for the purchase and maintenance of equipment and for the provision of management services and

[4] All non-Federal expenditures paid with set-aside funds and not reported on the agency's FFY 2017 through FFY 2019 SF-425s are in addition to the $376,714 in unreported non-Federal expenditures incurred in FFY 2019 and described in the discussion regarding the FFY 2019 MOE Expenditures and the unreported non-Federal expenditures having to do with the transfer of DSB from one state agency to another.

supervision). As such, non-Federal expenditures paid with set-aside funds for these allowable activities would count toward the State's satisfaction of the match and MOE requirements under the VR program and must be reported on Line 10j of the agency's SF-425s, which requires the total amount of non-Federal expenditures incurred to be reported. Specifically, DSB reported on its RSA-15s spending the following Federal vending machine income on Maintenance of Equipment: $14,894 in FFY 2017; $15,102 in FFY 2018; and $13,194 in FFY 2019. DSB did not report these amounts of non-Federal expenditures paid with set-aside funds on its SF-425s for the VR program for those years and, as a result, under-reported non-Federal expenditures from set-aside funds for purposes of the match and MOE requirements under the VR program by $49,397 in FFY 2017, $40,612 in 2018, and $36,813 in FFY 2019.

Finally, the RSA-15 identified $39,864 in FFY 2017, $40,706 in FFY 2018, and $40,711 in FFY 2019 under the category of State appropriated funds that were spent on Management Services.[5] As noted above, management services is an allowable activity under the VR program. DSB informed RSA that it did not report the amount of non-Federal expenditures paid with State appropriated funds for the Randolph-Sheppard program on its SF-425s for the VR program for FFY 2017 through FFY 2019. Therefore, DSB under-reported non-Federal expenditures paid with State-appropriated funds for purposes of the match and MOE requirements under the VR program.

Based upon the information presented above, as provided by DSB during the review activity, DSB spent the State's R-S Act vending facility program set-aside funds, as well as State appropriated funds, for purchasing new or replacement equipment, maintenance of equipment, and management services, -- all of which are allowable activities under the VR program -- that were not reported by DSB in the total non-Federal expenditures on line 10j of its SF-425 reports for FFYs 2017 through 2019, as they should have done in accordance with Sections 101(a)(3) and 111(a)(2)(B) of the Rehabilitation Act; 34 C.F.R. §§ 361.12, 361.60(b)(1), and 361.62(a); and 2 C.F.R. § 200.302(a). As a result, these non-Federal expenditures were not included in the calculations, as they should have been, that RSA used to determine whether the State of Arkansas satisfied its match and MOE requirements for FFYs 2017 through 2019.

Allowable expenditures are those that are necessary, reasonable, and allocable to the program and that satisfy all programmatic requirements (2 C.F.R. §§ 200.403 through 200.405). Pursuant to 34 C.F.R. § 361.3, funds under the VR program may be used to cover the costs of providing VR services and administering the VR program. VR services include the activities related to the BEP and the State's R-S Act vending facility program—the acquisition of vending facilities and equipment, and initial stocks and supplies, initial operating expenses, and management services and supervision (Section 103(b)(1) of the Rehabilitation Act and 34 C.F.R. § 361.49(a)(5)), as well as maintenance and repair of equipment in order to keep the equipment in efficient operating condition (2 C.F.R. § 200.452). Therefore, all expenditures incurred for these purposes, whether with Federal VR funds or non-Federal funds, including set-aside funds to the extent expended on these allowable categories, are allowable costs incurred by DSB while

[5] All non-Federal expenditures paid with State appropriated funds and not reported on the agency's FFY 2017 through FFY 2019 SF-425s are in addition to the $376,714 in unreported non-Federal expenditures incurred in FFY 2019 and referred to in n. 4, and the unreported use of the State's R-S Act vending facility program set-aside funds in FFY 2017 through FFY 2019 described in the text above.

carrying out the VR program. As such, they are among the total expenditures incurred under the VR program.

As required by Section 101(a)(3) of the Rehabilitation Act, the State must assure in its VR services portion of its Combined State Plan that it will provide the non-Federal share—21.3 percent—of the cost of carrying out the VR program. According to all financial reports submitted by DSB, as well as RSA's review of its own grant administrative system, the fiscal data demonstrate that the State satisfied the match requirement for the VR program during each of the years covered by this review activity (*i.e.*, FFY 2017 through FFY 2019).

