

**FEDERAL FISCAL YEAR 2021
REPORT ON THE REVIEW OF
ARKANSAS REHABILITATION SERVICES
VOCATIONAL REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**



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

March 4, 2022

TABLE OF CONTENTS

	Page
Section 1: The Scope of the Review	2
A. Background	2
B. Review Team Participants.....	3
C. Acknowledgements	3
Section 2: Focus Area – Performance of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	4
A. Purpose.....	4
B. Analysis of the Performance of the VR Program.....	4
C. Technical Assistance and Recommendations	16
D. Findings and Corrective Actions.....	21
Section 3: Focus Area – Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs.....	28
A. Purpose.....	28
B. Scope of Financial Management Review.....	28
C. Technical Assistance and Recommendations	28
D. Findings and Corrective Actions.....	30
Appendix A: State Vocational Rehabilitation Services and State Supported Employment Services Programs Performance Tables	38
Appendix B: Fiscal Data Tables	51
Appendix C: Specific Conditions Letter.....	52

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.

RSA works closely with its Federal partners at the U.S. Department of Labor's Employment and Training Administration (ETA) and the U.S. Department of Education's Office of Career, Technical, and Adult Education (OCTAE) to share monitoring and technical assistance activities, especially as they relate to the joint provisions under WIOA. Though the VR program is one of the six core programs in the workforce development system, it is unique in that State VR agencies provide services directly to individuals with disabilities, thus the nature and scope of RSA's monitoring process and report may appear different from the monitoring ETA and OCTAE conduct with their grantees.

In Federal fiscal year (FFY) 2021, RSA conducted an off-site review of the State Vocational Rehabilitation Services program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by Arkansas Rehabilitation Services (ARS) in lieu of on-site monitoring due to the continuing COVID-19 pandemic. The nature, scope, and focus of this review and the process by which RSA carried out its activities from August 16 through August 27, 2021, was defined by information, documents, and data submitted by ARS taking into account the goals, unique circumstances, and technical assistance needs of ARS.

RSA—

- Assessed the performance of the VR and the Supported Employment programs with respect to the achievement of competitive integrated employment outcomes and the quality of those outcomes, for individuals with disabilities, including those with significant and most significant disabilities;
- Reviewed the financial management of the VR and Supported Employment programs;
- Identified strategies and corrective actions to improve program and fiscal performance;
- Provided technical assistance during the review and/or recommended additional technical assistance to be provided following the review; and
- Identified VR agency practices or strategies, which resulted in or are expected to improve performance.

B. Review Team Participants

Members of the RSA review team included Jim Doyle, Jessica Davis and Zunaira Wasif (Vocational Rehabilitation Program Unit); Craig McManus (Fiscal Unit); Jason Hunter (Technical Assistance Unit); and Yann-Yann Shieh and Michael Quinn (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 ARS for the cooperation and assistance extended throughout the review process. RSA also appreciates the participation of others, such as the State Rehabilitation Council (SRC), the Client Assistance Program, advocates, and other stakeholders during the review process.

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

A. Purpose

Through this focus area, RSA assessed programmatic performance leading to the achievement of competitive integrated employment outcomes, including the quality of those outcomes, by individuals with disabilities served in the VR program. RSA analyzed VR program data, policies and internal controls, implementation of 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 performance data contained in Appendix A of this report. The data used in the analysis are those collected and reported by the VR agency.

B. Analysis of the Performance of the VR Program

RSA's analysis of the VR agency's performance of the VR and Supported Employment programs incorporates a review of data reported by ARS on the Case Service Report (RSA-911) and the WIOA Statewide Performance Report (ETA-9169) for program years (PYs) 2017, 2018, and 2019, as well as the discussion and review of internal controls and policies. A summary and analysis of performance data related to the VR process, VR services, quality of employment outcomes, and pre-employment transition services is presented below in addition to a discussion of potential factors influencing program performance, including how ARS uses data to inform program performance and management of the VR and Supported Employment programs.

Performance Data Summary and Analysis

Based on data reported by ARS, the total number of participants who received VR services under an individualized plan for employment (IPE) increased from 11,892 participants in program year (PY) 2017 to 12,159 participants in PY 2019. In contrast to the increase in participants, the number of individuals applying for the VR program declined by approximately 23 percent during this time. Similarly, the number of individuals determined eligible for VR services declined by approximately 11 percent.

The number of participants exiting the VR program in competitive integrated employment or supported employment increased slightly from 2,338 participants in PY 2017 to 2,491 participants in PY 2019. 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 the VR program after receiving VR services, ARS had an employment rate of 64.2 percent in PY 2019.

Recent data for PYs 2017, 2018, and 2019 indicate that 21.5 percent, 23.8 percent, and 45.5 percent, respectively, of ARS participants who were enrolled in an education or training program leading to a recognized postsecondary credential or employment, achieved a measurable skill gain (MSG).

In PY 2019, ARS collected and reported available data through the RSA-911 for the employment rate in the second and fourth quarter after exit, and median earnings in the second quarter after exit. In PY 2019, 57.6 percent of ARS participants were employed in the second quarter after exiting the VR program and 39.4 percent were employed in the fourth quarter after exiting the VR program. These individuals achieved median earnings of \$4,835 for the second quarter after exit.

ARS is an integral part of the State's comprehensive workforce development system and maintains an active presence on numerous councils and committees, including the Arkansas State Workforce Development Board (SWDB) and Local Workforce Development Boards (LWDB). The commissioner of ARS represents the VR agency on the SWDB, the chief of field services sits on the WIOA Executive Board and VR area managers sit on each of the State's LWDBs. ARS participates in formal meetings with its State partners and provides informational presentations on VR services to local WIOA partners. ARS is co-located in four of Arkansas' one-stops and provides access to VR services within each of the ten comprehensive and affiliate one-stop centers.

At the time of the review, ARS was not on an order of selection (OOS) and was not under an OOS at any point during the review period. ARS communicated that the agency considered going on an OOS before the COVID-19 pandemic, which began to impact the agency during the fourth quarter of PY 2019 (April through June, 2020). However, ARS experienced a slight decline in the number of active cases once the pandemic occurred and determined an OOS was no longer necessary. Nevertheless, ARS has developed policies and procedures to determine an individual's priority for services. As part of the monitoring process, RSA reviewed ARS' OOS policy and provided technical assistance on properly defining its priority for services categories.

The VR Process

RSA reviewed trend data, including the most recent program year, to create an understanding of the engagement and movement of individuals with disabilities through the VR process. The analysis assisted RSA and ARS in identifying potential obstacles to efficient service delivery and engagement of individuals with disabilities throughout their VR experience, as well as effective VR agency initiatives, practices, or policies that have contributed to continuous improvement or declines in performance.

According to data reported in PY 2017 through PY 2019 on the RSA-911 and discussions with ARS, the VR agency experienced a decline in referrals and applicants for the VR program. ARS reported a decline in referrals from 7,754 individuals in PY 2017 to 6,024 individuals in PY 2019. Of the 6,024 referrals received in PY 2019, 4,450 individuals applied for VR services, a decrease from the 5,638 applicants reported in PY 2017. Similarly, the number of individuals determined eligible for VR services declined from 4,591 individuals in PY 2017 to 4,108 individuals in PY 2019. ARS attributed the decline of applicants and eligible individuals, in part, to the reorganization that occurred prior to PY 2019 and the resulting change in its public contact information, and to the lack of accessibility for individuals to VR offices, particularly in rural areas of the State, which are underserved and have insufficient availability of transportation. ARS also attributed the decline in applicants and eligible individuals to previous agency-wide vacancies that limited ARS' ability to provide information and awareness about VR services

through its outreach strategies. At the time of the review, ARS had approximately 12 to 14 VR counselor vacancies and was in the process of conducting interviews to fill the vacancies. ARS reported that the agency is making efforts to increase awareness of the VR program and increase the number of individuals who apply for the VR program through the development of an improved online referral process, marketing packets, and collaborations with WIOA partners. In discussions with ARS and a review of ARS' policy manual, RSA noted that referrals are contacted within 30 days after the referral is received; however, there is no timeframe specified in policy between initial counselor contact and an individual's first scheduled appointment.

RSA noted that ARS' referral form could be streamlined, reducing the required information before the application process. ARS and RSA discussed the need to reevaluate its policies for processing referrals and applications in accordance with 34 C.F.R. § 361.41. ARS must establish and implement standards for the prompt and equitable handling of referrals of individuals for VR services. The standards must include timelines for making good faith efforts to inform these individuals of application requirements and to gather information necessary to initiate an assessment for determining eligibility and priority for services.

RSA recommends that ARS further analyze 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.

Although ARS reported a low number of individuals (1.1 percent in PY 2019) exiting the VR process after being determined ineligible, this data may be incorrectly reported. ARS reported 77 individuals as "exiting the VR program after being determined ineligible for VR services" but identified 137 individuals exiting the VR process for reasons that are attributable to being ineligible for VR services. Further, ARS' definition of an ineligibility determination in its 2019 policy manual indicates that an individual will be determined ineligible if the applicant does not follow through with assessment; or the individual's physical, educational, or medical records are unavailable; and if the applicant does not appear for scheduled appointments for plan development, etc. In these circumstances, the individual should be closed without an eligibility determination, in accordance with 34 C.F.R. §§ 361.43 and 361.44.

In addition, RSA noted the percentage of individuals who exit the VR process after application and before an eligibility determination accounted for 9.2 percent to 11.6 percent of all those who exit after application for VR services. These percentages may be attributed, in part, to the individual's inability to obtain the necessary documentation required by ARS. The review team discussed this concern with ARS and requested this be evaluated further.

As part of the monitoring process, RSA analyzed the length of time it took ARS to determine an individual eligible for the VR program. In PY 2019, ARS reported that 95.6 percent of eligibility determinations were made 60 days from the date of application. Of those individuals determined eligible, 6.2 percent involved an eligibility extension. During the same period, 68.8 percent of IPEs were developed within 90 days from the date of an eligibility determination based on data reported through the RSA-911 report. ARS indicated that based on its data and the inclusion of IPE extensions reported in its case management system, ARS had achieved a 93 percent

compliance rate for PY 2019. However, ARS was unable to produce data that demonstrated the number of IPE extensions to account for this discrepancy for PY 2019. In discussions with ARS, RSA indicated that the number of IPE extensions as reported by ARS would account for more than 20 percent of the IPEs developed, which would suggest that the extensions are being used as an alternative for timely movement through the VR process.

RSA also reviewed the process and procedures the agency uses when granting an extension and noted that ARS did not meet the standards at 34 C.F.R. § 361.41(b)(1)(i) requiring eligibility determinations be made within 60 days, unless exceptional and unforeseen circumstances beyond the control of the agency preclude it from making an eligibility determination within the required timeline, and the agency and the individual agree to a specific extension of time. Furthermore, RSA noted ARS' eligibility extension letter did not involve the applicant when the extension determination was made, nor did it allow for the date of the extension to be based upon a specific amount of time required to get the necessary information. Rather, the date is automatically set for 60 days from the time of the letter, and applicants are only notified and advised of their right to appeal through an administrative review if they disagree with the decision.

RSA and ARS discussed the need for ARS to analyze and identify obstacles to efficient service delivery and develop strategies to improve timely implementation of steps in the VR process, from the receipt of a referral through the development of an IPE and initiation of VR services. ARS indicated that staff have received training on eligibility determinations, IPE development, and the use of extensions. ARS monitors eligibility and IPE compliance by conducting case reviews of five cases monthly from each VR counselor and indicated that it will revise its eligibility extension letter and process. ARS also indicated that it would review and amend its referral process, including the documentation requested at referral and its procedures regarding the timely processing of referrals to application. This topic is discussed further in Section C of this focus area.

In PY 2019, 7,111 individuals exited the VR program, including 5,653 individuals exiting after application and 1,458 students who exited as potentially eligible for services. Of those who exited after application, 1,083 individuals (19.2 percent) exited after an eligibility determination, but before a signed IPE, and 1,391 individuals (24.6 percent) exited after an IPE was developed but without an employment outcome. Of those who exited, 1,615 individuals (22.7 percent) were no longer interested in receiving services, 1,417 individuals (19.9 percent) exited for all other reasons, and 1,407 individuals (19.8 percent) exited the VR program due to the inability to locate or contact them. ARS attributed the high number of exits for the reasons coded as "unable to locate or contact" and "no longer interested in receiving services" to an agency caseload clean-up that took place over the two program years prior to RSA's review (PYs 2018 and 2019). The 1,417 individuals coded as exiting for "all other reasons" are primarily attributed to potentially eligible students who exited after receiving pre-employment transition services but did not apply for VR services. ARS communicated that VR counselors select the reason for exit that best describes the individual's circumstances, however, there are no specific policies and procedures that guide this decision-making process. RSA recommended ARS develop procedures that direct VR counselors to use specific exit types as defined in the RSA-911 and include the closure types in its case review instrument as part of its internal control procedures.

RSA and ARS discussed the need to analyze further what circumstances contribute to individuals exiting the VR program without employment outcomes and develop strategies to engage and retain participants. ARS' policy manual indicates there must be a minimum of three contacts annually with all eligible individuals. RSA recommended that contacts be made based on minimum intervals, such as quarterly, to promote and sustain the engagement of VR participants. ARS reported that the agency is in the process of procuring a new case management system to replace the current system that has been in place since 2010 and believes this will allow for increased ability to track its contact with the individual.

VR Services

RSA reviewed and analyzed data and policies in consultation with ARS related to career, training, and other services provided to VR and Supported Employment program participants to explore the degree to which individuals were afforded informed choice, engaged in timely service provision, and provided quality services needed to maximize the achievement of their employment goals.

