

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



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

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SECTION 1: THE 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 the Kentucky Office of Vocational Rehabilitation (OVR) 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 July 16 through August 20, 2021, was defined by information, documents, and data submitted by OVR, taking into account the goals, unique circumstances, and technical assistance needs of OVR.

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 Christyne Cavataio and Zera Hoosier (VR Program Unit); Joseph Doney and Andrea Hall (Technical Assistance Unit); Arseni Popov and Damond Smith (Fiscal Unit); and Andrew Kerns (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 OVR 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 OVR 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 OVR uses data to inform program performance and management of the VR and Supported Employment programs.

Performance Data Summary and Analysis

The information presented below represents a summary of relevant data related to the performance of OVR. OVR reported major events affecting its performance since October 2018, including reorganization within the State cabinet structure, which merged the Kentucky Office for the Blind (OFB) and the Office of Vocational Rehabilitation Services, as well as the turnover of one-third of its staff. The agency operates 45 offices and two residential training centers, which cover all 120 counties within the State. Kentucky has 10 workforce regions with agency liaisons tasked to work with field staff in each region.

The agency acknowledged issues related to inaccurate data reporting, which, if substantial, can influence the perception rather than the actual performance of the VR agency. In addition, inaccurate data reported by a VR agency impact the representation of the national performance of the VR program as well as the State's performance on the WIOA performance accountability measures.

The VR Process

Resources: Appendix A—Tables 1, 2, 3, 4, and 5

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 OVR in identifying potential obstacles to providing 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.

In discussions with the RSA review team, OVR reported that self-referrals, and referrals by friends, and family are its primary sources of referrals with elementary and secondary schools being the next major source of referrals. From PY 2017 through PY 2019, the number of applicants for the VR program dropped from 8,361 individuals to 6,819 individuals, which the VR agency attributed to several factors, the most prominent being the merger of OVR and OFB in 2018. As reported by OVR, both VR agencies were previously under an order of selection (OOS) process for new applicants and the combining of both agencies' OOS waiting lists and retraining of the combined OVR staff caused delays in processing new referrals. OVR reported staff vacancies as a result of retirements and resignations also contributed to delays in processing new applicants due to the restructured agency having to rebalance its resources across the newly combined agency. These factors influenced OVR's processing of applicants and its ability to ensure ample resources to provide services to eligible individuals throughout the VR process. OVR also attributed the decline in applicants to the increase in the provision of pre-employment transition services to potentially eligible students with disabilities who did not need to apply for other VR services for their needs to be met. In addition, OVR identified the COVID-19 pandemic as a contributing factor to the most recent decrease, recognizing that this would have affected only the last quarter of PY 2019. OVR reported minor increases in referrals in PY 2020, expecting this trend to continue, and thus, reverse the previous negative trends in applicants experienced during the review period.

Across all three program years reviewed, a significant number of individuals exited either as applicants, from the order of selection waiting list, or at various stages of the VR process prior to or after a determination of eligibility and IPE development without a competitive employment outcome (6,302 individuals in PY 2017, 7,442 individuals in PY 2018, and 7,138 individuals in PY 2019). While OVR maintained a high percentage of eligibility determinations made within the required 60-day timeframe, it experienced decreased percentages in the timely development of IPEs in PYs 2017 and 2019 (70.3 percent and 77.1 percent, respectively). In PY 2017, 12.7 percent of individuals with an IPE received no services; in PY 2018, 17.2 percent of individuals with an IPE received no services; and in PY 2019, 16.0 percent of individuals with an IPE received no services. These percentages, along with the percentages of those participants who received services in each quarter of PY 2019 in Measure 4 (see Appendix A) suggest issues of engagement of individuals in the VR process because of a lack of or delay in service provision.

Attrition

Of the 9,441 individuals who exited the VR program in PY 2017, 3,898 individuals, or 42.8 percent, exited from various stages of the VR process prior to the development of an IPE. In addition, 2,347 individuals, or 24.9 percent, exited the VR program after an IPE, but without an employment outcome. Comparatively, of the 10,620 individuals who exited the VR program in PY 2019, 3,050 individuals, or 28.7 percent, exited from various stages of the VR process prior to the development of an IPE. In addition, 4,011 individuals, or 37.8 percent, exited the VR program after an IPE, but without an employment outcome. The primary reasons OVR reported for individuals exiting the program at various stages of the VR process without an employment outcome were that they were not able to be located or contacted, were no longer interested in receiving services or further services, and exited for all other reasons. When examining all reasons for exit, including the achievement of competitive integrated employment, these three reasons accounted for 62.2 percent (5,872 individuals) in PY 2017, 66.9 percent (6,981 individuals) in PY 2018, and 64.2 percent (6,816 individuals) in PY 2019. OVR indicated that the substantial staff turnover may have contributed to individuals exiting for the reasons noted. Additionally, OVR communicated that engagement with VR consumers may have been affected by the various populations served, such as transient populations or those with auditory or communicative disorders. Additionally, OVR reported a reduction in community rehabilitation programs (CRP), which decreased from 112 to 99 since 2017.