However, the State also must satisfy the MOE requirement under Section 111(a)(2)(B) of the Rehabilitation Act and 34 C.F.R. § 361.62. Both the statute and its regulation make clear that MOE is determined by comparing the "total" amount of non-Federal expenditures in a particular fiscal year with the "total" amount of non-Federal expenditures from two fiscal years prior to that year. As such, both the statute and regulation make clear that MOE is based on the total amount of non-Federal expenditures, not just a partial amount. Therefore, DSB must report **all** non-Federal expenditures incurred under the VR program, including those for new and replacement equipment, maintenance of equipment, and management services and supervision paid with the State's R-S Act vending facility program set-aside funds and State appropriated funds, as well as non-Federal expenditures determined from direct and indirect cost expenditures that occurred under the DHS/DSB cost allocation process on Line 10j of its SF-425 reports for purposes of the VR program. Only by DSB accurately reporting all allowable non-Federal expenditures, including those from the DHS/DSB cost allocation process and those paid with set-aside funds, can RSA determine whether the State satisfied its MOE requirement under Section 111(a)(2)(B) of the Rehabilitation Act and 34 C.F.R. § 361.62. Because DSB under-reported its non-Federal expenditures in FFYs 2017 through 2019, as described above, RSA cannot determine whether the State satisfied its MOE requirement for each of those years.

Conclusion: As described above, RSA finds that DSB did not report all of its non-Federal expenditures on its SF-425 reports, particularly VR expenditures determined through the DHS/DSB cost allocation process, as well as expenditures for new and replacement equipment, maintenance of equipment, and management services paid with the State's R-S Act vending facility program set-aside funds and State appropriated funds in FFYs 2017 through 2019, as it was required to do pursuant to 34 C.F.R. § 361.12 and 2 C.F.R. § 200.302 and consistent with the instructions for completing Line 10j as set forth in PD-15-05. Specifically, DSB did not report non-Federal expenditures totaling $89,261 in FFY 2017, $81,318 in FY 2018, and $454,238 in FFY 2019. As a result, RSA has not been able to determine, with certainty, whether the State of Arkansas has met its MOE requirements under the VR program for the period covered by this review.

Corrective Action 3.5: RSA requires that DSB—

3.5.1 Revise and implement policies and procedures related to tracking and reporting expenditures from all non-Federal sources to ensure that DSB correctly accounts for and reports all such allowable VR program expenditures, particularly those non-Federal expenditures paid through cost allocation and those paid with the State's R-S Act vending facility program set-aside funds and State appropriated funds for new and replacement equipment, maintenance of equipment, and management services and supervision of vending facilities, so that RSA has the requisite data to determine whether the State has satisfied its VR program match and MOE requirements;

3.5.2 Review non-Federal expenditures related to the DHS/DSB FFY 2019 cost allocation process and expenditures paid with the State's R-S Act vending facility program set-aside funds and State appropriated funds spent on activities that benefit the VR program, to identify the amount allocable to FFYs 2017 through 2019;

3.5.3 Revise SF-425 reports for the period covered by this review activity (FFYs 2017 through FFY 2019), as applicable, to reflect an accurate total amount of all non-Federal expenditures and ensure an accurate reporting of all non-Federal expenditures, regardless of the source. RSA will review the revised SF-425 reports to determine whether the State met its MOE requirement for the affected fiscal years and will take further action, if needed, to remedy any deficits; and

3.5.4 Ensure that SF-425 reports for all subsequent Federal fiscal years will include a complete and accurate total of all non-Federal expenditures incurred under the VR program, specifically, the State's R-S Act vending facility program set-aside funds, and State appropriated funds on activities that benefit the VR program.

VR Agency Response: DSB concurs and will implement policies and procedures related to tracking and reporting expenditures from all non-Federal sources to ensure that DSB correctly accounts for and reports all such allowable VR program expenditures. DSB concurs with the finding that accurate reporting of all State R-S Act vending facility program set-aside expenditures is necessary and will develop procedures to include reporting of all set-aside expenditures. Revisions for SF-425 reports for FFYs 2017 – FFY 2019 will be submitted to RSA to include set-aside expenditures portion of the non-federal share.

RSA Response: RSA appreciates DSB's response to the Finding and the corrections it has committed to take to ensure that the agency reports all allowable non-Federal expenditures incurred for the benefit of the VR program, including those paid with the State's R-S Act vending facility program set-aside funds. We appreciate that DSB will make the necessary revisions, as applicable, to the SF-425s for FFYs 2017 through 2019 and will ensure accurate fiscal reporting for all subsequent years.

In addition to clarifying edits made throughout this Finding to focus the substance on the MOE requirement under the VR program since that requirement is most affected by DSB's failure to report all non-Federal expenditures incurred on its SF-425s, RSA revised the Finding by deleting references to the inclusion of expenditures paid with vending machine income accruing to the SLA from non-Federal property. We removed that discussion from this Finding for two reasons. First, we want to make clear that such income does not constitute "set-aside funds," as that term is defined at 34 C.F.R. § 395.1(s) because such funds only include Federal vending machine income. As such, we want to ensure there is no confusion between Federal vending machine income that meets the definition of "set-aside funds," and non-Federal vending machine income, which does not. Second, the issue of vending machine income earned on "other property" and its relationship to the VR program requires more deliberation. For that reason, we removed that issue from this Finding for now and will work separately with DSB to resolve that matter.

The Finding and Corrective Actions stand, as revised.

VR Agency Request for Technical Assistance: DSB requests additional technical assistance from RSA to develop policy and procedures to accurately track non-federal expenditures.