ARS' service delivery is comprised of four main components: the Field Service Program; the Arkansas Career Development Center (ACDC); Access & Accommodations Program; and the Business Engagement Unit (BEU). The Field Service Program, which serves all 75 counties in Arkansas, consists of 19 field offices statewide staffed with VR counselors and other administrative staff. ACDC provides comprehensive rehabilitation services, including vocational training, support services, and pre-employment transition services to eligible individuals and potentially eligible students with disabilities served by ARS. The Access & Accommodations Program provides assistive technology and accommodations services to individuals with disabilities eligible for VR services and employers. Finally, the BEU is responsible for employer outreach, job matching, job placement, and post-employment services. ARS provides VR services to eligible individuals with disabilities, both directly and through providers using contracts and/or fee-for-service agreements from each of these four entities.

In PY 2019, ARS provided VR services to a total of 12,159 participants. Of those participants, 177 individuals (1.5 percent) received graduate training, 2,965 individuals (24.4 percent) received bachelor's degree training, 1,300 individuals (10.7 percent) received junior or community college training, 1,820 individuals (15.0 percent) received occupational training or vocational training and 13 individuals (0.1 percent) received on-the-job training. During this time, ARS reported 5,345 participants (43.96 percent) as eligible for MSG. Of those reported eligible, 2,430 individuals (45.5 percent) were reported as having earned one or more MSG during PY 2019. From PY 2017 to PY 2019, ARS' reported its MSG rate increased from 21.5 percent to 45.5 percent, with the number of participants who earned one or more MSG increasing from 630 participants to 2,430 participants. ARS attributed the increased MSG number and rate to the development of policies and procedures followed by staff training and resources/tools related to the accurate reporting of MSG.

Although the number of participants reported as earning MSG increased from 691 participants in PY 2018 to 2,430 participants in PY 2019, this measure appears to continue to be reported inaccurately. In PY 2019, ARS reported 6,275 individuals enrolled in institutions of higher education and occupational training which does not include students enrolled in secondary

education with a high school diploma on their IPE, accounting for approximately 3,845 individuals who did not achieve an MSG and 930 participants not identified as being eligible to earn one or more MSG. ARS believes the underreporting of this data was attributed, in part, to the process used for entering data in its case management system. ARS relies on its VR counselors to report on a quarterly basis relevant data specific to MSG in its case management system. ARS indicated that the reporting errors likely occur when the VR counselor has not obtained the required supporting documentation needed to verify the MSG in a timely manner. The VR agency indicated that training specific to MSG has been provided, but training is ongoing and still needed for its staff. In addition, ARS indicated that VR counselors, despite the significant improvement in tracking and reporting MSG during the prior year, were still learning to accurately code and report MSG on a consistent basis. ARS anticipates its new case management system will enhance logic checks and prompts to further assist VR counselors with the tracking necessary for these data.

In 2010, ARS established a threshold of \$5,000 for tuition, required textbooks, academic fees, maintenance, and transportation per a twelve-month period beginning with the initiation date of the IPE. ARS has not assessed this threshold to adjust for the increasing rates of tuition. RSA noted ARS' Rates of Payments for VR services (Appendix I of its policy manual) establishes the rates of payment for educational expenses based on the fee schedule of the institution of higher education or community college (section 15.08). The VR agency indicated that the \$5,000 has not increased due to budget constraints that resulted when WIOA required the 15 percent reservation of funds for pre-employment transition services, reducing the budget for other services. ARS has an exception to service provision policy for extenuating circumstances but was unable to identify when or how often exceptions are granted. This area is discussed further under Section C of this focus area.

During PY 2019, 13 individuals (0.1 percent) received on-the-job training, 185 individuals (1.5 percent) received job readiness training, one individual received customized training, and no individuals received apprenticeship training. Of the career services provided in PY 2019, 55 individuals (0.5 percent) received job search assistance and 3,015 individuals (24.8 percent) received job placement assistance. ARS 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 VR agency identified barriers to training and service provision, such as VR counselor job vacancies and transportation limitations in rural areas.

During PY 2019, ARS appeared to inaccurately report, or code, career and other services based upon data reviewed from the RSA-911. Of the 12,159 participants who received VR services in PY 2019, ARS reported 87.5 percent of participants received counseling and guidance services; however, ARS indicated counseling and guidance is a core service and should always be included on all IPEs. Further, ARS reported 36 participants (0.3 percent) received supported employment services. However, the VR agency reported 88 participants exited the VR program with a supported employment outcome, and ARS' data reflects 304 supported employment cases during PY 2019. ARS indicated that in PY 2017, 2018, and 2019, supported employment services were incorrectly coded as occupational and vocational training on both the RSA-911 and the RSA-2 reports. RSA noted that supported employment services expenditures were reported as \$0.00 in FFYs 2018 through 2020 on the RSA-2. ARS reports that this coding error was corrected in 2020 and ARS has since updated the RSA-911 report following the FFY 2019

reports. Additionally, ARS reported providing transportation services to only 2.0 percent of participants, maintenance services to 2.7 percent of participants, and other services to 31.3 percent of participants. ARS suggested that the agency has provided a higher percentage of transportation and maintenance than what was reported in the RSA-911. ARS reviewed its data related to maintenance and transportation services and identified coding issues that needed to be resolved. ARS reviewed its authorizations in its case management system and discovered that some transportation services had been coded as maintenance services. The VR agency was unable to identify what contributed to the high number of services that were coded as “other services.”

In the past year, ARS developed a new process to ensure correct coding of service types, and PY 2019 data does not reflect the corrections and adjustments. ARS indicated it will continue to work with its finance department to resolve these coding errors. The VR agency has also requested technical assistance with how it defines maintenance, discussed further under Section C of this focus area.

Quality of Employment Outcomes

The RSA review team examined data reported by ARS, policies, and practices to determine how the VR agency is maximizing employment opportunities and quality employment leading to self-sufficiency for participants with disabilities, including those with the most significant disabilities. To guide the analysis and discussion of quality employment outcomes, the RSA team reviewed a variety of data elements, including data from the other measures that matter developed jointly by RSA and VR agency representatives, along with VR agency efforts, including the following:

- Employment status at exit;
- Employment rate;
- Median wages earned;
- Median weekly hours worked;
- Health insurance at exit;
- Social security benefits at exit;
- Participants who exited with competitive integrated employment, including supported employment;
- Employment status of participants in the second and fourth quarters after exit;
- Percentage of participants who retained employment;
- Types of occupations that VR participants obtain;
- Efforts to promote career advancement;
- The attainment of measurable skill gains (MSG) and credentials;
- Efforts to assist participants in achieving parity with the general working population; and
- Strategies to promote job retention.

As indicated previously, the number of participants exiting the VR program in competitive integrated employment or supported employment increased from 2,338 participants in PY 2017 to 2,491 participants in PY 2019. 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, ARS had an employment rate of 64.2 percent in PY 2019. This represents a decrease in the employment rate from 69 percent in PY 2017.

The median hourly earnings at exit for those who achieved competitive integrated employment in PY 2019 was \$11.08 per hour and the median hours worked was 40 hours. The State minimum wage was \$9.25 per hour effective January 1, 2019, increasing to \$10.00 per hour effective January 1, 2020.

For PY 2019, ARS reported the five most common employment types using the standard occupational classification (SOC) titles in which individuals achieved employment, along with their median hourly earnings as customer service representative (80 individuals and \$10.14), nursing assistants (73 individuals and \$10.50), stock clerks and order fillers (73 individuals and \$10.26), retail salespersons (71 individuals and \$10.00), and registered nurses (65 individuals and \$21.95).

ARS uses the State's Department of Labor's labor market information when establishing an individual's employment goal and when evaluating and planning the educational needs of the individual in the development of the IPE. The labor market information demonstrates that there is adequate labor market demand to support the employment outcome.

In PY 2019, ARS collected wage record data, entered it into its case management system, and reported available data through the RSA-911 for the employment rate in the second and fourth quarters after exit. In PY 2019, 57.6 percent of participants were employed in the second quarter after exiting the VR program and 39.4 percent of participants were employed in the fourth quarter after exiting the VR program. ARS attributed the decrease in the fourth quarter to a combination of reporting errors and individual job losses. The reporting errors primarily occur when the unemployment insurance (UI) data is not reported by the deadline. ARS uses the Arkansas Division of Workforce Services (DWS) online wage query system that requires manual input. ARS manually goes into the DWS system to get UI information, and if the VR counselor does not match the correct quarter in the case management system, the percentages drop. ARS has addressed this issue by providing staff training and implementing a process to remind staff before data is due. In addition, ARS is in the process of upgrading its case management system to include a wage interface program to automate receiving wage information from the DWS system. Individuals who have lost employment in the second or fourth quarter after exit are contacted and invited to return to the VR program for additional services. If the case has been closed for more than 18 months ARS will open a new case and develop a new IPE. The VR agency communicated that if the case has been closed for 18 months or less the individual will be provided post-employment services. RSA provided technical assistance on the appropriate timing and provision of post-employment services.

Pre-Employment Transition Services

Early career exploration through pre-employment transition services increases the likelihood of achieving high-quality competitive integrated employment. RSA reviewed data reported by ARS related to the provision of pre-employment transition services to students with disabilities, including potentially eligible students and those determined eligible for the VR program. The review team analyzed data on the number of students with disabilities, the number of those

receiving pre-employment transition services, and the types of services provided. In addition, RSA reviewed data in the other measures that matter related to the breakout of students with disabilities who received pre-employment transition services as potentially eligible students with disabilities and students with disabilities who received these services under an IPE, as well as the number of students with disabilities who advance from potentially eligible status to VR program participant status and their outcomes. These data are useful in evaluating the relationship between the provision of pre-employment transition services, participation in the VR process, and employment outcomes.

The number of students with disabilities reported by ARS increased from 7,144 students to 10,240 students from PY 2017 through PY 2019. During this time, the number of students with disabilities who received a pre-employment transition service increased from 1,850 students to 2,103 students. Of those who received pre-employment transition services, the majority of students were identified as potentially eligible for VR services, increasing from 1,297 students to 1,399 students, compared to 704 students who received pre-employment transition services and applied for VR services, up from 553 students in PY 2017. For PY 2019, this represents only 8.5 percent of the potentially eligible students with disabilities who applied for VR services (Measure 6—Other Measures Profile). The total number of pre-employment transition services provided for all five required activities generally increased from PY 2017 through PY 2019, from 17,319 services to 20,569 services, with each of the required activities being fairly equally represented (ranging from 17.3 percent of total services to 24.8 percent of all pre-employment transition services).

ARS provides pre-employment transition services through a combination of VR agency staff provided services and purchased services through different contracts and agreements. ARS employs 18 pre-employment transition counselors that directly provide services and work in coordination with the schools for students that are potentially eligible and eligible for VR services receiving pre-employment transition services. Purchased services are provided through either a memorandum of agreement (MOA) or memorandum of understanding (MOU), as well as through professional consultant contracts for the provision of pre-employment transition services. MOAs are fee-for-service agreements with various vendors who work directly with the student, with agreements for the specific services, curriculums, and activities to be provided. MOUs are agreements that identify the parameters for providing pre-employment transition services within a school. MOUs further define the roles and responsibilities of the vendor and school for the provision of pre-employment transition services. In addition, a Letter of Engagement (LOE) must be implemented by the cooperating school in order for a vendor to establish a MOU to provide services within a school. ARS also has professional consultant contracts, including the Opportunities for Work-based Learning (OWL) contracts, which are issued directly to the secondary schools for the provision of work-based learning activities. ARS pays the school at a rate of \$5,000 per five students and an additional \$5,000 for each additional five student up to a maximum amount of \$45,000 for 41 or more students per academic year. In addition, ARS pays students directly for work while participating in work-based learning experiences based on the number of hours worked per week certified by the participating school. ARS has since transitioned OWL contracts to a Work-based Learning Opportunities for Leading to Future Employment (WOLF) program to reduce costs, which limits the number of hours worked by students per school year and allows for costs to be charged on a per-student basis as opposed to the group rates used with OWL contracts.

RSA reviewed multiple examples of professional consultant contract agreements developed during the reporting period with the schools and discussed concerns with the structure for the pre-employment transition services outlined in the agreement. Specifically, the services appear prescriptive and often predetermined for a student prior to a determination of which services are needed by a student. In addition, the services are arranged between the school and the provider without input from the VR counselor or student. As a result, informed choice based on the student's need, abilities level, or interest in services is limited, and does not allow for different providers or options with different employers or types of positions available to the student for work experiences.

RSA noted that the data demonstrates a general increase in pre-employment transition services and students served from PY 2017 to 2019, with a sharp increase in services and students served in PY 2018 before dropping in PY 2019. In particular, the number of students who received pre-employment transition services increased from 1,850 students in PY 2017 to 2,831 students in PY 2018 before dropping back down to 2,103 students in PY 2019. Similarly, the number of pre-employment transition services increased from 17,319 to 27,945 from PY 2017 to PY 2018 before dropping to 20,569 in PY 2019. ARS explained that the agency had surpassed the 15 percent reserve in FFY 2018 and, as a result, made changes to its contracts with the schools to limit the costs and number of students with disabilities who received pre-employment transition services to ensure it had sufficient resources needed to serve eligible individuals in the VR program. ARS transitioned from the OWL contracts to WOLF contracts to limit the costs paid to each school (from \$45,000 to \$27,000 maximum); limited the number of schools eligible for its professional consultant contracts to 40, and capped the number of hours students may participate in work-based learning activities to 20 hours per week for a maximum of 13 weeks.