OVR and RSA 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. OVR reported it is developing and improving strategies for more consistent engagement throughout the VR process. In addition, as OVR continues to work with its State personnel office to recruit, hire, and retain professional staff, the agency has implemented a VR counselor mentoring program, which has shown success in retaining newly hired staff. This mentoring program trains management staff in proper mentoring techniques and then joins newly hired staff with trained mentors to assist the new employee with learning job duties, roles, and functions. OVR also reported recent changes to its employee performance reviews focusing more on assessing staff on various quality service delivery methods rather than traditional production performance goals. OVR also reported seeking ways to reach out and support more CRP vendors across the State. These outreach efforts involve supporting CRP vendors to enhance the VR services they currently offer. Finally, OVR realigned some of its Branch units within the organizational structure to work on specific areas of need identified in recent agency-wide strategic planning initiatives. Some future realignment of Branch unit responsibilities to increase agency staff efficiency in serving individuals was being considered during the course of this off-site review.

VR Services

RSA reviewed and analyzed data and policies in consultation with OVR 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.

Of those participants who received services in PY 2019, the largest percentages were individuals with psychological or psychosocial disabilities, (31.2 percent), individuals with cognitive disabilities (24.2 percent), and individuals with auditory or communicative disabilities (19.6 percent). OVR communicated that these primary disability types were consistent with the agency's long-standing history of serving these populations of Kentuckians. OVR indicated its commitment to serving those populations within the State that are unserved and underserved, consistent with its review of census information through its comprehensive statewide needs assessment (CSNA). As a result of its most recently completed CSNA in July 2021, the agency plans to refocus efforts toward serving those with visual impairments and deaf-blindness.

OVR operates two residential training centers, each providing coverage to all 120 counties within the State. The McDowell Center operates under the Division of Blind Services for individuals who are blind or have visual impairments and provides services including assistive technology, braille, home and financial management, mental health, work readiness, work experience, and academic skill remediation. The McDowell Center has 14 residential rooms and can accommodate a total of 17 individuals with double occupancy. There is a day program component, which at the time of the review was comprised of eight students, as well as a virtual program serving approximately 40 students daily.

The Perkins Center employs a work training model, providing services that incorporate assessment, evaluation, work adjustment training, real work experiences, job readiness training and customized employment in a variety of occupations to include automobile lubrication and detailing, building maintenance, childcare development, cosmetology, custodial service, food service, industrial truck operator, materials management, and office technology. The Perkins Center staff includes 87 State positions with 11 current vacancies, and 40 contract positions with seven vacancies. While it has the capacity to house 217 individuals residentially, at the time of the review there were only five residential participants due to restrictions as a result of the COVID-19 pandemic. While the Perkins Center continued to provide certain services virtually, OVR reported the enrollment decreased significantly as a result of the COVID-19 pandemic closures. RSA engaged in multiple, lengthy conversations regarding the work training center model of service delivery and suggested that OVR assess the cost benefit to participants and the VR program of operating the Perkins Center.

In addition to operating the two centers, OVR has several specialized branches. These include the Employer Services Branch, Transition Services Branch, Deaf and Hard of Hearing Branch, Community Rehabilitation Program Branch, and Assistive Technology Branch. The agency participates in the 10 local workforce development boards throughout the State as well as serving on various committees of those boards.

RSA reviewed policies and procedures and spoke with OVR about the performance decline in several service areas. Specifically, OVR attributed the preparation for the merger of the two VR agencies, reorganizations of staff and structure, turnover of one-third of its staff, office site relocations, and finally the COVID-19 pandemic as a few key factors in the employment rate decrease from 57 percent in PY 2017 to 46 percent in PY 2019. OVR also attributed, in part, the drop in competitive integrated employment to the decreased number of operating CRPs, which decreased from 112 to 99 in 2017.

Despite the challenges the agency faced over the review period, the number of participants receiving services remained relatively stable, decreasing slightly from 15,803 in PY 2017 to 15,244 in PY 2019. However, with the exception of Quarter 3, in PY 2019 fewer than half of participants received at least one service in each quarter, which may reflect deficits in ongoing engagement or limitations of service providers or the use of the agency-operated centers.

Notably, from PY 2017 through PY 2019, there were increases in the percentages of participants receiving graduate degree and junior or community college training totaling 5.1 percent in PY 2017, to 6.2 percent in PY 2019, offset by a decrease in the percentage of participants receiving bachelor's degree training from 10.8 percent in PY 2017 to 9.7 percent in PY 2019. Overall, more than 15 percent of participants (or one in six) were engaged in postsecondary training leading to credentials and opportunities for high quality employment with advancement potential. The percentage of participants receiving occupational or vocational training remained relatively low (under 3.0 percent) over the review period. The provision of on-the-job training or apprenticeships was negligible; however, customized training, while minimal, doubled over the review period.

The reporting of participants achieving measurable skill gains (MSGs) increased significantly from 18.0 percent in PY 2017 to 34.1 percent in PY 2019. In discussions with the agency, this increase was attributed to a major statewide training initiative conducted in 2018 regarding MSG, and the fact that management now monitors individual cases and brings issues of concern to the attention of branch managers for notice and resolution. There were also changes made to the case management system to create an easier process for entering and capturing MSGs. In extensive discussions with OVR, RSA emphasized the importance of placing internal controls and policies in place to ensure validation and reliability of data, to which the agency concurred.