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

Table 1— AR-B VR Agency Profile (PYs 2017-2019)

VR Agency Profile Data	PY 17 Number/Percentage	PY 18 Number/Percentage	PY 19 Number/Percentage
Employment Rate	59.3%	61.6%	55.9%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	240	247	212
Measurable Skill Gains Performance Indicator	52.4%	58.1%	47.5%
Percentage of Participants Eligible for Measurable Skill Gains	14.8%	12.3%	14.3%
Percentage of Timely Eligibility Determinations	97.1%	95.0%	95.2%
Percentage of Eligibility Determination Extensions	2%	2.2%	6.7%
Percentage of Timely IPE Development	95.1%	95.3%	94.2%
Number of Applicants	557	393	303
Number of Individuals Determined Eligible	462	325	223
Number of Individuals with an IPE and No VR Services Provided	8	2	-
Number of Participants (with an IPE and VR Services Provided)	416	326	223

Table 3— AR-B Number and Percentage of Participants Served by Primary Disability Type (PYs 2017-2019)

Primary Disability Type by Group	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Visual	1,278	100.0%	1,199	100.0%	1,021	99.8%
Auditory or Communicative	-	0.0%	-	0.0%	2	0.2%
Physical	-	0.0%	-	0.0%	-	0.0%
Cognitive	-	0.0%	-	0.0%	-	0.0%
Psychological or Psychosocial	-	0.0%	-	0.0%	-	0.0%

Detailed Primary Disability Type	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Blindness	624	48.8%	648	54.0%	647	63.2%
Other Visual Impairments	654	51.2%	551	46.0%	374	36.6%
Deafness, Primary Communication Visual	-	0.0%	-	0.0%	-	0.0%

Detailed Primary Disability Type	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Deafness, Primary Communication Auditory	-	0.0%	-	0.0%	-	0.0%
Hearing Loss, Primary Communication Visual	-	0.0%	-	0.0%	-	0.0%
Hearing Loss, Primary Communication Auditory	-	0.0%	-	0.0%	-	0.0%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	-	0.0%	-	0.0%	-	0.0%
Deaf-Blindness	-	0.0%	-	0.0%	2	0.2%
Communicative Impairments (expressive/receptive)	-	0.0%	-	0.0%	-	0.0%
Mobility Orthopedic/Neurological Impairments	-	0.0%	-	0.0%	-	0.0%
Manipulation/Dexterity Orthopedic/Neurological Impairments	-	0.0%	-	0.0%	-	0.0%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	-	0.0%	-	0.0%	-	0.0%
Other Orthopedic Impairments (e.g., limited range of motion)	-	0.0%	-	0.0%	-	0.0%
Respiratory Impairments	-	0.0%	-	0.0%	-	0.0%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	-	0.0%	-	0.0%	-	0.0%
Other Physical Impairments (not listed above)	-	0.0%	-	0.0%	-	0.0%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	-	0.0%	-	0.0%	-	0.0%
Psychosocial Impairments (e.g., interpersonal and behavioral impairments, difficulty coping)	-	0.0%	-	0.0%	-	0.0%
Other Mental Impairments	-	0.0%	-	0.0%	-	0.0%

Table 4— AR-B Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PYs 2017-2019)

	PY 17	PY 18	PY 19
Number of Individuals Who Exited the VR Program	516	509	516

Exit Type	PY 17 Number of Individuals	PY 17 Percent	PY 18 Number of Individuals	PY 18 Percent	PY 19 Number of Individuals	PY 19 Percent
Individual exited as an applicant, prior to eligibility determination or trial work experience	51	9.9%	37	7.3%	74	14.3%
Individual exited during or after a trial work experience	-	0.0%	-	0.0%	-	0.0%
Individual exited after eligibility, but from an order of selection waiting list	-	0.0%	-	0.0%	-	0.0%
Individual exited after eligibility, but prior to a signed IPE	17	3.3%	16	3.1%	15	2.9%
Individual exited after an IPE without an employment outcome	165	32.0%	154	30.3%	167	32.4%
Individual exited after an IPE in noncompetitive and/or nonintegrated employment	-	0.0%	-	0.0%	-	0.0%
Individual exited after an IPE in competitive and integrated employment or supported employment	240	46.5%	247	48.5%	212	41.1%
Individual exited as an applicant after being determined ineligible for VR services	43	8.3%	48	9.4%	-	0.0%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	-	0.0%	7	1.4%	48	9.3%

Supported Employment	PY 17 Number of Participants	PY 18 Number of Participants	PY 19 Number of Participants
Number of Participants Who Exited with a Supported Employment Outcome in Competitive Integrated Employment	2	4	-
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment	-	-	-

Table 5— AR-B Number and Percentage of Individuals Exiting by Reason during the VR Process (PYs 2017-2019)