ARS provided RSA with a formal interagency agreement with the State educational agency (SEA) for review and feedback. The interagency agreement between the Arkansas Division of Elementary and Secondary Education-Division of Learning Services-Special Education Unit, Arkansas Rehabilitation Services and the Arkansas Division of Services for the Blind was executed on October 7, 2020. RSA provided technical assistance specific to the requirements in Section 101(a)(11)(D) of the Rehabilitation Act and 34 C.F.R. § 361.22(b), described in Section C of this focus area.

Factors Influencing Performance

ARS has experienced a decline in referrals, applications and individuals determined eligible for VR services due, in part, to the lack of outreach and accessibility to VR services in rural areas. RSA's review of its policies and procedures identified concerns with ARS' lack of timely engagement to move applicants and eligible individuals through the VR process, resulting in high attrition rates. Another factor influencing performance is related to the accuracy of ARS' data, compromised by inconsistent reporting and user error.

ARS uses different MOAs and MOUs along with Professional Consultant Contracts (previously OWL, now WOLF agreements) to provide pre-employment transition services with the different school districts. The available pre-employment transition services appear prescriptive and predetermined for a student and often the services are arranged between the school and the provider. As a result, informed choice based on the student's need, level of abilities, or interest in

services are limited, and do not allow for different providers and employers. In addition, ARS' procedures deter early application of students with disabilities for VR services, delaying application for VR services until the senior year of high school.

Use of Data to Inform Performance and Management

ARS uses a number of reports developed from its case management system to inform its pre-employment transition counselors, VR counselors, supervisors and managers. For example, the agency uses the data from its case management system to maintain regular review of case statuses and the timely processing of cases, review of fiscal resources available per VR counselor caseload, and summary of VR counselor's performance on each of the performance indicators. In RSA's review of performance data and discussions with ARS, it appeared that the agency has not thoroughly evaluated its data to assist in measuring its progress toward improved performance and management of the VR program. The examination of data elements in several of the data tables raised questions among ARS staff during the review about the validity and accuracy of the data and generated discussions about strategies to ensure that data are being coded and reported appropriately. For example, the data used to assess the number and percentage of participants to achieve one or more measurable skill gains were significantly underreported for PYs 2017 through 2018. Although the data demonstrate significant improvement in PY 2019, ARS believes the number of measurable skill gains continues to be underreported.

RSA explored with ARS data related to attrition at various stages of the VR process, reasons for exit, VR services provided, and the degree to which participants were exiting without successful employment outcomes. RSA recommended these data should be continually reviewed and analyzed to evaluate the agency's progress. In addition, RSA recommended ARS identify its policies and practices that contribute to or impede improvements in the performance of the VR program.

Internal Controls and Policies

The RSA review team assessed program management and performance in relation to the internal control requirements in 2 C.F.R. § 200.303. "Internal controls" means 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.

The VR agency is required to maintain verifying documentation in an individual's service record, particularly regarding eligibility determination, IPE development, services provided, and case closure. In accordance with joint policy guidance outlined in RSA-TAC 19-01, VR agencies are required to maintain supporting documentation for several RSA-911 data elements used to calculate the WIOA performance indicators. In addition, VR agencies must maintain supplemental wage information for some participants, as outlined in the joint policy guidance in

RSA-TAC-17-04. The use of an electronic case management system does not remove the requirement for the agency to maintain either hard copies or scanned copies of required supporting documentation in the individual's service record.

Prior to the off-site review, RSA requested documentation from ARS outlining policies and procedures related to the case service record; reporting on the RSA-911; and internal control process (e.g., ensuring data accuracy, reliability, and timely submission), along with a case file description used by ARS to organize case files. ARS provided RSA with a description of various parts of its quality assurance (QA) process, including case management, case reporting, case closure policies, and its quality case review form. Additionally, ARS provided RSA with a virtual review of its case management system which demonstrated how service authorizations are created in the case management system and how these services are reported quarterly.

ARS' (QA) Team is assigned to the Program Planning, Development, and Evaluation (PPD&E) section under the management of the Associate Commissioner to ensure the distinct role of monitoring and reviewing of the Field program. The QA team conducts on-site case reviews, exit reviews upon request by the regional managers, new counselor orientation, staff training, and technical assistance.

ARS' case reviews are conducted monthly, with a minimum of five cases pulled from the case management system for each of the VR counselors in the agency. ARS uses a case record review form that addresses various elements of the VR process. Any discrepancies identified during the case review process are used to inform the development of staff trainings. RSA noted that the QA policy and case review instrument were not sufficient to determine if the agency is maintaining appropriate supporting documentation in individual service records that verify the validity of the required data elements in the RSA-911. The case review does not review WIOA Performance Indicators or any employment-related requirements, such as start date of employment and weekly earnings. By maintaining appropriate supporting documentation, the VR agency can ensure compliance with 34 C.F.R. § 361.12, which requires VR agencies to implement policies and procedures that ensure the proper and efficient administration of the VR program. These methods must include procedures to ensure accurate data collection and financial accountability, which include adequate source documentation for data reported through the RSA-911.

As noted previously, the accuracy of data was compromised by inconsistent reporting. ARS does not have procedures to accurately report VR services or WIOA performance indicators. ARS reports purchased services at the time of payment after the service has already been provided. ARS staff-provided services are reported through a "grid" in the case management system on a quarterly basis and not as they occur. The VR agency also relies on its VR counselors to report on a quarterly basis relevant data specific to the performance indicators in its WIOA Common Performance Measures form in its case management system. This process involves the VR counselor manually identifying and reporting all data necessary to report each of the performance indicators.

RSA communicated that ARS needed to develop more comprehensive systems that ensure proper internal controls are in place. RSA further explained that internal controls procedures must go beyond checking for data errors and consistency issues and must verify the data are

accurate and supported with documentation in the case record that aligns with the correct dates reported.

C. Technical Assistance and Recommendations

RSA provided technical assistance in the following topical areas to ARS in response to areas identified during the review process and in response to specific technical assistance needs identified by the VR agency. Technical assistance and recommendations provided by RSA are intended to assist ARS to achieve continuous improvement in performance. RSA is available to provide follow-up technical assistance and has referred the VR agency to the RSA Technical Assistance Center on Quality Management.

The RSA team provided technical assistance to ARS over the course of the review in several topical areas.

Referrals and Applicants

ARS and RSA discussed the need to reevaluate its policies for processing referrals and applications in accordance with 34 C.F.R. § 361.41. ARS must establish and implement standards for the prompt and equitable handling of referrals of individuals for VR services. The standards must include timelines for making good faith efforts to inform these individuals of application requirements and to gather information necessary to initiate an assessment for determining eligibility and priority for services. The referral form used by ARS identified sufficient information to move the individual into applicant status to begin the eligibility determination process upon its receipt. Agency policy indicates that the referred individual will be contacted within 30 days but does not specify a date by which the individual will be engaged by the agency for the application process. The process requires the individual to provide a social security card, State issued or other form of legal identification, and other documents that exceed the requirements for submitting a referral or application. It was noted failure to produce these documents and complete forms may further delay the initial application process.

In addition, RSA reviewed ARS' procedures for eligibility determination. According to these procedures, if a VR counselor is unable to make a determination within 60 days from application, the VR counselor may grant an extension without first notifying the applicant or receiving consent. In addition, the extension is granted for an additional 60 days. ARS then sends a letter to the individual notifying the applicant of the extension. RSA reviewed the requirements for extensions with the agency and reinforced the need to revise its policies and procedures as described earlier in this report.

ARS and RSA also discussed the need to further analyze 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.

IPE Development

RSA and ARS discussed the need for ARS to analyze and identify obstacles to efficient service delivery and develop strategies to improve timely IPE development. During the review period, IPE extensions were not collected and reported as part of the RSA-911 report (PYs 2017, 2018, 2019). ARS did not achieve compliance with the required timeframe for the development of an IPE within 90 days from the determination of eligibility. RSA also noted ARS reported 19 percent or higher of all VR applicants or eligible individuals exited after being determined eligible but prior to the development of an IPE during the review period.

Attrition

RSA and ARS discussed the need to analyze further what circumstances contribute to individuals exiting the VR program without employment outcomes after applying for VR services and develop strategies to engage and retain participants. Based on the delays in the referral, application and eligibility process previously noted, a significant portion of applicants and eligible individuals are exiting the VR process prior to receiving VR services. RSA and ARS discussed the necessity to reduce the delays prior to the development of an IPE and ensure all processes do not exceed the Federal regulatory requirements for the collection of information and the time allowed to make a determination. RSA recommended that contacts be made in certain intervals to check on the individual's status and streamline each process to minimize the burden of information collected. In addition, RSA suggested that ARS examine alternative methods to collect information and to provide assistance, as needed, to obtain the documentation needed at application and for eligibility determination.

Tuition Threshold

In 2010, a threshold of \$5,000 was established by ARS for a twelve-month period, beginning with the initiation date of the IPE, for tuition, required textbooks, academic fees, maintenance, and transportation. ARS does allow for exceptions to be granted, if requested, for unique circumstances. RSA discussed with ARS the need to assess this threshold to adjust for the increasing rates of tuition and align with its Rate of Payment policy which indicates that rates of payment for educational expenses are set on the tuition fee schedule of the institution or community college. RSA discusses the policy discrepancy in further details under Section D of this focus area.

ARS incorporates a budget that is applied for VR counselor's caseload. According to the ARS, it provides VR counselors a budget of \$60,000 twice per year but may be less for smaller caseloads. During RSA's discussion with VR counselors, it was identified that exceptions are allowed, but usually it's limited to an additional class or semester needed for the student to graduate.

RSA discussed its concerns with ARS that implementing performance evaluations to the adherence of VR counselor budgets may disincentivize VR counselors from seeking exemptions or notifying individuals of the opportunity to request an exemption, as appropriate.

Application of Maintenance Fees

ARS requested technical assistance on the definition of “maintenance;” the relationship between fee schedules, comparable benefits, and maintenance; and the agency’s ability to provide maintenance as a primary service. RSA provided technical assistance related to maintenance, specifying payment to an individual should be for “costs that are in excess of normal living expenses and that are necessitated by the individual's participation in an assessment for determining eligibility and vocational rehabilitation needs or the individual's receipt of vocational rehabilitation services under an individualized plan for employment” (34 C.F.R. § 361.5(c)(34)).

A VR agency may establish rates of payment that include maintenance; however, RSA cited its concerns with the application of ARS’ maintenance policies, particularly as it applies to students attending institutions of higher education. ARS policy for room and board allows for up to “70 percent of the lowest double occupancy dorm rate,” which serves as an arbitrary cost containment measure predicated upon the assertion that only 70 percent of the actual housing expenses are in excess of the “normal expenses.” ARS procedures determine the individual’s need for housing costs as predicated on the need to attend college or training outside the individual’s local area (e.g., 50 miles from the individual’s residence). If 100 percent of the costs are “in excess of the normal living expenses,” then ARS’ policy to pay up to 70 percent of the necessary costs is not consistent with meeting the needs of the individual based on the definition of “maintenance.”

In addition, RSA reviewed with ARS regulatory requirements related to the provision of services for individuals with disabilities in 34 C.F.R. § 361.50(c)(2), which permits the State unit to establish a fee schedule designed to ensure a “reasonable cost to the program” for “each” service; however, the State unit may not place absolute dollar limits on specific service categories or on the total services provided to an individual (34 C.F.R. § 361.50(c)(3)). RSA discussed its concerns with ARS regarding the agency’s lumping of several services together, including tuition, fees, books and supplies, room, board and transportation costs, which the agency has capped at \$5,000 for the year. Additionally, a fee must not be so low as to effectively deny the service and must not be absolute and must permit exceptions in order to address individual needs (34 C.F.R. § 361.50(c)(2)(i) and (ii)).

This does not preclude or limit ARS and the individual from applying the expected family contribution identified through the FAFSA or available Pell grants that may be available or preclude ARS from exploring or using available comparable services and benefits in accordance with 34 C.F.R. § 361.53, and as defined at 34 C.F.R. § 361.5(c)(8). RSA further clarified that the individual’s personal income, or family contributions, do not constitute comparable benefits according to this definition. Pell grants, on the other hand, would constitute comparable benefits, and prior to funding any postsecondary training at an institution of higher education, the State unit and the individual must make maximum efforts to secure grant assistance in whole or in part from other sources to pay for that training (34 C.F.R. § 361.48(b)(6)).

ARS explained exceptions can be granted to the \$5,000 when requested. RSA noted that during RSA’s discussion with field staff, exceptions are rarely sought since VR counselors are assigned

a case service budget that must be applied to the entire caseload. As a result, the \$5,000 cap functioned as an “absolute” for all intents and purposes since few exceptions were requested.

Regarding individual participation in the cost of VR services, the regulations at 34 C.F.R. § 361.50 must be considered alongside the regulations at 34 C.F.R. § 361.54, and the “reasonable cost to the program” must be balanced against the “reasonable” cost to the individual. There is “no Federal requirement” that individuals participate in cost of services (34 C.F.R. § 361.54(a)). If an agency chooses to require individuals to participate in the cost of VR services, then the agency must ensure that the cost to the individual is “reasonable,” based on the individual's financial need, including consideration of any disability-related expenses paid by the individual; and not so high as to effectively deny the individual a necessary service” (34 C.F.R. § 361.54(b)(2)(iv)(A), (B), and (C)). Furthermore, certain services are always exempt from financial needs tests and are not subject to financial participation, pursuant to 34 C.F.R. § 361.54(b)(3)(i).

In addition, RSA also provided technical assistance regarding the question of whether maintenance can be identified as a primary service. In accordance with the definition, “maintenance” includes only those costs that are beyond “normal living expenses” that are “necessitated by the individual’s participation in an assessment for determining eligibility and vocational rehabilitation needs or the individual’s receipt of vocational rehabilitation services under an individualized plan for employment.” Therefore, ARS should ensure it has sufficient policies and procedures that identify maintenance as a support service and not as a primary service.