In terms of career services, OVR reported providing minimal vocational guidance and counseling (14.4 percent in PY 2017, 7.2 percent in PY 2018, and 11.0 percent in PY 2019). Generally, this service is provided across the VR process to all individuals and may reflect a reporting error. Benefits counseling was also provided to a small percentage of individuals (averaging about 1.0 percent). The provision of these two services not only provides opportunities for consumer engagement in the VR process but also assists individuals in determining employment goals and the effect of working on benefits and public support. Without the knowledge and support provided by the VR agency through these services, applicants and eligible individuals may not realize the potential for, and benefits of, achieving competitive integrated employment.

Quality of Employment Outcomes

Resources: Appendix A—Tables 1, 3,4, 5, 7, and 8

The RSA review team examined data reported by OVR, agency policies, and procedures to determine practices and services leading to quality employment outcomes, as well as the agency's documentation of employment outcomes for participants with disabilities, including those with the most significant disabilities. Although employment rate is no longer a required indicator under the Rehabilitation Act, it is a useful tool OVR can use for monitoring its performance. OVR's employment rate was 57.0 percent in PY 2017, with 3,139 participants

exiting the program with competitive integrated employment. The employment rate decreased to 51.0 percent in PY 2018, with 2,985 participants exiting with competitive integrated employment outcomes and decreased again to 46.0 percent in PY 2019, with 3,482 participants exiting with competitive integrated employment outcomes. Of the participants who achieved competitive integrated employment each year between PY 2017 and PY 2019, OVR reported 585, 461, and 303 participants respectively, exiting with supported employment outcomes in competitive integrated employment.

In PYs 2017, 2018, and 2019, the median hourly earnings for participants who achieved competitive integrated employment were \$10.58, \$11.00, and \$12.50 respectively, which exceeded the State and Federal minimum wage of \$7.25 per hour. In comparison, however, the median hourly wage for all occupations in Kentucky reported by the Bureau of Labor Statistics in May 2020, was \$23.66. Additionally, OVR reported the median hours worked per week at 37 hours in PY 2017, 38 hours in PY 2018, and 40 hours in PY 2019. Approximately one-third of all individuals exiting the VR program with competitive integrated employment received employer provided medical insurance. The majority of employment outcomes achieved were in occupations paying less than the median wage in Kentucky.

In PY 2017, the most frequently reported Standard Occupational Classification (SOC) codes reported by OVR for participants who achieved competitive integrated employment included stock clerks and order fillers (162 participants), customer service representatives (131 participants), and janitors and cleaners (130 participants). In PY 2018, the most frequently reported SOC codes were stock clerk and order fillers (145 participants), customer service representative (126 participants), and janitors and cleaners (111 participants). In PY 2019, the most frequently reported SOC codes were customer service representatives (122 participants), stock clerks and order fillers (121 participants), and janitors and cleaners (102 participants). In comparison, the jobs listed with the most openings in the State of Kentucky according to America's Career Info net include—

- Combined Food Preparation and Serving Workers, Including Fast Food
- Registered Nurses
- Retail Salespersons
- Cashiers
- Nursing Assistants
- Waiters and Waitresses
- Customer Service Representatives
- Hand Laborers and Freight, Stock and Material Movers
- General and Operations Managers
- Stock Clerks and Order Fillers

The comparison between the top 10 SOC codes reported by OVR mirrors the jobs with the most openings in accordance with America's Career Info net with the exception of two (2) employment types—Waiters/Waitresses and General and Operations Managers.

OVR reported over one-quarter of Kentucky's counties continue to be at the national poverty level as of PY 2019. In PYs 2017 through 2019, the majority of employment occurred in the

State's "urban triangle," with growth being an estimated 13 percent over the last two years in comparison to the eastern portion of the State with a negative 10 percent growth and in the southern region a negative six percent growth.

RSA identified areas that may have affected OVR's performance, quality of outcomes and ability of participants to sustain employment after exit. OVR data reflect very minimal use of apprenticeships, on-the-job training, customized training, or customized employment. Although OVR depends on the training services provided through the Perkins Center for participants in rural communities, the availability of credentialing and certification through this program leading to credential attainment (a performance measure under WIOA) may need to be evaluated in determining overall effectiveness in preparing individuals for competitive integrated employment outcomes. Notably, the highest paying employment outcomes included registered nurses, reinforcing the value of postsecondary training and credential attainment. OVR's data, as reported in PY 2019, indicates that out of 2,700 individuals who exited the program with employment, only 301, or a total of 11.15 percent, sustained employment in the Second Quarter after Exit and Fourth Quarter after Exit.

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 OVR 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 transitions 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.

OVR reported 12,812 students with disabilities in PY 2017, 17,559 in PY 2018, and 20,459 in PY 2019. Of the students with disabilities reported by OVR, 3,515 students (27.4 percent) received pre-employment transition services in PY 2017, 6,849 students (39.0 percent) in PY 2018, and 7,039 students (34.4 percent) in PY 2019. OVR attributed the decrease in percentages of students with disabilities served from PY 2018 to PY 2019 to the onset of the COVID-19 pandemic and the Workforce Cabinet temporarily assigning agency staff to the Unemployment Insurance Division of the Department to assist with processing information and increased claims resulting from the pandemic, limiting their availability to serve students.