Reason for Exit	PY 17 Number of Individuals	PY 17 Percent	PY 18 Number of Individuals	PY 18 Percent	PY 19 Number of Individuals	PY 19 Percent
Individual is No Longer Available for Services Due to Residence in an Institutional Setting Other Than a Prison or Jail	-	0.0%	-	0.0%	-	0.0%
Health/Medical	9	1.7%	11	2.2%	8	1.6%
Death of Individual	6	1.2%	4	0.8%	11	2.1%
Reserve Forces Called to Active Duty	-	0.0%	-	0.0%	-	0.0%
Foster Care	-	0.0%	-	0.0%	-	0.0%
Ineligible after determined eligible	18	3.5%	31	6.1%	34	6.6%
Criminal Offender	1	0.2%	-	0.0%	-	0.0%
No Disabling Condition	26	5.0%	31	6.1%	25	4.8%
No Impediment to Employment	1	0.2%	-	0.0%	1	0.2%
Does Not Require VR Service	51	9.9%	17	3.3%	22	4.3%
Disability Too Significant to Benefit from Service	2	0.4%	4	0.8%	3	0.6%
No Long-Term Source of Extended Services Available	7	1.4%	-	0.0%	-	0.0%
Transferred to Another Agency	5	1.0%	6	1.2%	1	0.2%
Achieved Competitive Integrated Employment Outcome	240	46.5%	247	48.5%	212	41.1%
Extended Employment	-	0.0%	-	0.0%	-	0.0%
Extended Services Not Available	-	0.0%	-	0.0%	-	0.0%
Unable to Locate or Contact	65	12.6%	73	14.3%	53	10.3%
No Longer Interested in Receiving Services or Further Services	58	11.2%	63	12.4%	96	18.6%
All Other Reasons	27	5.2%	15	2.9%	50	9.7%
Number of Individuals Who Exited the VR Program		516		509	516	

Table 6— AR-B VR Services Provided to Participants (PYs 2017-2019)

	PY 17	PY 18	PY 19
Total Number of Participants Who Received VR Services Received VR Services	1,278	1,199	1,023

Training Services Provided to Participants	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Graduate Degree Training	4	0.3%	6	0.5%	8	0.8%
Bachelor's degree Training	72	5.6%	75	6.3%	70	6.8%
Junior or Community College Training	12	0.9%	11	0.9%	9	0.9%
Occupational or Vocational Training	40	3.1%	32	2.7%	28	2.7%
On-the-Job Training	-	0.0%	12	1.0%	17	1.7%
Apprenticeship Training	-	0.0%	-	0.0%	0	0.0%
Basic Academic Remedial or Literacy Training	1	0.1%	-	0.0%	0	0.0%
Job Readiness Training	11	0.9%	5	0.4%	7	0.7%
Disability Related Skills Training	35	2.7%	32	2.7%	11	1.1%
Miscellaneous Training	34	2.7%	21	1.8%	15	1.5%
Randolph-Sheppard Entrepreneurial Training	-	0.0%	-	0.0%	0	0.0%
Customized Training	1	0.1%	3	0.3%		0.0%

Career Services Provided to Participants	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Assessment	114	8.9%	69	5.8%	53	5.2%
Diagnosis and Treatment of Impairment	582	45.5%	540	45.0%	353	34.5%
Vocational Rehabilitation Counseling and Guidance	1,169	91.5%	1,086	90.6%	876	85.6%
Job Search Assistance	16	1.3%	16	1.3%	18	1.8%
Job Placement Assistance	58	4.5%	32	2.7%	21	2.1%
Short-Term Job Supports	15	1.2%	24	2.0%	8	0.8%
Supported Employment Services	18	1.4%	8	0.7%	10	1.0%
Information and Referral Services	13	1.0%	60	5.0%	72	7.0%
Benefits Counseling	-	0.0%	2	0.2%	5	0.5%
Customized Employment Services	-	0.0%	1	0.1%	0	0.0%
Extended Services (for youth with the most significant disabilities)	-	0.0%	-	0.0%	0	0.0%

Other Services Provided to Participants	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Transportation	84	6.6%	83	6.9%	58	5.7%
Maintenance	88	6.9%	57	4.8%	16	1.6%
Rehabilitation Technology	159	12.4%	133	11.1%	92	9.0%
Personal Attendant Services	1	0.1%	1	0.1%	1	0.1%
Technical Assistance Services	3	0.2%	-	0.0%	1	0.1%
Reader Services	2	0.2%	1	0.1%	1	0.1%
Interpreter Services	1	0.1%	-	0.0%	0	0.0%
Other Services	20	1.6%	16	1.3%	8	0.8%

Table 7— AR-B Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gains (PYs 2017-2019)

Number of Measurable Skill Gains Earned and Number of Participants Earning Measurable Skill Gains	PY 17	PY 18	PY 19
Measurable Skill Gains Earned	101	87	70
Participants Who Earned a Measurable Skill Gains	99	86	67

Number of Measurable Skill Gains Types	PY 17	PY 18	PY 19
Educational Functioning Level	-	-	-
Secondary Diploma	68	62	36
Postsecondary Transcript/Report Card	25	19	34
Training Milestone	1	-	-
Skills Progression	7	6	-