Pre-Employment Transition Services

ARS uses different MOAs and MOUs along with professional consultant contracts (previously OWL, now WOLF agreements) to provide pre-employment transition services with different school districts. The services appear prescriptive and often predetermined for a student and frequently are arranged between the school and the provider. As a result, informed choice based on the student’s need, level of abilities, or interest in services is limited, not allowing for different providers and often employers. RSA discussed the need for students with disabilities to have more input in the process and to work with the schools and the students, along with the parent or legal representative, to ensure any pre-employment transition services identified for a student are consistent with the student’s individualized education plan (IEP), when applicable, and the student’s interest and abilities rather than prescribed services based on the student’s grade level.

RSA recommended ARS revise its policies to allow for potentially eligible students with disabilities to enter the VR process and identify the student’s eligibility for services as soon as possible rather than waiting for the exit year. ARS’ procedures restrict students with disabilities from applying for VR services unless support services have been determined to be needed, identifying a strong preference for students to delay applying for services until the senior year of high school. As specified in 34 C.F.R. § 361.22(a)(2)—

These plans, policies, and procedures in paragraph (a)(1) of this section must provide for the development and approval of an individualized plan for employment in accordance with § 361.45 as early as possible during the transition planning process and not later than the time a student with a disability determined to be eligible for vocational rehabilitation services leaves the school setting or, if the designated State unit is operating under an order of selection, before each eligible student with a disability able to be served under the order leaves the school setting.

ARS' procedure appears to limit students in need of support services from receiving needed VR services that would allow for a higher probability for success in the student's program, and a seamless transition to VR services.

RSA discussed the reduction of students with disabilities served and the number of pre-employment transition services provided, along with the high number of students with disabilities who exited from PY 2018 through PY 2019. ARS reported implementing a number of changes to reduce the number of pre-employment transition services and students receiving services following PY 2018 after exceeding the 15 percent reserve. RSA discussed the need for ARS to continually examine the most effective ways to provide pre-employment transition services through its contracts, providers, agreements with the school systems and its staff, but the 15 percent reserve should be considered a minimum, not a limit or cap. Further, any adjustments for the provision of pre-employment transition services should be made with the goal of increasing access to students with disabilities, not limiting access or services to students.

SEA Agreement

RSA provided technical assistance to ARS on its SEA agreement (executed October 2020), and requested that ARS address the following areas before the implementation of its next SEA agreement—

- The interagency agreement should identify an expiration date not to exceed three years from the date that it was implemented to ensure that this agreement is reviewed and modified as needed, on a periodic basis; and
- The agreement should reflect the processing of applications and specify the timeline for all eligibility determinations as no later than 60 days from the date of application, as required at 34 C.F.R. § 361.41(b)(1).

The timeline for the development of an IPE within 90 days from the date of eligibility determination, pursuant to 34 C.F.R. §361.45(e), should be listed under the Roles and Responsibilities section.

Order of Selection Policy

RSA provided ARS with technical assistance regarding its policy definitions for an individual with a disability and an individual with a significant disability. These definitions are not consistent with statutory definitions. Federal regulations define an “individual with a disability” and an “individual with a significant disability” as limiting one or more functional capacities. ARS' policy defines an individual with a disability as limiting two functional capacity areas and an individual with a significant disability as limiting three functional capacity areas.

Supported Employment Milestones

ARS uses four milestone payments to pay for its supported employment services using both VR funds and Supported Employment funds. ARS uses Title VI funds to pay for Milestone 2 (job placement) and Milestone 4 (closure). Milestones 1 (referral) and Milestone 3 (stabilization) are charged to Title I funds. RSA provided technical assistance to clarify that the expenditure of supported employment funds can begin only when a participant with a most significant disability is placed in an employment position requiring supported employment services and cannot use Title VI funds to pay for job placement services (Milestone 2).

Quality Assurance

RSA recommended that ARS'QA policy and case review instrument be revised to correspond with the required data elements in the RSA-911. RSA provided technical assistance that all case reviews should include verification of the start date of employment, the employment achieved was consistent with the individual's IPE goal, and verification the individual has retained employment for no less than 90 days and meets the requirements of 34 C.F.R. § 361.56 prior to closing the individual's case record.

D. Findings and Corrective Actions

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

Finding 2.1 Untimely Development of the IPE

Issue: Did ARS develop IPEs within 90 days from the date of eligibility determination for each individual.

Requirement: In accordance with 34 C.F.R. § 361.45(a), the VR services portion of the Unified or Combined State plan must assure that an IPE meeting the requirements of this section and 34 C.F.R. § 361.46 is developed and implemented timely for each individual determined to be eligible for VR services and that services will be provided in accordance with the provisions of the IPE. In addition, under 34 C.F.R. § 361.45(e), the IPE must be developed as soon as possible, but no later than 90 days after the date of eligibility determination, unless the State designated unit and the eligible individual agree to the extension of that deadline to a specific date by which the IPE must be completed.

Analysis: As part of the review process, RSA analyzed the length of time it took for ARS to develop IPEs for individuals determined eligible for VR services. The data reported by ARS on the RSA-911 show that—

- For all individuals served whose service records were closed in PY 2017, 67.7 percent had an IPE developed within the Federally required 90-day period;
- For all individuals served whose service records were closed in PY 2018, 69.4 percent had an IPE developed within the Federally required 90-day period; and

- For all individuals served whose service records were closed in PY 2019, 68.8 percent had an IPE developed within the Federally required 90-day period. ARS indicated that based on its data and the inclusion of IPE extensions reported in its case management system, ARS had achieved 93 percent compliance for PY 2019. However, ARS was unable to produce data that demonstrated the number of IPE extensions to account for this discrepancy for PY 2019.

Conclusion: As demonstrated by the PYs 2017, 2018, and 2019 performance data, ARS did not develop IPEs for each eligible individual within 90 days following the date of eligibility determination. As a result of the analysis, ARS did not develop IPEs in a timely manner pursuant to 34 C.F.R. § 361.45(a)(1) and within the Federally required 90-day time frame pursuant to 34 C.F.R. § 361.45(e).

Corrective Action[s] 2.1 RSA requires that ARS—

- 2.1.1 Assess and evaluate current procedures for tracking and monitoring counselor performance and efficient practices used by high performing VR counselors and supervisors to ensure timely IPE development, including the use of case management tools for, and supervisory review of, timely IPE development;
- 2.1.2 Develop goals and strategies to improve VR counselor performance specific to timely IPE development; and
- 2.1.3 Comply with 34 C.F.R. § 361.45(a)(1) and (e) to ensure IPEs are developed within the statutory 90-day time frame from the date of eligibility determination.

VR Agency Response: ARS acknowledges the finding and will provide a detailed response as part of our corrective action plan.

RSA Response: RSA appreciates the response and looks forward to working with ARS to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: Technical assistance on best practices for client contact rate over the life of a case.

Finding 2.2 Insufficient Internal Controls

Issue: Did ARS 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).

Requirement: Pursuant to 2 C.F.R. § 200.303, VR agencies are required to develop internal control processes 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 CFR §200.303, among other things, requires a non-Federal entity to—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 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.

An internal control deficiency exists 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 ARS. RSA found several areas of concern that fall within the area of internal controls. These concerns are identified below.

Internal Controls for Case File Documentation

RSA identified and discussed multiple concerns with ARS’ lack of internal control processes to ensure its data are accurate and supported by the required documentation in the agency’s case management system and service records. RSA clarified that the need to provide accurate data supported by documentation is not only a requirement of Federal grant awards and regulations but essential to public and Congressional reporting.

RSA communicated that ARS needed to develop more comprehensive systems that ensure proper internal controls are in place. RSA further explained that internal controls procedures must go beyond checking for data errors and consistency issues and must verify the data are accurate and supported with documentation in the case record that aligns with the correct dates reported. In addition, the data must align with a case record’s financial information, which is handled separately by its fiscal unit.

RSA informed ARS of the need to develop a more comprehensive case review process to determine if data are accurate and verified with supporting documentation. Although the case review documents if the case record has the proper documentation, such as signed application, eligibility letter, and approved IPE, there are significant areas of the case record that are not reviewed as part of the VR agency's case review process. For example, none of the required elements for the performance indicators was reviewed to ensure case records included the necessary supporting documentation, verified the data reported, or validated the accuracy of the data. In addition, there were no employment-related elements reviewed, such as verification the employment outcome was in a competitive integrated setting. RSA provided technical assistance that all case reviews should include verification of the start date of employment, the employment achieved was consistent with the individual's IPE goal, and verification the individual has retained employment for no less than 90 days and meets the requirements of 34 C.F.R. § 361.56 prior to closing the individual's case record.

Inaccurate Reporting of WIOA Performance Indicators

RSA identified inconsistencies between the number of training services provided and the number of measurable skill gains (MSG) reported. In PY 2019, ARS reported 6,275 individuals enrolled in institutions of higher education and occupational training which does not include students enrolled in secondary education with a high school diploma on their IPE, accounting for approximately 3,845 individuals who did not achieve an MSG. Although the agency has developed guidance and provided training regarding the definitions, requirements, and timelines for collecting and reporting MSG, the reporting errors likely occur when the VR counselor has not obtained the required supporting documentation needed to verify the MSG in a timely manner. ARS relies on its VR counselors to report on a quarterly basis relevant data specific to MSG in its case management system.

RSA also identified reporting errors for other WIOA performance indicators, including the employment rate in the second and fourth quarters after exit. In PY 2019, 57.6 percent of participants were employed in the second quarter after exiting the VR program and 39.4 percent of participants were employed in the fourth quarter after exiting the VR program. ARS attributed the decrease to a combination of reporting errors and individual job losses. The reporting errors primarily occur when the unemployment insurance (UI) data is not reported by the deadline. ARS currently uses the Arkansas Division of Workforce Services (DWS) online wage query system that requires manual input. ARS must manually go into the DWS system to get UI information, if the VR counselor does not match the correct quarter in the case management system, the percentages drop.

RSA reviewed ARS' policies and procedures governing its internal controls for data collection, reporting, and procedures for ensuring accurate performance data. RSA discussed with ARS the need to improve internal controls to ensure accurate, valid, and reliable data, as required by 34 C.F.R. § 361.40 and 2 C.F.R. § 200.303.

Inaccurate Tracking and Reporting of VR Services

In reviewing the number and percentage of VR services provided in the data for PYs 2017 through 2019, ARS did not accurately report career and other services, as demonstrated by the

RSA-911 report. Of the 12,159 participants who received VR services in PY 2019, ARS reported, 87.5 percent of participants received counseling and guidance services, however, counseling and guidance is a core service and should be included in all IPEs. ARS did not accurately report the number of supported employment services it provided. In PY 2019, ARS reported that 88 participants exited the VR program with a supported employment outcome, however, ARS' internal PY 2019 data reflects 304 supported employment cases. ARS indicated that in PYs 2017, 2018, and 2019, supported employment services were incorrectly coded as occupational and vocational training on both the RSA-911 report and the RSA-2 report. Additionally, ARS inaccurately reported providing transportation, maintenance, and other services to its participants. In PY 2019, ARS indicated that the agency provided a higher percentage of transportation and maintenance than what was reported in the RSA-911 report. ARS was unable to identify specific services that were coded as "other services. ARS reviewed its data related to maintenance and transportation services and identified coding issues that need to be resolved. ARS reviewed its authorizations in System 7 and discovered that some transportation services had been coded as maintenance services at times.

ARS does not have procedures to accurately report when VR services are provided, rather staff are required to report quarterly what services have been reported as opposed to the date the service was provided. RSA discussed the issuance of a policy directive or appropriate agency guidance that all services for and provided to participants are accurately coded, tracked, and reported at the time-of-service provision.

Inaccurate Policies and Procedures

- ARS policy definitions for an individual with a disability and an individual with a significant disability are not consistent with statutory definitions. Federal regulations at 34 C.F.R. § 361.5(c)(30) defines an "individual with a significant disability" as an individual with a disability who has a severe physical or mental impairment that seriously limits one or more functional capacities. ARS' policy defines an individual with a disability as an individual who has a severe physical or mental impairment that seriously limits two functional capacities and an individual with a significant disability as an individual who has a severe physical or mental impairment that seriously limits three or more functional capacities.
- ARS provides milestone payments to its vendors who provide supported employment services to individuals pursuing supported employment outcome. ARS uses four milestone payments that include payment for the following services: Milestone 1—Referral; Milestone 2—Job Placement; Milestone 3—Stabilization; and Milestone 4—Closure. ARS identify it uses Title VI funds to pay for Milestone 2 (job placement) and Milestone 4 (closure), and Milestones 1 referral) and Milestone 3 (stabilization) are charged to Title I funds. Title VI funds can only be used once a participant with a most significant disability is placed in an employment position and has an IPE with supported employment services identified.
- ARS' definition of a "youth with a disability" is inconsistent with C.F.R. § 361.5(c)58. ARS defines a youth with a disability as "anyone ages 14-24 with the most significant disabilities not enrolled in an education program." 34 C.F.R. §361.5(c)58 defines a

“youth with a disability” as an individual with a disability who is not-(A) younger than 14 years of age; and (B) older than 24 years of age.