OVR reported a consistent distribution of students with disabilities receiving accommodations under Section 504, having an individualized education program (IEP), and those reported with no accommodations under Section 504 or an IEP.

OVR reported in PY 2017 that 70.6 percent of students with disabilities who were identified as potentially eligible did not apply for VR services. In PY 2019 this increased to 90.7 percent of potentially eligible students with disabilities who did not apply for VR services.

OVR reported 20,767 pre-employment transition services provided in PY 2017, 56,941 pre-employment transition services provided in PY 2018, and 57,678 pre-employment transition services provided in PY 2019. Consistently over the three program years reviewed, the greatest percentage of services included job exploration counseling and workplace readiness training. OVR provided the five required pre-employment transition services to eligible and potentially eligible students with disabilities ages 14 through 21 through contractual partnerships with nine regional educational cooperative programs, vendors paid by OVR under a service fee memorandum, and VR agency staff. OVR estimated 200 to 300 potentially eligible students with disabilities are assigned to the average counselor's caseload. Cases are assigned prior to any direct contact or consultation with the counselors. The management of invoices and reconciliation is mostly handled by administrative assistants. OVR identified that the contracts identified above are overseen by its newly established Transition Services Branch. At the time of this review, OVR reported this branch was not fully staffed. The Transition Services Branch staff review and coordinate all the billing aspects of these pre-employment transition services contracts as well as consult with VR counseling staff for any reported discrepancies. This limited level of engagement by VR counselors in this process may contribute to the low number and percentage of students making informed decisions regarding application to the VR program early in the process.

In addition to providing its Policy and Procedure Manual, which included policies related to the provision of pre-employment transition services and transition services, OVR also provided RSA with excerpts of drafts of policies related to pre-employment transition services and transition services, dated March 24, 2021. The Transition Service Policy provided links to its Community Rehabilitation Program Manual, dated June 2021, which outlines the provision for services and fee schedules for outlined services. These services are contracted through OVR's Transition Services Branch. This document does not outline how VR staff are tracking these individuals throughout the VR process. However, the tracking of individual students and youth is outlined in OVR's Pre-Employment Transition Services Data Guidelines policy dated April 2021 and overseen by the agency's Transition Services Branch.

The main Policy and Procedure document outlines the requirements of a State educational agency (SEA) agreement between the Kentucky Department of Education (KDE) and OVR. At the time of this review, no operational, executed SEA agreement was in place. OVR has not had a fully executed SEA agreement since before the merger of the VR agencies in 2018.

RSA and OVR discussed contracts for the provision of technical assistance to LEAs and OVR to assist with training staff in areas of pre-employment transition services and career readiness, and persistence to graduation, which is provided annually to each entity through an administrative contract Community Work Transition Project (CWTP), with the University of Kentucky.

Factors Influencing Performance

OVR and RSA discussed the need to further analyze the reasons for the decline in the number of VR applicants, timely IPE development, and attrition throughout the VR process. Engagement and retention of individuals from the time of application to the receipt of services and ultimately competitive integrated employment is critical to OVR's performance improvement. RSA provided OVR recommendations to follow up with the technical assistance centers focused on providing and maintaining the provision of services for individuals and youth in need of supported employment services to include those available extended services to youth with disabilities once employed, given the drop in number of participants who exited with a supported employment outcome.

In addition to the challenges previously noted related to the restructuring of the agency, OVR experienced a hiring freeze, turnover of 119 staff during the review period of which more than half were VR counselors, a decrease in CRPs, and the inability to increase staff wages to assist with retention—all of which may have negatively affected the agency's performance.

OVR has demonstrated a commitment to postsecondary training and has shown improvement in the reporting of MSGs. The services provided by the two training centers operated by OVR have not led to significant results in the achievement of employment outcomes by participants and the agency would benefit from evaluating the utilization and cost-benefit of these centers (particularly the Perkins Center) perhaps refocusing its efforts to provide services and training leading to recognized credentials.

OVR might also benefit from a further analysis of data and the development of strategies to engage more directly with potentially eligible students with disabilities receiving pre-employment transition services to increase the number of students who apply for the VR program. A strong SEA agreement could assist in the natural progression from pre-employment transition services and transition services to VR services.

Use of Data to Inform Performance and Management

In RSA's review of performance data with OVR and through discussions with the VR agency it appeared that the agency's use of data to inform performance and management of the VR and Supported Employment programs was limited. OVR reported using both national and State data related to employment and disability rates across the State, as well as designating staff to work with the local workforce development partners to develop internal reports to assist in directing services to consumers in Kentucky. OVR did not clarify fully how it uses referral, applicant, participant, service delivery, and outcome data in its decision-making related to the achievement of the agency's goals and priorities toward program improvement. The examination of data elements in several of the data tables raised questions among agency staff during the course of the review about how OVR leaders use the analysis of the data to generate program and financial decisions around strategies to ensure that the agency is meeting its goals and priorities. OVR indicated that it was using data elements derived from its case management system to generate reports to assist senior leadership and managers in their decision making but this analysis was limited due to the system's age and restricted report generation capabilities of the current case management system. OVR informed RSA of its plans to purchase and implement a new case management system moving into FFY 2023.