Table 8— AR-B 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 (PYs 2017-2019)

Median Hourly Earnings and Hours Worked per Week at Exit	PY 17	PY 18	PY 19
Number of Participants Who Exited in Competitive and Integrated Employment or Supported Employment	240	247	212
Median Hourly Earnings at Exit	$11.54	$12.50	$13.00
Median Hours Worked per Week at Exit	40	40	40

Primary Source of Support at Exit	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Personal Income	221	92.1%	238	96.4%	204	96.2%
Family and Friends	2	0.8%	3	1.2%	4	1.9%
Public Support	12	5.0%	6	2.4%	4	1.9%
Other Sources	5	2.1%	-	0.0%	-	0.0%

Public Support at Exit	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Social Security Disability Insurance (SSDI) at Exit	23	9.6%	11	4.5%	6	2.8%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	13	5.4%	21	8.5%	18	8.5%
Temporary Assistance for Needy Families (TANF) at Exit	1	0.4%	1	0.4%	1	0.5%
General Assistance (State or local government) at Exit	1	0.4%	-	0.0%	-	0.0%
Veterans' Disability Benefits at Exit	-	0.0%	-	0.0%	1	0.5%
Workers' Compensation at Exit	-	0.0%	-	0.0%	-	0.0%
Other Public Support at Exit	2	0.8%	2	0.8%	1	0.5%

Medical Insurance Coverage at Exit	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Medicaid at Exit	22	9.2%	18	7.3%	18	8.5%
Medicare at Exit	24	10.0%	20	8.1%	16	7.5%
State or Federal Affordable Care Act Exchange at Exit	6	2.5%	5	2.0%	1	0.5%
Public Insurance from Other Sources at Exit	4	1.7%	6	2.4%	3	1.4%
Private Insurance Through Employer at Exit	104	43.3%	102	41.3%	129	60.8%
Not Yet Eligible for Private Insurance Through Employer at Exit	15	6.3%	18	7.3%	6	2.8%
Private Insurance Through Other Means at Exit	27	11.3%	24	9.7%	18	8.5%

Table 9— AR-B 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 (PYs 2017-2019)

PY 17 SOC Title	PY 17 Number of Participants	PY 17 Median Hourly Earnings
Office and Administrative Support Occupations	36	$10.29
Production Occupations	29	$11.80
Transportation and Material Moving Occupations	18	$13.65
Personal Care and Service Occupations	18	$9.17
Sales and Related Occupations	17	$10.15
Management Occupations	16	$9.00
Constructive and Extraction Occupations	14	$13.85
Education, Training, and Library Occupations	12	$10.00
Food Preparation and Serving Related Occupations	12	$8.50
Healthcare Support Occupations	11	$10.00
Installation, Maintenance, and Repair Occupations	10	$14.75
Building and Grounds Cleaning and Maintenance Occupations	8	$10.10
Community and Social Services Occupations	8	$16.15
Arts, Design, Entertainment, Sports, and Media Occupations	6	$15.00
Business and Financial Operations Occupations	6	$12.50
Healthcare Practitioners and Technical Occupations	6	$15.55
Farming, Fishing, and Forestry Occupations	6	$10.10
Architecture and Engineering Occupations	2	$25.52
Protective Service Occupations	2	$11.56
Computer and Mathematical Occupations	1	$12.40

PY 18 SOC Title	PY 18 Number of Participants	PY 18 Median Hourly Earnings
Office and Administrative Support Occupations	35	$13.00
Transportation and Material Moving Occupations	30	$13.00
Production Occupations	24	$10.96
Sales and Related Occupations	19	$11.51
Installation, Maintenance, and Repair Occupations	16	$13.27
Food Preparation and Serving Related Occupations	14	$9.75
Personal Care and Service Occupations	13	$10.00
Education, Training, and Library Occupations	13	$14.42
Constructive and Extraction Occupations	12	$15.00
Management Occupations	11	$16.47
Healthcare Practitioners and Technical Occupations	9	$32.23
Community and Social Services Occupations	8	$15.93
Building and Grounds Cleaning and Maintenance Occupations	8	$13.00
Healthcare Support Occupations	8	$12.00
Business and Financial Operations Occupations	7	$14.71
Farming, Fishing, and Forestry Occupations	6	$11.63
Arts, Design, Entertainment, Sports, and Media Occupations	5	$28.85
Computer and Mathematical Occupations	3	$15.00
Protective Service Occupations	3	$16.40
Randolph-Sheppard vending facility operator	1	$8.50
Legal Occupations	1	$15.00