- ARS’ definition of an ineligibility determination in its policy manual indicates that an individual will be determined ineligible if an applicant does not follow through with assessment; or the individual’s physical, educational, or medical records are unavailable; and if an applicant does not appear for scheduled appointments for plan development, etc. In these circumstances, ARS should make every effort to assist the individual obtain the necessary documentation or reschedule the appointment. If the individual is unable to or unwilling to cooperate or assist in the VR process, or the individual is otherwise unavailable for services, the individual may be closed without an eligibility determination, pursuant to 34 CFR §§ 361.43 and 361.44 (closure without eligibility determination).
- ARS’ policy under Section VI-Services, College and Universities (VI-21) specifies a cap on college tuition with a threshold of \$5,000 established per twelve-month period beginning with the initiation date of the IPE, inclusive of tuition, required textbooks, academic fees, maintenance, and transportation; however, ARS’ Policy Governing the Rates of Payment for Purchased VR Services, Institutions of Higher Education and Community Colleges (section 15.08) indicates the rates of payments for educational expenses are set on the tuition fee schedule of the institution or community college. Further, out-of-State tuition is determined at a rate not to exceed the rate paid for in-State tuition for the same degree, certification, or course of study available at a public institution in the State. ARS has two different policies governing its rates of payment for higher education.
- ARS’ eligibility extension letters process and procedures are inconsistent with 34 C.F.R. § 361.41, which indicates that the designated State unit and the individual must agree to a specific extension of time. ARS’ eligibility extension letter and the process does not involve the individual when a determination is made, nor does it allow for the date of the extension to be based upon the time required to get the necessary information. Rather, the date is automatically set for 60 days from the time of the letter, and the applicant is only notified and advised they could appeal through an administrative review if they disagree with the decision.

Conclusion: RSA determined that, at the time of the review, ARS had not established and maintained effective internal control over its Federal award that provided reasonable assurance that the non-Federal entity was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. RSA determined that ARS’s internal controls did not ensure the service record requirements at 34 C.F.R. § 361.47 were met. ARS has not developed and implemented internal controls that ensure the proper and efficient administration of the VR program, including those necessary to submit accurate and reliable data reports with required documentation to verify its data for the VR and Supported Employment programs.

Corrective Action[s] 2.2 RSA requires that ARS—

- 2.2.1 Revise inaccurate policies to align with statutory and regulatory requirements, and 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 and reviews to ensure and verify supporting documentation requirements and the verification of employment;
- 2.2.3 Develop mechanisms to collect and aggregate the results of these reviews and use the results to inform and conduct necessary training and evaluation of staff; and
- 2.2.4 Assess the effectiveness of the policies and procedures governing ARS's internal control procedures to ensure compliance and the accurate reporting of data.

VR Agency Response: ARS acknowledges the finding and will provide a detailed response as part of our corrective action plan.

RSA Response: RSA appreciates the response and looks forward to working with ARS to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: Technical assistance on creating policy on 911 processes and policy requirements.

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 competitive integrated employment 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

The RSA team conducted its virtual review from August 16 - 27, 2021. Due to the substantive nature of the fiscal concerns identified in the financial management area, RSA transmitted a letter to ARS, dated October 14, 2021, imposing specific conditions on ARS' FFY 2022 VR grant award (H126A220097), in accordance with 2 C.F.R. § 200.207. As a result of the specific conditions, ARS was tasked with implementing corrective actions including the development and implementation of internal controls and written policies and procedures that demonstrate ARS' ability to assign, track and report unliquidated obligations to Federal and non-Federal fund sources (See Appendix C for details). At the time of this publication, ARS has completed the corrective action plan (CAP) and has begun work to resolve the corrective actions.

The specific areas of non-compliance are detailed in RSA's October 14, 2021, specific conditions letter (Appendix C). However, as a result of the full scope of RSA's fiscal review, the remainder of this section of the monitoring report identifies the technical assistance provided and additional findings RSA identified that are not included in the specific conditions letter. ARS must address these findings through additional corrective actions.

C. Technical Assistance and Recommendations

RSA provided technical assistance in the following topical areas to ARS in response to areas identified during the review process and in response to specific technical assistance needs identified by the VR agency. Technical assistance and recommendations provided by RSA are intended to assist ARS to achieve continuous improvement in the financial management and performance of the VR and Supported Employment programs. RSA is available to provide follow-up technical assistance and has encouraged ARS to follow up with the various technical assistance centers available to the agency.

Rate Setting Procedures

RSA and ARS discussed the rate setting requirements that govern all purchased VR services, identified at 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 revising its written policies governing rates of payment for VR services. These factors include, among others, acting with prudence, comparing rates that 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. Rate setting for all contracts will benefit from a written protocol to provide uniform guidance to ARS staff when establishing rates.

Tracking Pre-Employment Reserve Activity Costs

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 with the FFY 2021 VR award), all of which have different requirements. The RSA-911 report captures both expenditures and service type (e.g., individual required activity) when reporting 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” by VR agency staff members. While the 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 program 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 spending funds on authorized activities. Therefore, there is no need for VR agency staff to track personnel costs down to the level of each of the five required activities to determine overall costs for reporting reserve expenditures, only that the service was provided. This is also true of coordination and authorized activities, which can be included on VR Federal financial reports as part of reserve expenditures.

RSA further clarified that the 2020 Notice of Interpretation: Pre-Employment Transition Services Flexibility Regarding the Use of Federal Vocational Rehabilitation Funds ([NOI](#)) allows VR services for students with disabilities under an IPE, necessary for the student to participate in required activities, may also be charged to the pre-employment reserve. As a result, these costs should be included in the set-aside determination – along with required and coordination activities – that the agency completes to determine if it can spend reserve funds on authorized activities.

Personnel Cost Allocation – Pre-Employment Transition Services

RSA further discussed personnel time tracking and personnel activity reports (PARS) with ARS. Regarding guidance to ARS staff members, RSA noted there are instructions in one of the PARS Excel Workbook tabs, as well as a brief policy in the Arkansas Finance Policy and Procedures manual. In reference to tracking pre-employment transition services, ARS indicated that authorized and coordination activities are not charged to the pre-employment reserve. RSA clarified that the set-aside determination, necessary to determine if agencies can charge authorized activities to the pre-employment reserve, includes combining the cost calculations for required and coordination activities together. Therefore, it is important to track coordination activities and charge those to the reserve as part of the set-aside determination.

RSA noted that ARS staff separate out VR Counselor time spent directly providing required activities from time spent conducting billing, documentation, and case management activities.

RSA has historically indicated that typical VR Counselor activities are generally not considered administrative work, except for circumstances when individual VR Counselors are pulled into administrative activities (e.g., policy review team) beyond their traditional duties. If VR Counselors conduct administrative activities, the value of that portion of salaries and wages may not be charged to the reserve based on the statutory provisions governing the pre-employment transition services reserve funds. Additionally, since the RSA-911 report does not require expenditures for reporting in-house services provided directly by VR agency staff, tracking mechanisms that identify when a VR Counselor provides a specific required activity is sufficient to meet these requirements. ARS may wish to consider reviewing and revising its cost objectives related to pre-employment transition services to ensure all work on pre-employment transition services activities is captured, including required and coordination activities, separate from authorized activities or other cost objectives that may include general VR activities, Independent Living activities, other State-funded programs, etc. ARS may also consider coordinating the information from the instructions tab of its PAR workbook, FAQ information, and the PARs policy referenced in the Finance manual and integrating the information into a robust policy, available to ARS staff in a central location.

Refunds

RSA confirmed that the Federal portion of refunds must be applied to the Federal award from which the original payment occurred, as indicated in Applicable Credits provisions under Uniform Guidance, in accordance with 2 C.F.R. § 200.406(a). Funds may not be credited to a current year's resources and spent on current year costs. Additionally, the Uniform Guidance confirms the closeout of a Federal award does not affect the requirement for the VR agency to return any funds due as a result of later refunds that occur after closeout, consistent with 2 C.F.R. § 200.345 (Post-closeout adjustments and continuing responsibilities).

Contracts

During its review of pre-employment contracts, RSA noted that a FFY 2018 Opportunity for Work-based Learning (OWL) contract included language indicating the pre-employment activities were paid with Federal funds from the pre-employment transition services reserve. However, the amendments to the contract, beginning in FFY 2019, split the funds between Federal (78.7) and non-Federal (21.3) sources, indicating the non-Federal portion will not be charged to the pre-employment transition services reserve. RSA provided technical assistance encouraging ARS to review the contractual language to determine if this is just a contractual oversight due to traditionally splitting VR purchased services between non-Federal and Federal funds, or if this should be corrected to ensure ARS can obligate, track and report all pre-employment transition services accurately on Federal reports.

D. Findings and Corrective Actions

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

Finding 3.1 Internal Control Deficiencies for Rate-Setting Policies

Issue: Does ARS maintain effective internal control over rate-setting VR policies 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.

Requirement: 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).

A State VR agency must establish and maintain written policies to govern the rates of payment for all purchased VR services (34 C.F.R. § 361.50(c)).

“Internal controls” means processes designed and implemented by non-Federal entities 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. § 200.1).

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.

Provisions 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
- 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.

Additionally, 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.

Furthermore, provisions at 2 C.F.R. § 200.302(b)(7) require that the financial management system of each non-Federal agency must provide for written policies and procedures for determining the allowability of costs in accordance with Federal cost principles and the terms and conditions of the Federal award.

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: During discussions with ARS management and a review of the agency's policies regarding VR services, RSA learned that ARS has a fee schedule included as Appendix I of the Arkansas Rehabilitation Services Policy and Procedure Manual, which identifies the rates it uses for assigning costs to purchased VR services. A review of this policy revealed language indicating certain VR service costs follow service costs determined by other State agencies (e.g., authorized health care professionals are set at 80 percent of the Arkansas Blue Cross Blue Shield rate of pay). Other VR services, such as Job Placement and Supported Employment Services, are provided through milestone or benchmark payments. While the policy in Appendix I indicates that rates of payment for Supported Employment Service were established by ARS with input from the vendors that provide these services, there is no written process or procedure outlining the process for determining such rates, in accordance with a written policy governing the approach that ARS will follow to establish the milestone payments. Similarly, the fee schedule includes a section for pre-employment transition services fees for external vendors, including rates for school year services and summer programming services. While this section lists the hourly rates of payment for the various required pre-employment transition services activities that will be paid to the vendors, there is no process that identifies how the hourly rates were determined. As a result, there is a lack of a uniform process to determine rates of payment for VR services and demonstrate the extent to which rates represent reasonable costs (2 C.F.R. § 200.404).

Federal regulations require ARS to establish procedures that enable it to administer the VR program in an efficient manner and 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 ARS to establish internal controls that ensure the agency complies with all Federal requirements. Specifically, ARS 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)), while 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)). ARS does not have written policies that sufficiently govern the rate-setting methodology ARS 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 written into contracts. As a result, ARS cannot ensure that all expenditures incurred for the provision of purchased VR services are allowable, reasonable, and allocable to the VR program. Therefore, ARS cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, ARS 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: ARS 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. Specifically, ARS does not have sufficient written policies for establishing rates of payment for all purchased VR services, as required in 34 C.F.R. § 361.50(c).

Corrective Action: RSA requires that ARS—

- 3.1.1 By the first quarterly update after approval of the CAP, develop and implement written policies and procedures to govern determination of rates of payment for all purchased VR services, including VR services and pre-employment transition services procured through contracts; and
- 3.1.2 By the second quarterly update after approval of the CAP, review all contracts and purchased service agreements to ensure that the payment structure follows the newly implemented policy and revise, as appropriate, new contracts or contract renewals to adhere to the rate-setting policy provisions.

VR Agency Response: ARS acknowledges the finding and will provide a detailed response as part of our corrective action plan.

RSA Response: RSA appreciates ARS' intent to develop policies and procedures to govern determination of rates of payment for all purchased VR services, including contracts. RSA looks forward to working with ARS to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: Technical assistance on Uniform Guidance language needed for each contract or written agreements to vendors. Technical assistance on developing rationale for fee schedules when no clear previous model is available.

Finding 3.2 Internal Control Deficiencies for Contracts

Issue: Does ARS maintain effective internal control over VR contracts 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.

Requirement: 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 processes designed and implemented by non-Federal entities 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. § 200.1).

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, provisions 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
- 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: During the monitoring review, RSA discussed with ARS staff, and reviewed various contracts for, purchased consumer services, including sample invoices and supporting documentation from pre-employment transition services contracts. ARS lets Professional Consultant contracts, including the OWL contracts issued directly to secondary schools that function as service providers (alternatively, an external vendor could be used to provide services for the students). Regarding tracking costs, RSA learned that ARS pays students directly for their wages through authorizations processed within the case management system. These costs are not included as part of the payments to the contractor but, are reported on the RSA-911 based on the expenditures per service per student. However, for the contract costs paid to the school as the contractor, there is a fee schedule in the contract that identifies amounts the contractor will receive, based on the number of students served. The vendor receives \$5,000 annually for the first five students served, and payments increase \$5,000 for every additional group of five students served, up to a maximum of \$45,000 paid annually, if the contractor serves at least 41 students during the year. ARS provided examples of a purchase order, issued for the work performed by the school (or vendor), and described that the processing of purchase order payments does result in tracking expenditures based on the individual service per student to report out accurately on the RSA-911.

RSA learned that ARS anticipates transitioning from OWL contracts to WOLF contracts in the future to better manage the pre-employment transition services contracts. However, based on the discussions RSA and ARS had during the review, a concern remains that the continued use of a purchase order may prevent ARS from accounting for those funds and services provided to students on the RSA-911 to fully capture the efforts it is making on behalf of students receiving WBLEs through these contracts. The Uniform Guidance requirements at 2 C.F.R. § 200.302(a) require that a State's financial management system, 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, as described earlier, a review of the contract language developed by ARS and the use of a bulk purchase order as payment mechanism for multiple students at once demonstrate these requirements are not met on a consistent basis.

RSA discussed, throughout the review, the need for ARS to ensure that contracts' scopes of works include clear and consistent language, outlining the responsibilities of ARS and the CRP/contractor. 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 for ARS to determine if services are

provided in a manner that meets ARS' 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-17 and RSA-911, the latter report requiring the reporting of expenditures per service per individual.