The RSA team suggested that OVR conduct a systemic, programmatic, and fiscal review of trend data related to the operation and performance of the two residential training facilities to demonstrate the value of exploring the use of data in its decision-making processes. RSA further suggested that OVR conduct a cost-benefit analysis to inform decisions as it proceeds with the next CSNA to align the agency's strategic priorities with the functional uses of the training centers. This type of analysis would assist the agency as it works strategically with its business partners in the State to develop successful outcomes for individuals served at the training facilities.

An analysis of individuals who exited the program prior to and after receiving services without employment, and the types of services they received at the training centers, could prove helpful to OVR in determining future VR service strategies. Some of these strategies include marketing outreach to increase referrals, customized training, customized employment, on-the-job training, work-based learning experiences, and benefits counseling to increase the expectation of quality competitive integrated employment outcomes. RSA suggested that this analysis could lead to a refinement of the VR service delivery system at the training centers and more high quality competitive integrated employment outcomes for VR consumers.

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. RSA staff reviewed OVR's policies, procedures, and internal controls.

The RSA review team identified that OVR possessed recently updated policies and procedures, completed in January 2021. Despite these updated policies and procedures, OVR had not fully implemented internal controls that were sufficient to validate and report reliable, accurate and

timely consumer data to RSA. This was evident during the review period as RSA discovered OVR did not have consistent internal controls to ensure IPEs were developed within the mandated 90-day time period. OVR's inconsistent tracking of participants in the VR process led to the development of timely IPEs within the 90-day required timeframe for 70.3 percent of participants in PY 2017, 92.8 percent in PY 2018, and 77.1 percent in PY 2019.

OVR's ability to provide timely, accurate and reliable data on the RSA-911 report was inconsistent throughout the review period. Two or more RSA-911 quarterly reports were submitted past the scheduled deadline. OVR regularly submitted these reports near or on the scheduled deadline date; however, the timing of these submissions did not allow for any technical difficulties submitting the report, anomalies in the reporting process or errors detected by the RSA edit check process. Twice during the review period, OVR reported cases as competitive integrated employment outcomes, but these individuals had no start date of services associated with their data records. There were several instances of cases reported with revised exit dates on the RSA-911 quarterly report. OVR consistently reported low second and fourth quarter after exit employment rates indicative of data matching issues within its reporting structures. In discussions with OVR, RSA stressed the importance of internal controls to ensure timely, accurate and reliable reporting of data.

In discussing these reporting issues, OVR maintained it was working to improve its case service record review procedures within the Program Policy and Support Branch. The case record review process was contained in this Branch and OVR relayed the review process was conducted monthly with district managers and based on an annual topical category selected by the Branch managers team. The monthly reports generated from this review process were reviewed at the end of the year and trends assisted managers in determining further staff training and policy refinements. OVR was encouraged to continue refining this case review process and investigate ways to realign the process with a more regular, formal case service record review process to ensure case data is documented, collected and reported accurately with high reliability.

C. Technical Assistance and Recommendations

Throughout the off-site review process the RSA team provided significant technical assistance and recommendations to OVR in multiple topical areas. Per OVR's request, RSA provided technical assistance in the areas of performance analysis to assist the agency in achieving continuous improvement in its program performance. OVR was both receptive and appreciative of all information provided by the RSA team. A summary of technical assistance and recommendations for OVR to implement specific to performance improvement are outlined below.

Clarification of statutory and regulatory requirements was provided, including, but not limited to, third-party cooperative agreements (TPCA), informed choice, data sharing between OVR and LEAs, pre-employment transition services, and best practices and methods to better operationalize policies, procedures, and internal controls. In addition, RSA shared technical assistance in specific areas such as tracking and reporting of data, sustaining optimal engagement of VR participants, service record reviews, and uses of data to inform and improve OVR processes.

OVR has received targeted technical assistance from the Vocational Rehabilitation Technical Assistance Center for Quality Management, (VRTAC-QM). RSA encouraged the continued partnership and recommended OVR seek out technical assistance from the National Technical Assistance Center on Transition: the Collaborative (NTACT:C) as policies and internal controls are developed specific to pre-employment transition services. In addition, RSA recommends OVR seek services from the Vocational Rehabilitation Technical Assistance Center on Quality Employment (VRTAC-QE) to identify methods to support individuals in retaining and sustaining competitive integrated employment post exit.

Following are recommendations resulting from RSA's discussion with OVR during the off-site review process.

RSA recommends OVR—

- Analyze the use and effectiveness of the McDowell Center, exploring models of service delivery that lead to the achievement of high quality outcomes;
- Analyze the effectiveness of the Perkins Center training facility in leading to employment outcomes, considering alternative options for its use, and explore integrating individuals into available community programs that afford them the opportunity to work toward credential attainment;
- Review and revise VR service delivery strategies, incorporating the analysis of performance outcomes and their relationship to services provided, including services that address the achievement of quality outcomes of individuals with the most significant disabilities;
- Improve the quality of employment outcomes via this revised service delivery system, establishing measurable goals and strategies to achieve these goals based on the WIOA common performance measures;
- Identify programs offered in-house and services that can be procured through WIOA core partners;
- Develop a human resource allocation plan that includes a recruitment, vacancy coverage, retention, and caseload distribution plan; and
- Develop strategies designed to improve and strengthen relationships between VR program staff and Blind Services VR program staff.