PY 19 SOC Title	PY 19 Number of Participants	PY 19 Median Hourly Earnings
Office and Administrative Support Occupations	36	$13.50
Transportation and Material Moving Occupations	19	$12.00
Building and Grounds Cleaning and Maintenance	17	$10.00
Healthcare Practitioners and Technical Occupations	15	$19.00
Education, Training, and Library Occupations	14	$18.99
Healthcare Support Occupations	13	$10.00
Management Occupations	13	$19.30
Sales and Related Occupations	13	$11.45
Community and Social Services Occupations	11	$20.00
Production Occupations	11	$11.70
Constructive and Extraction Occupations	9	$17.00
Food Preparation and Serving Related Occupations	9	$11.00
Installation, Maintenance, and Repair Occupations	7	$16.15
Personal Care and Service Occupations	6	$10.64
Arts, Design, Entertainment, Sports, and Media	5	$14.43
Protective Service Occupations	5	$18.69
Business and Financial Operations Occupations	4	$17.07
Legal Occupations	2	$20.00
Computer and Mathematical Occupations	1	$15.87
Farming, Fishing, and Forestry Occupations	1	$10.00
Randolph-Sheppard vending facility operator*	1	$14.25

Table 10— AR-B Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PYs 2017-2019)

No.	PY 17 SOC Title	PY 17 Number of Participants	PY 17 Median Hourly Earnings
1	Heavy and Tractor-Trailer Truck Drivers	10	$12.00
2	Customer Service Representatives	7	$10.00
3	Personal Care Aides	6	$9.12
4	Cashiers	5	$10.15
5	Bookkeeping, Accounting, and Auditing Clerks	5	$12.50
6	Nursing Assistants	5	$10.90
7	Office and Administrative Support Workers, All Other	5	$12.35
8	General and Operations Managers	5	$16.00
9	Childcare Workers	4	$9.17
10	Retail Salespersons	4	$8.52

No.	PY 18 SOC Title	PY 18 Number of Participants	PY 18 Median Hourly Earnings
1	Heavy and Tractor-Trailer Truck Drivers	11	$13.00
2	Customer Service Representatives	10	$12.75
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	8	$13.00
4	Childcare Workers	8	$9.37
5	Cashiers	6	$9.50
6	Registered Nurses	5	$32.23
7	Teachers and Instructors, All Other	5	$11.08
8	Automotive Service Technicians and Mechanics	5	$15.00
9	Light Truck or Delivery Services Drivers	4	$18.75
10	Farmworkers and Laborers, Crop, Nursery, and Greenhouse	4	$10.20

No.	PY 19 SOC Title	PY 19 Number of Participants	PY 19 Median Hourly Earnings
1	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	9	$10.46
2	Heavy and Tractor-Trailer Truck Drivers	7	$11.54
3	Nursing Assistants	6	$11.50
4	Customer Service Representatives	5	$12.50
5	Licensed Practical and Licensed Vocational Nurses	5	$25.05
6	Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	5	$12.75
7	Cashiers	5	$10.55
8	Registered Nurses	4	$18.60
9	Teacher Assistants	4	$11.00
10	Helpers--Production Workers	4	$11.00

Table 11— AR-B Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PYs 2017-2019)

Students with Disabilities	PY 17 Number/Percentage of Students	PY 18 Number/Percentage of Students	PY 19 Number/Percentage of Students
Total Students with Disabilities Reported	164	183	218
Students with Disabilities Reported with 504 Accommodation	3	0	3
Students with Disabilities Reported with IEP	6	8	8
Students with Disabilities Reported without 504 Accommodation or IEP	159	180	210
Total Students with Disabilities Who Received a Pre-Employment Transition Service	44	113	123
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	0	58	74
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	44	55	49
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	26.8%	61.7%	56.4%

Table 12— AR-B Number and Percentage of Required Pre-Employment Transition Services Provided (PYs 2017-2019)

Pre-Employment Transition Services	PY 17 Number of Pre-Employment Transition Services Provided	PY 17 Percent of Total Pre-Employment Transition Services Provided	PY 18 Number of Pre-Employment Transition Services Provided	PY 18 Percent of Total Pre-Employment Transition Services Provided	PY 19 Number of Pre-Employment Transition Services Provided	PY 19 Percent of Total Pre-Employment Transition Services Provided
Total Pre-Employment Transition Services Provided	246		467		489	
Job Exploration Counseling	22	8.9%	30	6.4%	46	9.4%
Work-Based Learning Experiences	15	6.1%	110	23.6%	128	26.2%
Counseling on Enrollment Opportunities	45	18.3%	43	9.2%	63	12.9%
Workplace Readiness Training	109	44.3%	245	52.5%	175	35.8%
Instruction in Self-Advocacy	55	22.4%	39	8.4%	77	15.7%

Appendix B: Fiscal Data Tables

Fiscal Table 1—Arkansas-Blind (AR-B) VR Resources and Expenditures—FFYs 2017–2019*