As described above, there is a lack of internal controls for purchased services through contracts, and an inability for ARS to report all costs per service per individual on Federal reports. As such, ARS cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, ARS 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, 2 C.F.R. § 200.302(a) and (b)(4), and 2 C.F.R. § 200.303.

Conclusion: ARS 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. ARS did not satisfy the requirements in 2 C.F.R. § 200.302(a) and (b)(4) that require a State's financial management systems to be sufficient to permit the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal requirements, and that funds are spent solely on authorized VR activities, because an internal control deficiency exists for managing contracts costs and ARS is unable to ensure it can track, account and report program and fiscal data for purchased client service expenditures accurately on the RSA-17 and RSA-911 reports, or to ensure all costs are accurate, allocable and allowable, in accordance with 2 C.F.R. §§ 200.403 through 200.405.

Corrective Actions: RSA requires that ARS—

- 3.2.1 By the second quarterly update after approval of the CAP, develop and implement written policies and internal control procedures governing the development of contracts and fiscal management of payments to ensure—
 - Contracts are constructed in such a manner that ARS and the contractor have mechanisms to account for all costs associated with the contracts, and contractors provide supporting documentation in such a way that ARS can meet its fiscal responsibilities to accurately report costs on the RSA-17 and RSA-911 reports, including expenditures per service per individual; and
 - Costs for all required pre-employment transition services 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 are developed in accordance with rate setting policies identified as necessary in Finding 3.1; and
- 3.2.2 By the third quarterly update after approval of the CAP, ARS should review all purchased service contracts to ensure that they meet the agency's newly implemented written policies and procedures to account for contract expenditures, to ensure ARS can meet Federal reporting requirements and terms and conditions of the VR award identified in 3.2.1.

VR Agency Response: ARS acknowledges the finding and will provide a detailed response as part of our corrective action plan.

RSA Response: RSA appreciates ARS' intent to develop internal policies and procedures to govern contract language that ensures accurate Federal reporting for all contracted VR services, including pre-employment transition services. RSA looks forward to working with ARS to resolve the finding through the CAP and ongoing technical assistance.

VR Agency Request for Technical Assistance: Technical assistance on Uniform Guidance language needed for each contract or written agreements to vendors.

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

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

Table 2—AR-G Number and Percentage of Participants Served by Primary Disability Type (PYs 2017-2019)

Table 3—AR-G Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PYs 2017-2019)

Table 4—AR-G Number and Percentage of Individuals Exiting by Reason during the VR Process (PYs 2017- 2019)

Table 5—AR-G VR Services Provided to Participants (PYs 2017-2019)

Table 6—AR-G Types of Measurable Skill Gains Earned and Number of Participants Who Earned Measurable Skill Gains (PYs 2017-2019)

Table 7—AR-G 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)

Table 8—AR-G Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PYs 2017-2019)

Table 9—AR-G Number of Students with Disabilities Reported, and the Number and Percentage of Students with Disabilities Who Received Pre-Employment Transition Services (PYs 2017-2019)

Table 10—AR-G Number and Percentage of Required Pre-Employment Transition Services Provided (PYs 2017-2019)

Vocational Rehabilitation Program Other Measures That Matter

Measure 1—AR-G Sustaining Employment After Exit (January 1, 2018 – December 31, 2018)

Measure 2—AR-G Profile: Quality Employment (PY 2019)

Measure 3—AR-G Profile: VR Process Efficiency (PY 2019)

Measure 4—AR-G Profile: VR Service Provision (PY 2019)

Measure 5—AR-G Percent of Participants Enrolled in Education/Training Program Leading to a Recognized Credential/Employment (PY 2019)

Measure 6—AR-G Profile: Pre-Employment Transition Services (PY 2019)

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

VR Agency Profile Data	2017	2018	2019
Employment Rate	69.0%	60.0%	64.2%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	2,338	2,372	2,491
Percentage of Timely Eligibility Determinations	86.6%	83.6%	95.6%
Percentage of Eligibility Determination Extensions	0.0%	0.0%	6.2%
Percentage of Timely IPE Development	67.7%	69.4%	68.8%
Number of Applicants	5,638	6,030	4,450
Number of Individuals Determined Eligible	4,591	5,292	4,108
Number of Individuals with an IPE and No VR Services Provided	980	1,046	869
Number of Participants (with an IPE and VR Services Provided)	11,892	12,475	12,159
WIOA Performance Indicators (General VR Agency)	2017	2018	2019
Measurable Skill Gains Rate	21.5%	23.8%	45.5%
Employment Rate in 2 nd Qtr After Exit	N/A	57.7%	57.6%
Median Earnings in 2 nd Qtr After Exit	N/A	\$5,164	\$4,835
Employment Rate in 4 th Qtr After Exit	N/A	N/A	39.4%
Credential Attainment Rate	N/A	N/A	17.6%
WIOA Performance Indicators (Statewide)	2017	2018	2019
Measurable Skill Gains Rate	22.7%	25.2%	45.5%
Employment Rate in 2 nd Qtr After Exit	N/A	56.3%	57.3%
Median Earnings in 2 nd Qtr After Exit	N/A	\$5,240	\$4,939
Employment Rate in 4 th Qtr After Exit	N/A	N/A	38.6%
Credential Attainment Rate	N/A	N/A	17.5%

Table 2—AR-G 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	9	0.1%	12	0.1%	11	0.1%
Auditory or Communicative	1,196	10.1%	1,171	9.4%	985	8.1%
Physical	4,829	40.6%	4,913	39.4%	4,843	39.8%
Cognitive	3,369	28.3%	3,593	28.8%	3,471	28.5%
Psychological or Psychosocial	2,489	20.9%	2,786	22.3%	2,843	23.4%
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	1	0.0%	2	0.0%	2	0.0%
Other Visual Impairments	8	0.1%	10	0.1%	9	0.1%
Deafness, Primary Communication Visual	103	0.9%	116	0.9%	113	0.9%

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	78	0.7%	82	0.7%	66	0.5%
Hearing Loss, Primary Communication Visual	53	0.4%	58	0.5%	70	0.6%
Hearing Loss, Primary Communication Auditory	883	7.4%	830	6.7%	651	5.4%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	25	0.2%	28	0.2%	25	0.2%
Deaf-Blindness	-	0.0%	-	0.0%	1	0.0%
Communicative Impairments (expressive/receptive)	54	0.5%	57	0.5%	59	0.5%
Mobility Orthopedic/Neurological Impairments	736	6.2%	721	5.8%	667	5.5%
Manipulation/Dexterity Orthopedic/Neurological Impairments	265	2.2%	268	2.1%	256	2.1%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	237	2.0%	231	1.9%	223	1.8%
Other Orthopedic Impairments (e.g., limited range of motion)	556	4.7%	548	4.4%	550	4.5%
Respiratory Impairments	540	4.5%	533	4.3%	533	4.4%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	888	7.5%	938	7.5%	944	7.8%
Other Physical Impairments (not listed above)	1,607	13.5%	1,674	13.4%	1,670	13.7%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	3,369	28.3%	3,593	28.8%	3,471	28.5%
Psychosocial Impairments (e.g., interpersonal and behavioral impairments, difficulty coping)	2,258	19.0%	2,541	20.4%	2,612	21.5%
Other Mental Impairments	231	1.9%	245	2.0%	231	1.9%

Table 3—AR-G Number and Percentage of Individuals Exiting at Various Stages of the VR Process (PYs 2017-2019)

Individuals Who Exited the VR Program			PY 17	PY 18	PY 9	
Number of Individuals Who Exited the VR Program			5,402	6,570	7,111	
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	656	12.1%	737	11.2%	518	7.28%
Individual exited during or after a trial work experience	82	1.5%	72	1.1%	93	1.31%
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	993	18.4%	1,259	19.2%	1,083	15.2%
Individual exited after an IPE without an employment outcome	1,033	19.1%	1,557	23.7%	1,391	19.6%
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	2,338	43.3%	2,372	36.1%	2,491	35.0%
Individual exited as an applicant after being determined ineligible for VR services	123	2.3%	122	1.9%	77	1.1%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	177	3.3%	451	6.9%	1,458	20.5%
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			117	117	88	
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment			-	-	-	

Table 4—AR-G 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	5	0.1%	4	0.1%	3	0.0%
Health/Medical	-	0.0%	-	0.0%	-	0.0%
Death of Individual	18	0.3%	23	0.4%	27	0.4%
Reserve Forces Called to Active Duty	-	0.0%	-	0.0%	-	0.0%
Foster Care	-	0.0%	-	0.0%	-	0.0%
Ineligible after determined eligible	-	0.0%	-	0.0%	-	0.0%
Criminal Offender	7	0.1%	9	0.1%	6	0.1%
No Disabling Condition	56	1.0%	73	1.1%	56	0.8%
No Impediment to Employment	58	1.1%	42	0.6%	24	0.3%
Does Not Require VR Service	11	0.2%	9	0.1%	11	0.2%
Disability Too Significant to Benefit from Service	10	0.2%	16	0.2%	46	0.6%
No Long Term Source of Extended Services Available	-	0.0%	-	0.0%	-	0.0%
Transferred to Another Agency	10	0.2%	20	0.3%	11	0.2%
Achieved Competitive Integrated Employment Outcome	2,338	43.3%	2,372	36.1%	2,491	35.0%
Extended Employment	2	0.0%	-	0.0%	-	0.0%
Extended Services Not Available	5	0.1%	3	0.0%	-	0.0%
Unable to Locate or Contact	967	17.9%	1,356	20.6%	1,407	19.8%
No Longer Interested in Receiving Services or Further Services	1,016	18.8%	1,294	19.7%	1,615	22.7%
All Other Reasons	715	13.2%	898	13.7%	1,417	19.9%
Number of Individuals Who Exited the VR Program	5,402		6,570		7,111	

Table 5—AR-G VR Services Provided to Participants (PYs 2017-2019)

Participants Who Received Services			PY 17	PY 18	PY 19	
Total Number of Participants Who Received VR Services			11,892	12,475	12,159	
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	150	1.3%	169	1.4%	177	1.5%
Bachelor Degree Training	3,135	26.4%	3,097	24.8%	2,965	24.4%
Junior or Community College Training	1,301	10.9%	1,318	10.6%	1,300	10.7%
Occupational or Vocational Training	1,804	15.2%	1,974	15.8%	1,820	15.0%
On-the-Job Training	42	0.4%	19	0.2%	13	0.1%
Apprenticeship Training	-	0.0%	-	0.0%	-	0.0%
Basic Academic Remedial or Literacy Training	3	0.0%	1	0.0%	-	0.0%
Job Readiness Training	144	1.2%	180	1.4%	185	1.5%
Disability Related Skills Training	9	0.1%	8	0.1%	2	0.0%
Miscellaneous Training	216	1.8%	233	1.9%	211	1.7%
Randolph-Sheppard Entrepreneurial Training	-	0.0%	-	0.0%	-	0.0%
Customized Training	7	0.1%	1	0.0%	1	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	10,986	92.4%	10,588	84.9%	10,254	84.3%
Diagnosis and Treatment of Impairment	711	6.0%	708	5.7%	585	4.8%
Vocational Rehabilitation Counseling and Guidance	11,147	93.7%	10,984	88.0%	10,645	87.5%
Job Search Assistance	171	1.4%	107	0.9%	55	0.5%
Job Placement Assistance	2,370	19.9%	2,998	24.0%	3,015	24.8%
Short-Term Job Supports	2	0.0%	-	0.0%	-	0.0%
Supported Employment Services	71	0.6%	57	0.5%	36	0.3%
Information and Referral Services	7	0.1%	7	0.1%	4	0.0%
Benefits Counseling	51	0.4%	31	0.2%	19	0.2%
Customized Employment Services	1	0.0%	-	0.0%	-	0.0%
Extended Services (for youth with the most significant disabilities)	5	0.0%	1	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	299	2.5%	275	2.2%	248	2.0%
Maintenance	299	2.5%	375	3.0%	329	2.7%
Rehabilitation Technology	897	7.5%	902	7.2%	733	6.0%
Personal Attendant Services	4	0.0%	3	0.0%	-	0.0%
Technical Assistance Services	20	0.2%	46	0.4%	42	0.3%
Reader Services	-	0.0%	-	0.0%	-	0.0%
Interpreter Services	29	0.2%	34	0.3%	17	0.1%
Other Services	3,396	28.6%	3,976	31.9%	3,806	31.3%

Table 6—AR-G Number of Measurable Skill Gains Earned, Number of Participants Who Earned Measurable Skill Gains, and Types of Measurable Skill Gains (PYs 2017-2019)

Types of Measurable Skill Gains Earned	Number 2017	Number 2018	Number 2019
Educational Functioning Level	1	2	1
Secondary Diploma	7	1	44
Postsecondary Transcript/ Report Card	596	653	2,190
Training Milestone	22	22	64
Skills Progression	35	27	194
Total	661	705	2,493
Participants Who Earned Measurable Skill Gains	2017	2018	2019
Number of Participants Who Earned Measurable Skill Gains	630	691	2,430