D. Findings and Corrective Actions

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

2.1 Insufficient Internal Controls for Management of the Federal Award

Issue: Did OVR 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, 34 C.F.R. § 361.12, and the requirements at 34 C.F.R. § 361.47(a). Additionally, in

fulfilling these requirements, do the internal controls ensure that OVR adheres to the requirements for the development of the IPE pursuant to 34 C.F.R. § 361.45.

Requirements: Pursuant to 2 C.F.R. § 200.303 and 34 C.F.R. § 361.12, VR agencies are required to develop an internal controls process to provide reasonable assurances regarding the effectiveness and efficiency of operations, reliability of reporting for internal and external use, and implemented as a measure of checks and balances to ensure proper expenditure of funds, including the evaluation, and monitoring of compliance with statutes, regulations, and the terms and conditions of Federal awards. Furthermore, a State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program and carry out all functions required by the VR program, including procedures to ensure accurate data collection and financial responsibilities, in accordance with 34 C.F.R. § 361.12.

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

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

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 IPE. 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.

In accordance with 34 C.F.R. § 361.40(a), VR agencies are required to submit reports, including reports required under Sections 13, 14, and 101(a)(10) of the Rehabilitation Act in a manner that provides a complete count of the applicants and eligible individuals receiving services, including students with disabilities receiving pre-employment transition services, and complies with any requirements necessary to ensure the accuracy and verification of those reports. The RSA-911 is used to describe the performance of the VR and Supported Employment programs in the Annual Report to the Congress and the President, as required by Sections 13 and 101(a)(10) of the Rehabilitation Act.

An internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or correct processes that might lead to non-compliance with Federal and State requirements.

Analysis: During the review, RSA identified the following areas where insufficient internal control processes need to be strengthened, and sufficient internal control processes need to be developed and implemented.

Insufficient Supporting Processes to Ensure Accurate, Timely, Valid, and Reliable Data Reporting

OVR's internal controls did not ensure that case files adhered to the record of service requirements in 34 C.F.R. § 361.47. As part of the off-site review process, RSA analyzed the internal controls implemented by OVR. OVR provided RSA with a description of various documents and tools used in its case review process. Although the agency did provide its Case Review Procedures (issued April 10, 2020), this policy document was not sufficient to ensure accurate review of case data to ensure that case service records contain the required supporting documentation of services provided. The procedures described the general method of reviewing case service records but did not mention the amount of case service records used during the review process, the extent of the review process, or the specific case documents to review. The procedures also called for targeted topic categories, selected by management, which were described as the basis for the case service reviews. The procedures did not allow for the full review of case documentation necessary to determine that the case service records contained the required supporting documentation of the services provided.

OVR amended these Case Management System Case Review procedures (reissued April 20, 2020) during the COVID-19 pandemic to allow for remote reviews of one case per counselor in each district, but the targeted topic category selection process remained intact without specific content. In each of the procedures documents provided, instructions described how to determine the case questions to review from the case management system; however, the instructions on data validation and what types of supporting documentation staff need to document in the case file are not clear. Even though the agency described a formal policy on tracking and reporting data to ensure accuracy, these processes did not formally describe a resource for staff to reference when questions arose or to ensure smooth transition when the attrition of staff occurs.

RSA reviewed submissions of the RSA-911 reports for PYs 2017 through 2019 and found that OVR submitted the required quarterly reports late for both the former OVR and OFB agencies. This trend continued post the OVR and OFB merger in 2018 and delinquent submissions of the RSA-911 reports has continued since that time. These submissions contained errors in cases reported as competitive integrated employment outcomes with the required start date of services omitted. Report submissions contained data reported with revised exit dates from quarter to quarter. These reporting errors also were evident in more recent submissions of the RSA-911 as OVR submitted reports with cases closed by mistake, closed cases without reporting a start date, and small numbers of second and fourth quarter after exit employment rates, indicating data matching issues.

OVR and RSA discussed that written internal controls must include a process, outcome and evaluation. As such, OVR needs to implement a comprehensive system of internal controls with

a monitoring component, to include case review policies and procedures and case service record review instruments for formal, targeted and informal State/central office and local area quality assurance reviews; and identify staff training needs. Upon the identification of staff training needs, a process should be developed for how training will be provided, knowledge measured, and performance improvements evaluated.

Based on discussions with the OVR management staff and documentation submitted by OVR, RSA determined that OVR did not maintain a comprehensive system of effective internal controls with a monitoring component or sufficient policies and procedures to ensure consistency with application of Federal requirements in accordance with 2 C.F.R. § 200.303 during the period under review.

Untimely Development of the IPE

As part of the monitoring process, RSA analyzed the length of time it took for OVR to develop IPEs from the date of eligibility determination to the initiation of VR services. OVR developed IPEs within 90 days following eligibility determination for 70.3 percent of participants in PY 2017, 92.8 percent in PY 2018, and 77.1 percent in PY 2019.