VR Resources and Expenditures	2017	2018	2019*
Total program expenditures	$7,171,020	$7,395,965	$6,555,270
Federal expenditures	$5,385,514	$5,613,853	$4,769,764
State agency expenditures (4th quarter)	$1,785,506	$1,782,112	$1,785,506
State agency expenditures (latest/final)	$1,785,506	$1,782,112	$1,785,506
Federal formula award amount	$4,504,580	$4,628,469	$4,725,618
Reserve amount required for pre-employment transition services (15 percent)	$807,827	$842,078	$989,572
Amount expended on pre-employment transition services	$807,827	$842,078	$504,411
Percentage expended on pre-employment transition services	15%	15%	7.6%
MOE penalty from prior year	$0	$0	$0
Federal award amount relinquished during reallotment	$0	$0	$0
Federal award amount received during reallotment	$880,934	$985,384	$2,580,375
Federal funds transferred from State VR agency	$0	$0	$0
Federal funds transferred to State VR agency	$0	$0	$0
Federal award amount (net)	$5,385,514	$5,613,853	$6,597,151
Federal award funds deobligated	$0	$0	$708,842
Federal award funds used	$5,385,514	$5,613,853	$6,597,151
Percent of formula award amount used	119.6%	121.3%	139.6%
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.

Fiscal Table 1—Arkansas-Blind - VR Resources and Expenditures—Descriptions, Sources and Formulas

VR Resources and Expenditures	Source/Formula
Total program expenditures	The sum of the Federal and non-Federal expenditures. **Source/Formula**: MTAG Appendix F--Table V.1: Federal expenditures plus State expenditures (latest/final)
Federal expenditures	The cumulative amount of disbursements from Federal funds. **Source/Formula**: SF-425 line 10e from latest/final report
State expenditures (4th quarter)	The cumulative amount of disbursements and unliquidated obligations from State funds through September 30th of the award period. **Source/Formula:** SF-425 line 10j from 4th quarter report
State expenditures (latest/final)	The cumulative amount of disbursements and unliquidated obligations from State funds as reported on the agency's latest or final SF-425 report. Final reports do not include unliquidated obligations. **Source/Formula:** SF-425 line 10j from latest/final report
Federal formula award amount	The amount of the Federal funds available to the agency based on the formula mandated in the Rehabilitation Act. **Formula/Source:** Federal formula award calculation
Reserve amount required for pre-employment transition services	The amount of Federal funds required to be reserved and expended (15percent) for the provision of pre-employment transition services. **Formula/Source:** (((((SF-425 line 10j lesser of the 4th quarter or latest/final) divided by .213) multiplied by .787) multiplied by .15) or (4th quarter grant award amount multiplied by .15)) whichever is less
Amount expended on pre-employment transition services	The amount of Federal funds the agency spent on the provision of pre-employment transition services. **Formula/Source:** SF-425 line 12b from latest/final report
Percentage expended on pre-employment transition services	The percent of Federal funds the agency spent on the provision of pre-employment transition services. **Formula/Source:** Amount expended on pre-employment transition services divided by ((((SF-425 line 10j lesser of the 4th quarter or latest/final) divided by .213) multiplied by .787) or (4th quarter grant award amount) whichever is less)
MOE penalty from prior year	The amount of the Maintenance of Effort (MOE) deficit from the previous FFY which resulted in a MOE penalty against the current FFY. **Source/Formula:** MTAG Appendix F--Table V.2: MOE difference from prior year
Federal award amount relinquished during reallotment	Amount of Federal award voluntarily relinquished through the reallotment process. **Formula/Source:** RSA-692

VR Resources and Expenditures	Source/Formula
Federal award received during reallotment	Amount of funds received through the reallotment process. **Source/Formula:** RSA-692
Federal funds transferred from State VR agency	Amount of award funds transferred from State VR agencies (Blind to General or General to Blind). **Formula/Source**: Agency transfer request documentation
Federal funds transferred to State VR agency	Amount of award funds transferred to State VR agencies (Blind to General or General to Blind). **Formula/Source:** Agency transfer request documentation
Federal award amount (net)	Federal award amount available after accounting for adjustments to award (e.g., MOE penalties, relinquishment, reallotment and transfers). **Formula/Source:** Federal formula award calculation, RSA-692, agency documentation, SF-425: Federal formula calculation minus MOE penalty minus funds relinquished in reallotment plus funds received in reallotment plus funds transferred from agency minus funds transferred to agency
Federal award funds deobligated	Federal award funds deobligated at the request of the agency or as part of the award closeout process. These funds may include matched or unmatched Federal funds. **Source/Formula:** Agency deobligation request documentation, G5 closeout reports
Federal award funds used	Amount of Federal award funds expended. **Source/Formula:** Federal formula calculation, RSA-692, agency documentation, SF-425 lesser of the 4^{th} quarter or latest/final: Federal award amount (net) (calculation above) minus Federal award funds deobligated
Percent Federal formula award used	Percent of Federal formula award funds used. **Source/Formula:** Federal award funds used (calculation above) divided by Federal formula award amount
Federal award funds matched but not used	This represents unused Federal award funds for which the agency provided match. **Source/Formula:** MTAG Appendix F—Table V.2 Federal award funds matched (actual) minus Table V.1 Federal award funds used