Table 7—AR-G 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		2,338	2,372	2,491		
Median Hourly Earnings at Exit		\$10.50	\$10.75	\$11.08		
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	2,167	92.7%	2,206	93.0%	2,315	92.9%
Family and Friends	58	2.5%	41	1.7%	55	2.2%
Public Support	111	4.7%	120	5.1%	119	4.8%
Other Sources	2	0.1%	5	0.2%	2	0.1%
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	96	4.1%	104	4.4%	98	3.9%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	249	10.7%	244	10.3%	230	9.2%
Temporary Assistance for Needy Families (TANF) at Exit	24	1.0%	18	0.8%	12	0.5%
General Assistance (State or local government) at Exit	2	0.1%	1	0.0%	-	0.0%
Veterans' Disability Benefits at Exit	1	0.0%	10	0.4%	2	0.1%
Workers' Compensation at Exit	1	0.0%	-	0.0%	1	0.0%
Other Public Support at Exit	23	1.0%	25	1.1%	21	0.8%
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	470	20.1%	460	19.4%	538	21.6%
Medicare at Exit	268	11.5%	257	10.8%	227	9.1%
State or Federal Affordable Care Act Exchange at Exit	91	3.9%	109	4.6%	137	5.5%
Public Insurance from Other Sources at Exit	64	2.7%	94	4.0%	68	2.7%
Private Insurance Through Employer at Exit	887	37.9%	848	35.8%	891	35.8%
Not Yet Eligible for Private Insurance Through Employer at Exit	63	2.7%	46	1.9%	19	0.8%
Private Insurance Through Other Means at Exit	339	14.5%	299	12.6%	360	14.5%

Table 8—AR-G 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	Nursing Assistants	71	\$9.50
2	Registered Nurses	68	\$21.06
3	Retail Salespersons	66	\$9.51
4	Cashiers	65	\$9.00
5	Hairdressers, Hairstylists, and Cosmetologists	59	\$10.00
6	Heavy and Tractor-Trailer Truck Drivers	56	\$15.62
7	Customer Service Representatives	55	\$10.00
8	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	49	\$8.55
9	Stock Clerks and Order Fillers	46	\$9.00
10	Teacher Assistants	32	\$8.76
No.	PY 18 SOC Title	PY 18 Number of Participants	PY 18 Median Hourly Earnings
1	Nursing Assistants	74	\$10.00
2	Hairdressers, Hairstylists, and Cosmetologists	74	\$10.00
3	Registered Nurses	66	\$23.00
4	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	66	\$9.25
5	Customer Service Representatives	64	\$10.00
6	Retail Salespersons	58	\$9.25
7	Cashiers	57	\$9.00
8	Heavy and Tractor-Trailer Truck Drivers	43	\$15.00
9	Barbers	40	\$10.00
10	Laborers and Freight, Stock, and Material Movers, Hand	39	\$9.75
No.	PY 19 SOC Title	PY 19 Number of Participants	PY 19 Median Hourly Earnings
1	Customer Service Representatives	80	\$10.14
2	Nursing Assistants	73	\$10.50
3	Stock Clerks and Order Fillers	73	\$10.26
4	Retail Salespersons	71	\$10.00
5	Registered Nurses	65	\$21.95
6	Laborers and Freight, Stock, and Material Movers, Hand	62	\$10.00
7	Hairdressers, Hairstylists, and Cosmetologists	59	\$10.00
8	Cashiers	53	\$9.48
9	Heavy and Tractor-Trailer Truck Drivers	53	\$15.00
10	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	50	\$10.00

Table 9—AR-G 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	7,144	9,881	10,240
Students with Disabilities Reported with 504 Accommodation	921	1,247	1,247
Students with Disabilities Reported with IEP	3,458	5,091	5,380
Students with Disabilities Reported without 504 Accommodation or IEP	2,765	3,543	3,613
Total Students with Disabilities Who Received a Pre-Employment Transition Service	1,850	2,831	2,103
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	1,297	1,962	1,399
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	553	869	704
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	25.9%	28.7%	20.5%

Table 10—AR-G 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	17,319	100%	27,945	100%	20,569	100%
Job Exploration Counseling	3,982	23.0%	5,987	21.4%	4,119	20.0%
Work-Based Learning Experiences	3,368	19.4%	5,681	20.3%	5,102	24.8%
Counseling on Enrollment Opportunities	3,488	20.1%	5,248	18.8%	3,551	17.3%
Workplace Readiness Training	3,029	17.5%	5,155	18.4%	3,684	17.9%
Instruction in Self-Advocacy	3,452	19.9%	5,904	21.1%	4,113	20.0%

Vocational Rehabilitation Program Other Measures That Matter

Measure 1—AR-G Sustaining Employment After Exit (January 1, 2018 – December 31, 2018)

This measure is the percent of VR program participants who are employed at exit and employed in the Second and Fourth Quarters after Exit.

	Number/Percent
Number Exited with Employment (01/01/2018-12/31/2018)	2,372
Number Employed in Second Quarter after Exit AND Fourth Quarter after Exit	1,133
Percent Sustaining Employment	47.77%

Measure 2—AR-G Profile: Quality Employment (PY 2019)

This profile provides information related to employment status at exit and four quality indicators of employment:

1. Median Hourly Earnings.
2. Median Hours Worked per Week.
3. Employer-Provided Health Insurance; and
4. Social Security beneficiary information

Primary Disability	Number of Participants Exiting with Employment	Percent of Total Exiting with Employment	Median Hourly Earnings at Exit	Median Hours Worked per Week at Exit	Number with Health Insurance at Exit	Number with SS Benefits at Exit	Percent Employed at Exit
Visual							
Communication	453	18.19%	\$13.00	40	402	57	90.78%
Physical	928	37.25%	\$12.00	40	754	90	72.50%
Intellectual	673	27.02%	\$10.00	35	558	111	67.91%
Psychosocial	437	17.54%	\$10.50	36	352	62	61.46%
Significance of Disability	Number of Participants Exiting with Employment	Percent of Total Exiting with Employment	Median Hourly Earnings at Exit	Median Hours Worked per Week at Exit	Number with Health Insurance at Exit	Number with SS Benefits at Exit	Percent Employed at Exit
Significant	1,270	50.98%	\$11.50	40	1,057	131	75.69%
Most Significant	1,052	42.23%	\$10.74	37	885	188	65.46%
Students with Disabilities	Number of Participants Exiting with Employment	Percent of Total Exiting with Employment	Median Hourly Earnings at Exit	Median Hours Worked per Week at Exit	Number with Health Insurance at Exit	Number with SS Benefits at Exit	Percent Employed at Exit
Received Pre-Employment Transition Service under IPE	65	2.61%	\$10.00	30	48	9	80.25%

Measure 3—AR-G Profile: VR Process Efficiency (PY 2019)

This profile provides information related to how efficiently individuals with disabilities were determined eligible for the VR program and received an Individualized Plan for Employment (IPE) within the Program Year. This profile will also show the outcomes these individuals if they exited during the Program Year.

Application to Eligibility (PY 2019)		Number		
Number of Individuals Who Applied in PY 2019		4,450		
Number of Individuals Determined Eligible in PY 2019		4,108		
Application to Eligibility (PY 2019)	30 Days after Application	31 and 60 Days after Application	61 or More Days after Application	
Number Determined Eligible within:	1,731	2,007	370	
Percent Determined Eligible within:	42.14%	48.86%	9.01%	
Number Determined Eligible in PY 2019 Who Exited with Employment during PY 2019 within	162	103	12	
Number Determined Eligible in PY 2019 Who Exited without Employment during PY 2019 within	50	49	5	

Eligibility to IPE (PY 2020)		Number			
Number of Individuals Who Had IPEs Developed in PY 2020					
Eligibility to IPE (PY 2020)	30 Days after Eligibility	31 and 60 Days after Eligibility	61 and 90 Days after Eligibility	91 or More Days after Eligibility	
Number with IPEs Developed within:					
Percent of IPEs Developed within:					
Number with IPEs Developed in 2020 Who Exited with Employment during PY 2020					
Number with IPEs Developed in 2020 Who Exited without Employment during PY 2020					

*PY 2020 data was not available at the time of this FFY 2021 monitoring review.

Measure 4—AR-G Profile: VR Service Provision (PY 2019)

This profile shows the number of VR program participants who received at least one VR service divided by the total number of VR program participants.

VR Program Participants	Program Year 2019 Q1	Program Year 2019 Q2	Program Year 2019 Q3	Program Year 2019 Q4
Number of Participants Receiving VR Services	8,934	8,889	8,759	8,521
Total Number of Participants	10,378	9,840	9,880	9,647
Percent Receiving VR Services	86.09%	90.34%	88.65%	88.33%

Measure 5—AR-G Percent of Participants Enrolled in Education/Training Program

Leading to a Recognized Credential/Employment (PY 2019)

This measure shows the number of VR program participants who could earn a Measurable Skill Gains, as they work towards a Recognized Postsecondary Credential or Employment, divided by the total number of VR program participants being served. This measure uses the MSG Rate denominator as its numerator while the denominator is the total number of VR program participants.

Program Year 2019 MSG Rate Denominator	Program Year 2019 Total Number of Participants Served	Program Year 2019 Percent of Participants Eligible to Earn MSG
5,345	12,159	43.96%

Measure 6—AR-G Profile: Pre-Employment Transition Services (PY 2019)

These profiles provide information related to the breakout of students with disabilities who received pre-employment transitions services in terms of the potentially eligible students with disabilities and the students with disabilities who received these services under an IPE and the number of students with disabilities who advance from potentially eligible status to VR program participant status and their outcomes. This data may be used to evaluate the relationship between the provision of pre-employment transition services, movement in the VR process, and employment outcomes.

Students with Disabilities (PY 2019)	Job- Exploration Counseling	Workplace Readiness Training	Work-Based Learning Experience	Counseling on PSE Enrollment	Self- Advocacy Training	One or More Service
Number of Potentially Eligible Students Who Received Service	579	486	1,008	475	596	1,399
Number of Students Who Received Service under IPE	295	171	198	293	270	393
Number of Students Who Received Service as Both Potentially Eligible and under an IPE	249	150	163	243	235	317
Number of Students Who Exited with Employment during PY	56	29	28	55	50	65
Number of Students Who Exited without Employment during PY	13	8	8	11	5	16

	Number/ Percent
Total Number of Participants in VR Program	12,159
Number of Potentially Eligible Students with Disabilities Who Received Pre-Employment Transition Services	1,399
Percent of Potentially Eligible Students with Disabilities Who Received Pre-Employment Transition Services	42.7%
Total Number of Applicants to VR Program	4,450
Number of Potentially Eligible Students with Disabilities Who Applied to VR Program	379
Percent of Potentially Eligible Students with Disabilities Who Applied to VR Program	8.5%

APPENDIX B: FISCAL DATA TABLES

The fiscal data tables generally included in RSA's monitoring reports are reflective of the latest version of the SF-425 financial data submitted by the VR agency as of the date of the review. Due to the transition of the RSA Management Information System (RSAMIS) during the period of review, fiscal staff used the individual report submissions in lieu of the fiscal data tables. Consequently, RSA has not included the fiscal tables in this report to avoid any confusion or misinterpretation. The agency's individual SF-425 and RSA-2 submissions are publicly available on the RSAMIS website. Any questions about the fiscal data used for the review should be addressed to the Financial Management Specialist that conducted the review.

APPENDIX C: SPECIFIC CONDITIONS LETTER



UNITED STATES DEPARTMENT OF EDUCATION

REHABILITATION SERVICES ADMINISTRATION

October 14, 2021

Joseph Baxter
Commissioner
Arkansas Rehabilitation Services
2 Capitol Mall
Little Rock, AR 72201

Cassandra Williams
Director
Division of Services for the Blind
1 Commerce Way, Suite 204
Little Rock, AR 72202

Re: Specific Conditions for Arkansas Rehabilitation Services FFY 2022 State Vocational Rehabilitation Services grant award number H126A220097

Dear Mr. Baxter and Ms. Williams,

This letter is to inform you that the Rehabilitation Services Administration (RSA), within the Office of Special Education and Rehabilitative Services (OSERS), U.S. Department of Education (Department), is imposing specific conditions on the Arkansas Rehabilitation Services' (ARS) Federal fiscal year (FFY) 2022 State Vocational Rehabilitation Services (VR) grant award (H126A220097),¹ authorized by Title I of the Rehabilitation Act of 1973 (Rehabilitation Act), in accordance with 2 C.F.R. § 200.208. While conducting a routine off-site review of ARS during FFY 2021, RSA identified deficiencies with ARS' financial management system, accounting methodologies, and internal controls. In this letter, we outline the (1) concerns we have with the inability of ARS' financial and data management systems and internal controls to ensure financial and data accountability for its VR program; (2) specific conditions the agency must satisfy to address those concerns and the steps the agency must take to remove the specific conditions; and (3) method for requesting reconsideration of the specific conditions, as required by 2 C.F.R. § 200.208(c).

Reasons for Imposing Specific Conditions on ARS (2 C.F.R. § 200.208(c)(2)):

¹ The specific conditions outlined in this letter will also be included on ARS' FFY 2022 VR Grant Award Notification.

RSA is imposing the specific conditions outlined in this letter, pursuant to 2 C.F.R. § 200.208(a)(2), because RSA has determined ARS is not meeting the Federal financial and data management requirements, which results in ARS' inability to assign and report VR program obligations and expenditures to the proper Federal award and non-Federal funding sources. According to the financial records (i.e., authorizations, invoices, payments for VR services provided, and other State accounting supporting documentation) reviewed by RSA during its routine review of the agency, ARS is not satisfying Federal requirements to account for expending funds within the proper period of performance for Federal grant awards, including obligating and assigning costs to the proper FFY award based on the period of availability, as required by 34 C.F.R. § 76.702.