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 in a timely manner for each individual determined to be eligible for VR services or, if the DSU is operating under an order of selection pursuant to 34 C.F.R. § 361.36, for each eligible individual to whom the State unit is able to provide 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 not later than 90 days after the date of eligibility determination, unless the State unit and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed. As the performance data demonstrate, OVR did not develop IPEs in a timely manner pursuant to 34 C.F.R. § 361.45(a)(1) and within the 90-day period pursuant to 34 C.F.R. § 361.45(e). The untimely development of IPEs further delayed the delivery of needed VR services for each individual whose IPE was not developed timely and the implementation of internal controls in this area will help to ensure such delays do not occur.

Conclusion: As a result of the analysis, RSA determined that OVR was not maintaining effective internal controls over the Federal award that would provide a reasonable assurance that it was managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award in accordance with 2 C.F.R. § 200.303 or 34 C.F.R. § 361.12. Furthermore, RSA determined that OVR did not have sufficient written internal controls that ensure the accurate reporting of information for participants who received VR services; nor does the agency ensure case files and supporting documentation adhere to the record of service requirements in 34 C.F.R. § 361.47; the timely development of the IPE pursuant to 34 C.F.R. § 361.45(e); and data verification, validation and the accurate reporting of services provided to reportable program participants. Finally, RSA concluded that internal controls were not evident to ensure OVR was able to monitor or track the timely development of IPEs pursuant to 34 C.F.R. § 361.45(a)(1) and within the 90-day period pursuant to 34 C.F.R. § 361.45(e).

Corrective Actions 2.1 RSA requires that OVR—

- 2.1.1 Develop internal control policies and procedures to ensure that the provisions of 34 C.F.R. § 361.47 are met and verified through accurate service record documentation;
- 2.1.2 Develop internal control policies and procedures to ensure that the requirements at 34 C.F.R. § 361.40 and RSA PD-19-03 for the accurate reporting of data are met;
- 2.1.3 Evaluate and assess the effectiveness of agency internal control policies and procedures to ensure compliance and accurate reporting of data elements submitted through the RSA-911 report; and
- 2.1.4 Ensure that eligibility and IPE determinations are developed in a timely manner and within the timeframes established in Federal regulations unless an extension of that timeframe to a specific date is agreed to by the VR counselor and the individual.

VR Agency Response:

- 2.1.1 OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area of potential improvement. OVR Program Policy and Support Branch staff and Division of Field Services staff have initiated strengthening the case review process, including a thorough review of C.F.R. § 361.47 Record of Service in order to identify areas of improvement the current written policy and procedure and the case record review process. The policy, procedures, and case record review process will be updated to fully incorporate the requirements.
- 2.1.2 OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area to analyze for risks that impede accurate reporting as outlined under 34 C.F.R. § 361.40 and RSA PD-19-03 and to develop internal controls that allow for accurate data reporting. There is a need for the agency to implement sufficient internal controls for both financial and performance management. OVR is seeking a commercial off-the-shelf vocational rehabilitation case management system to track the life cycle of a VR consumer's case from referral to closure and post-employment, collecting data for each status and requiring the completion of RSA-mandated reporting elements as the customer's case progresses. OVR recognizes a new data system will assist with issues associated with accurate data reporting.
- 2.1.3 OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area to analyze for risks that impede accurate reporting in order to ensure compliance and accurate reporting of data elements submitted through the RSA-911 reports. OVR Program Policy and Support Branch staff have initiated the process at identifying issues surrounding internal controls and existing policies and procedures.
- 2.1.4 OVR agrees with the analysis of RSA for this area related to the timely implementation of IPEs for the identified timeframes. OVR management had identified the following actions to address this area. In January 2020, all Counselors, Field Branch Managers and Regional Program Managers had specific timely eligibility and IPE expectations added to their performance evaluations. Counselors and supervisors receive dashboard alerts in the case management system in advance of cases nearing their eligibility and IPE deadlines to ensure compliance. For the twelve months of calendar year 2021, 2.24% of eligibility determinations had extensions and 3.81% of IPEs developed had extensions.

VR Agency Request for Technical Assistance: OVR is currently receiving technical assistance from the VRTAC – QM for the area of Internal Controls. OVR will seek technical assistance from the VRTAC-QE to address the areas of attrition and engagement.

2.2 Non-Compliant and Outdated State Education Agreement

Issue: Does OVR have an executed SEA agreement that complies with Section 101(a)(11)(D) of the Rehabilitation Act and 34 C.F.R. § 361.22(b).