Fiscal Table 2—Arkansas-Blind (AR-B) Non-Federal Share and Maintenance of Effort—FFYs 2017–2019*

Non-Federal Share (Match) and Maintenance of Effort (MOE)	2017	2018	2019*
Match required per net award amount	$1,457,579	$1,519,378	$1,785,506
Match provided (actual)	$1,785,506	$1,782,112	$1,785,506
Match difference**	$-327,927	$-262,734	$0
Federal funds matched (actual)	$5,385,514	$5,613,853	$6,597,151
Percent Federal funds matched	100.0%	100.0%	100.0%
MOE required	$1,785,506	$1,782,112	$1,785,506
MOE: Establishment/construction expenditures	$0	$0	$0
MOE actual	$1,785,506	$1,782,112	$1,785,506
MOE difference**	$0	$0	$0

* 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.

Fiscal Table 2—Arkansas-Blind - Non-Federal Share and Maintenance of Effort—Descriptions, Sources and Formulas

Non-Federal Share (Match) and Maintenance of Effort (MOE)	Source/Formula
Match required per net award amount	Non-Federal funds required based upon the net amount of the Federal award. **Source/Formula**: (MTAG Appendix F—Table V.1 Federal award amount net divided by 0.787) multiplied by 0.213
Match provided (actual)	Amount of match (non-Federal share) provided, by the agency. **Source/Formula**: SF-425 line 10j lesser of the 4th quarter or latest/final
Match difference**	The difference between match required to access the net Federal award funds and the actual amount of match provided by agency. **Source/Formula**: SF-425 lesser of the 4th quarter or latest/final: ((Federal formula award amount divided by 0.787) multiplied by 0.213) minus SF-425 line 10j
Federal funds matched (actual)	Total amount of Federal funds the agency was able to match based upon the non-Federal share reported. The maximum amount of Federal funds the agency can access is limited to the Federal grant award amount. **Source/Formula:** (Match provided actual divided by .213) multiplied by .787
Percent of Federal funds matched	Percent of Federal funds matched. **Source/Formula:** Federal funds matched divided by Federal award amount net
Maintenance of Effort (MOE) required	Maintenance of effort (MOE) is the level of non-Federal expenditures, minus establishment/construction expenditures for CRPs, established by the State's non-Federal expenditures two years prior, i.e., Recipient Share of Expenditures. **Source/Formula**: SF-425 4th quarter or latest/final report: line 10j minus line 12a
MOE: Establishment / construction expenditures	Non-Federal share of expenditures for construction of facilities for community rehabilitation program (CRP) purposes and the establishment of facilities for community rehabilitation purposes. **Source/Formula:** SF-425 latest/final report: line 12a
MOE actual	Non-Federal share provided by agency minus establishment/construction expenditures for CRPs. **Source/Formula:** SF-425: Match provided actual minus establishment/construction expenditures.
MOE difference**	The difference between MOE required and the actual MOE provided. **Source/Formula:** MOE required minus MOE actual

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

Fiscal Table 3—Arkansas-Blind (AR-B) Program Income and 4th Quarter Data—FFYs 2017–2019*

Program Income and Carryover	2017	2018	2019*
Program income received	$0	$111,101	$ 24,116
Program income disbursed	$0	$111,101	$ 24,116
Program income transferred	$0	$0	$ 24,116
Program income used for VR program	$0	$111,101	$0
Federal grant amount matched (4th quarter)	$5,385,514	$5,613,853	$6,597,151
Federal expenditures (4th quarter)	$2,766,366	$3,898,843	$4,769,764
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.

Fiscal Table 3—Nebraska-Blind - Program Income and 4th Quarter Data—Descriptions, Sources and Formulas

Program Income and Carryover	Source/Formula
Program income received	Total amount of Federal program income received by the grantee. **Source/Formula:** SF-425 latest/final line 10l
Program income disbursed	Amount of Federal program income disbursed, including transfers. **Source/Formula:** SF-425 latest/final: line 10m plus line 10n
Program income transferred	Amount of Federal program income transferred to other allowable programs. **Source/Formula:** SF-425 latest/final: line 12e plus line 12f plus line 12g plus line 12h
Program income used for VR program	Amount of Federal program income utilized for the VR program. **Source/Formula:** SF-425 latest/final: Program income expended minus program income transferred
Federal grant amount matched (4th quarter)	Federal funds an agency is able to draw down based upon on reported non-Federal reported on the 4th quarter SF-425 for the FFY of appropriation, not to exceed net award amount. **Source/Formula:** MTAG Appendix F—Table V.2 Federal funds matched actual
Federal expenditures (4th quarter)	Federal funds expended as reported on the 4th quarter SF-425 for the FFY of appropriation. This does not include unliquidated obligations. **Source/Formula:** SF-425 4th quarter: line 10e
Federal unliquidated obligations (4th quarter)	Federal funds obligated but not liquidated as reported on the 4th quarter SF-425 for the FFY of appropriation. **Source/Formula:** SF-425 4th quarter: line 10f