Specifically, during review of the ARS financial documentation and interviews with ARS fiscal management staff, RSA learned that ARS' State accounting system (known as AASIS) accounts for only the cost categories and the program incurring the costs to track actual transactions against revenues and expenditures. In other words, the AASIS does not have a coding or other methodology to account for the dates the costs or obligations are incurred or the funding source to be used to pay the cost. Additionally, invoices are initially paid with commingled funds from an account that includes State appropriations and Federal fund reimbursements from drawdowns that are not reconcilable to a source. To be clear, there is nothing to prohibit ARS from maintaining its different funding sources in one account so long as the accounting system can trace those funds, from the time of deposit to the time of expenditure, to a funding source to ensure they were spent properly in accordance with 34 C.F.R. § 361.12 and 2 C.F.R. § 200.302. However, ARS has no ability to identify any of these sources of funds once they are deposited into the account.

Moreover, because the AASIS cannot identify when the obligation or cost was incurred, either specifically to a date or generally to an FFY, ARS has no accounting mechanism to ensure that funds used to pay for any given cost were available at the time the cost was incurred (i.e., that the cost was incurred in the proper period of performance, as defined at 2 C.F.R. § 200.1). As a result, ARS fiscal staff pay for expenditures without regard to the period of performance for those funds since the date of the obligation of the cost is not known. The ARS fiscal management staff also informed RSA there is no coding system within AASIS that can assign each obligation or expenditure to a specific cost category or funding source (such as to a specific FFY Federal grant award or to a specific source of non-Federal funds used for match purposes). In fact, the coding within AASIS, as used by ARS, cannot identify even the most basic information of whether the cost is obligated against or paid with Federal funds or non-Federal funds because, as noted above, ARS commingles all of its funds into one account without any identifiers for those funds. Therefore, ARS has no coding or accounting mechanism in AASIS or any other methodology to identify the non-Federal or Federal nature of expenditures at a transactional level—the very supporting documentation necessary to demonstrate that the State has satisfied its match, maintenance of effort (MOE), and carryover requirements under the VR program and that ARS has expended VR program funds only when available and in the proper period of performance. Instead, during the off-site review process, ARS explained to RSA that ARS manually uses Excel workbooks, based on “Zwarrant detail” forms generated by AASIS, to

manage aggregate Federal and non-Federal fund data for VR program expenditures when it prepares its calculations for drawing down Federal VR funds (i.e., to reduce periodic aggregate expenditures by non-Federal estimated targets to determine the remaining amount of expenditures for Federal award drawdown).

Given ARS' use of AASIS to track VR program expenditures as just explained and as confirmed by the agency's Commissioner and Chief Financial Officer during the off-site review process, ARS does not account for obligations under the VR program (i.e., assign and track obligations to either Federal grant funds or non-Federal funds used for match purposes) at the time the obligations for the services are incurred, in accordance with 34 C.F.R. § 76.707. As a result, ARS' financial and accounting system fails to satisfy the following Federal requirements:

- By expending funds without regard to dates of obligations of the costs, ARS cannot ensure it is paying for costs with funds that were available at the time the costs were incurred, meaning that ARS cannot ensure the costs were incurred during the period of performance for those funds in accordance with Sections 19 and 111(a)(1) of the Rehabilitation Act; 34 C.F.R. § 361.64; and 2 C.F.R. § 200.1.
- By not keeping track of obligations (e.g., authorizations) for services by dates in the AASIS as they are incurred in accordance with 34 C.F.R. § 76.707, ARS is not able to ensure it is employing methods of administration for the proper and efficient administration of the VR program and for carrying out all functions for which the State is responsible under the VR services portion of the Combined State Plan, including proper financial accountability, as required by 34 C.F.R. § 361.12. Furthermore, ARS' financial management system (e.g., commingling all funds into one account without identifiers for any of those funds, from time of deposit to time of expenditure) and internal controls also make it impossible for the agency, among other things, to prepare accurate financial reports and trace funds to a level of expenditures adequate to establish that such funds have been used in accordance with Federal requirements, as required by 2 C.F.R. §§ 200.302, 200.303, and 200.328. The net effect of ARS' system of paying invoices, without keeping track of the dates obligations were incurred and the amount of each type of funds remaining in the account, could be equated to ARS writing checks with VR program funds, both Federal grant funds and non-Federal funds used for match and MOE purposes, without maintaining a ledger of the funds spent and funds remaining. As a result, ARS cannot ensure at any given time it has the proper FFY funds available to pay the outstanding obligations because it has no record of what those outstanding obligations are, the total amounts of those outstanding obligations, or the FFY in which those obligations were incurred. Without the ability to identify the funds from the time of deposit to the time of expenditure, ARS is not able to know, at any given time, how much of any source of funding is available for expenditure.

- Because ARS is unable to track and assign obligations incurred and expenditures paid to the proper period of performance, ARS is unable to submit accurate financial reports (i.e., SF-425s/RSA-17s),² as required by 34 C.F.R. § 361.12 and 2 C.F.R. §§ 200.302, 200.303, and 200.328. As a result, RSA cannot determine whether the State of Arkansas has satisfied its match and MOE requirements under the VR program because RSA relies on the financial data submitted on the financial reports to make these determinations. For RSA to determine whether the State satisfied its match and MOE requirements under the VR program in any given FFY, RSA must have accurate SF-425s/RSA-17s from both ARS and the Division for Services for the Blind to know the total amount of Federal and non-Federal expenditures incurred under the VR program in each FFY to calculate whether the State, as a whole, satisfied the match and MOE requirements of Sections 19, 101(a)(3), and 111(a)(1) and (2) of the Rehabilitation Act and 34 C.F.R. §§ 361.60, 361.62, and 361.64.³ Lastly, without accurate financial data reported on the SF-425s/RSA-17s, RSA also cannot be certain whether ARS has satisfied other recordkeeping and drawdown requirements set forth in 2 C.F.R. part 200 or requirements of the Cash Management Improvement Act.

Therefore, RSA cannot be certain that financial data submitted by ARS on its SF-425s/RSA-17s for the period covered by RSA’s review in FFY 2021—from FFY 2018 to present—are accurate because of the underlying deficiencies of ARS’ financial management and data systems. Without the reconciliation of these SF-425s/RSA-17s, RSA cannot determine, with certainty, whether the State has met its match and MOE obligations for those and subsequent years. Therefore, RSA has determined it necessary to impose specific conditions on ARS’ FFY 2022 VR grant award to safeguard the Federal interest in accordance with 2 C.F.R. §§ 200.208(a)(2) and 200.339. This decision is based on RSA’s determination that ARS’ noncompliant financial and data management systems constitute a material failure to comply with terms of the VR grant award.

² For purposes of the VR program, the RSA-17 Federal financial Report (RSA-17) replaced the SF-425s starting in FFY 2021. RSA issued Dear Colleague Letter (DCL)-20-02, dated August 13, 2020, to provide guidance to State VR agencies on the information required by the RSA-17. Therefore, ARS will submit all financial data regarding expenditures and obligations incurred under the VR program on the RSA-17 for FFY 2021 and subsequent years. However, for purposes of the specific conditions required by this letter, any revisions to FFYs 2018 through 2020 financial reports will be submitted on the SF-425s. RSA Policy Directive (PD)-15-05, dated February 5, 2015, provides guidance to State VR agencies on the financial information needed to complete the SF-425s for purposes of the VR program.

³ MOE compliance is determined on a State basis. When there are two VR agencies, as is the case in Arkansas, RSA determines whether the State satisfied the MOE requirement by calculating the total amount of non-Federal expenditures for each agency. If a State has a MOE deficit, RSA must reduce each agency’s VR grant award in direct proportion to the amount each agency’s non-Federal expenditures contributed to the MOE deficit for the State (34 C.F.R. § 361.62(c)(2)). Any revisions to non-Federal financial data resulting from these specific conditions may lead to RSA reducing any subsequent FFY’s VR grant to remedy a MOE deficit for any prior year, as permitted by Section 111(a)(2)(B) of the Rehabilitation Act. RSA will determine what additional steps to take once it reviews ARS’ corrective action plan.

Specific Conditions – Additional Requirements, Timelines, and Removal of Conditions (2 C.F.R. § 200.208(c)(1), (3), and (4)):

For the reasons stated above, RSA is awarding ARS' FFY 2022 VR allotment on the condition that ARS satisfy each of the additional requirements outlined below to ensure that its financial and data management systems comply with Federal requirements at 34 C.F.R. §§ 361.12, 76.702, and 76.707, and at 2 C.F.R. §§ 200.1, 200.302, 200.303, and 200.328.

A. Submission Requirements Prior to Implementation:

Specifically, ARS must submit the following to RSA for review and approval:

- 1) **Within 45 calendar days from the date of this letter**, a detailed corrective action plan, including measurable steps and timelines, for ARS to bring its financial and data management systems into compliance with Federal requirements so that ARS is capable of submitting timely and accurate financial reports.
- 2) **Within six months (i.e., 180 calendar days), following RSA's approval of ARS' corrective action plan**, internal control and financial and data management system processes that will address the underlying deficiencies that led to these specific conditions. These processes must address the requirements highlighted below with respect to data collection and reporting of expenditures and obligations under the VR program, as well as a transition plan to ensure continued compliance in the event of personnel turnover.

B. Developing the Corrective Action Plan:

In developing the corrective action plan, ARS should first conduct an assessment of all its existing financial and data management processes and should make sure the plan includes an outline of key internal control areas to be written or revised. To be approvable, the corrective action plan must contain measurable action steps and timelines ARS will complete to ensure its financial and data management systems and internal controls comply with Federal requirements, such that they are sufficient to ensure –

- 1) The collection and analysis of appropriate and accurate financial data under the VR program. This means that ARS' financial and data management systems must be able to –
 - Assign allowable VR unliquidated obligations and expenditures only to the grant award to which the obligation was assigned or expenditure incurred;
 - Distinguish liquidated expenditures from unliquidated obligations;
 - Identify which source of funds (Federal or non-Federal) is used to cover the obligation or liquidation of allowable VR expenditures;
 - Determine when obligations under the VR program are liquidated;
 - Ensure all obligations incurred under the VR program are liquidated within 120 days after the end of the period of performance (e.g., after the end of

the carryover year, if applicable) for each VR grant award in accordance with 2 C.F.R. § 200.344(b); and

- Make necessary accounting adjustments when non-Federal obligations, previously reported for match and MOE purposes under the VR program, are cancelled or otherwise not liquidated to remove those obligations from the amount ARS reported to RSA;
- 2) The retention of, and access to, financial records, supporting documents, and other agency records pertinent to a Federal award, as required by 2 C.F.R. §§ 200.334 and 200.337. This includes maintaining supporting documentation for the SF-425s and RSA-17s submitted by ARS for the VR program; and
 - 3) ARS staff remain capable of meeting Federal fiscal requirements even in the event of personnel turnover.

C. Implementation of the Approved Corrective Actions:

Within one month (i.e., 30 calendar days) following RSA’s approval of the financial and data management processes described under # A.2 above, ARS must implement the final approved written processes to establish and maintain effective internal control and financial and data management over the Federal award so that ARS is capable of submitting timely and accurate financial reports as described above.

D. Post-Implementation Reconciliations and Submissions:

1. **Within three months (i.e., 90 calendar days) after ARS has implemented the approved financial and data management system and internal control policies and processes,** ARS must review the financial data and reconcile its SF-425s for FFYs 2018 through 2020, using the newly approved processes, and resubmit as necessary to ensure that all forms submitted are accurate. RSA will use these revised forms to determine whether the State has met its match and MOE for each of these FFYs and will take further action, as necessary, to remedy any deficits, in accordance with Section 111(a)(2)(B) of the Rehabilitation Act, Part D of the General Education Provisions Act (20 U.S.C. §§ 1234a-1234b), and 34 C.F.R. part 81.
2. **On a quarterly basis starting after RSA has approved the corrective action plan,** submit written updates to RSA regarding progress made toward its implementation to satisfy these specific conditions.
3. **On a quarterly basis starting after ARS has implemented the approved financial and data management system and internal controls processes described in #A.2 above,** submit supporting documentation, from its financial management system, for Federal and non-Federal VR expenditures it reports on the SF-425s and RSA-17s, at the time ARS submits these reports. RSA will use these submissions to verify the accuracy of the submitted RSA-17s as a means of verifying that ARS’

implementation of its financial and data management systems comply with Federal requirements.

ARS must submit the documentation required by these specific conditions by email to the RSA Financial Management Specialist assigned to the award (Craig McManus at Craig.McManus@ed.gov). In addition, RSA will provide technical assistance, as needed, to assist ARS in completing these specific conditions.

If ARS fails to submit an approvable plan or satisfy any of the specific conditions described above, RSA may take further enforcement action as appropriate pursuant to 2 C.F.R. § 200.208(b). Removal of these conditions is contingent on ARS completing the required specific conditions, subject to approval and verification by RSA.

Method for Requesting Reconsideration (2 C.F.R. § 200.208(c)(5)):

If ARS disagrees with the specific conditions outlined in this letter and the attached grant award notification, it may request reconsideration of the conditions by the Acting Assistant Secretary of OSERS. Any such request for reconsideration must be submitted **within 15 days of the receipt of this letter** unless this date is otherwise extended by the Department. The request for reconsideration must be in writing and must include a statement of the basis on which you believe the specific conditions should be reconsidered. If you choose to do so, please submit your request to:

Katherine Neas
Acting Assistant Secretary
Office of Special Education and Rehabilitative Services
U.S. Department of Education
PCP 5107
400 Maryland Avenue, SW
Washington, DC 20202-2510

The request may be forwarded to her attention by email at Katherine.Neas@ed.gov or fax at (202) 245-7590. The Department will notify ARS of the Acting Assistant Secretary's decision on any such request for reconsideration within 15 days after receiving the request.

If you have any questions, please contact David Steele, Fiscal Unit Chief, at (202) 245-6520 or at David.Steele@ed.gov.

Sincerely,

/s/

Carol L. Dobak
Acting Deputy Commissioner,
delegated the authority to perform the
functions and duties of the Commissioner