Requirement: In accordance with Section 101(a)(11)(D) of the Rehabilitation Act and 34 C.F.R. § 361.22(b), VR agencies are required to enter into formal interagency agreements with SEAs to facilitate the seamless transition of students with disabilities from the receipt of educational services, including pre-employment transition services, in school to the receipt of vocational rehabilitation services. Pursuant to Section 101(a)(11)(D) of the Rehabilitation Act, as amended by Title IV of WIOA, the formal interagency agreement must describe, at a minimum—

- Consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including preemployment transition services and other VR services;
- Transition planning by State VR agency and school personnel for students with disabilities that facilitates development and implementation of their individualized education programs (IEP) under Section 614(d) of the Individuals with Disabilities Education Act (IDEA);
- The roles and responsibilities, including financial responsibilities of each agency; and procedures for outreach to and identification of students with disabilities who need transition services;
- Coordination necessary to satisfy documentation requirements set forth in Section 511 of the Rehabilitation Act and 34 C.F.R. part 397 regarding students and youth with disabilities who are seeking subminimum wage employment; and
- An assurance that neither the SEA nor the LEA will enter into an agreement with an employer holding a Section 14(c) certificate under the Fair Labor Standards Act (FLSA) for the purpose of operating a program in which students or youth with disabilities are paid subminimum wage.

Analysis: The last SEA agreement between OVR and KDE was executed prior to OVR becoming a combined agency in October 2018. As such, there was no formal interagency agreement in effect during the period of review that complied with the minimum requirements of a formal interagency agreement with a SEA pursuant to Section 101(a)(11)(D) of the Rehabilitation Act, as amended by Title IV of WIOA (effective July 22, 2014), and 34 C.F.R. § 361.22(b) (effective August 19, 2016).

RSA reviewed a draft memorandum titled Memorandum of Understanding Between Kentucky Office of Vocational Rehabilitation and Kentucky Department of Education, not dated. OVR and KDE were engaged in the ongoing development of the memorandum at the time of this off-site review. It addressed aspects of the requirements of an SEA agreement, as well as the procedures for coordinating and satisfying documentation requirements specific to youth with disabilities seeking employment at subminimum wage in Section 511 of the Rehabilitation Act and in 34 C.F.R. § 361.22(b)(5).

The RSA team provided technical assistance specific to the requirements under 34 C.F.R. § 361.22(a) and (b) related to the coordination with education officials and clarified the formal interagency agreement requirements related to consultation and technical assistance to State and local educational agencies; outreach to students with disabilities in need of pre-employment transition services; transition planning; the roles and responsibilities, including financial responsibilities, of each agency, including provisions for determining State lead agencies and qualified personnel responsible for transition services and pre-employment transition services; and the requirements related to Section 511. The RSA team also provided a review of the Dear Director Letter - Formal Interagency Agreements Between State VR Agencies and SEAs (July 15, 2019) to OVR during the review.

Conclusion: During the period of review (PYs 2017 through 2019), RSA determined that OVR did not have an updated executed formal interagency agreement with the KDE meeting all of the requirements in Section 101(a)(11)(D) of the Rehabilitation Act, as amended by WIOA, and 34 C.F.R. § 361.22(b). As such, DVR is not in compliance with the statutory and regulatory requirements.

Corrective Actions 2.2 RSA requires that OVR—

- 2.2.1 Submit a revised draft formal interagency agreement (SEA) between OVR and the KDE for RSA review that complies with the requirements in Section 101(a)(11)(D) of the Rehabilitation Act, as amended by WIOA, and the implementing regulations in 34 C.F.R. § 361.22(b); and
- 2.2.2 Execute an SEA that complies with the requirements in Section 101(a)(11)(D) of the Rehabilitation Act and the implementing regulations in 34 C.F.R. § 361.22(b).

VR Agency Response:

- 2.2.1 OVR agrees with the analysis of RSA for this area. OVR acknowledges that a formal interagency agreement (SEA) is needed. OVR used resources on collaborative interagency partnerships from the National Technical Assistance Center on Transition. Designated agency leadership is engaged in conversation and work with the required parties in preparation to submit a revised draft of the formal interagency agreement in compliance with Section 101(a)(11)(D) of the Rehabilitation act, as amended by WIOA, and regulations in 34 C.F.R. § 361.22(b).
- 2.2.2 OVR agrees with the analysis of RSA for this area. Upon approval of the submitted draft for the formal interagency agreement (SEA) between OVR and the KDE, the agency will execute the approved plan as in Section 101(a)(11)(D) of the Rehabilitation Act and the implementing regulations in 34 C.F.R. § 361.22(b).

VR Agency Request for Technical Assistance: No technical assistance is requested at this time.

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 being used only for intended purposes; there were sound internal controls and reliable reporting systems; available resources were maximized for program needs; and funds supported the achievement of 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

RSA reviewed OVR's fiscal performance data from FFYs 2019 through 2020, as well as internal control policies and procedures for the allocation and expenditure of VR program funds.

During the off-site review, OVR staff described systems the agency used to authorize, account for, and issue payment for VR services, and the agency demonstrated the ability of its financial management system to record obligation and payment dates of VR program expenditures and to track those expenditures to specific periods of funding availability by award to ensure assignment of expenditures to the correct Federal fiscal year.

In October 2017, both OVR and OFB lost all of their dedicated fiscal staff due to their merger within the Kentucky Department of Workforce Investment. At the time of the merger of OVR and OFB in October 2018, the Department of Workforce Investment within the Education and Workforce Development Cabinet took full control of both agencies' fiscal matters. In October 2019, the financial management reorganized into a single entity managed by the Education and Workforce Development Cabinet. OVR currently has dedicated staff within its Program Policy and Support Branch working collaboratively with the Kentucky Education and Workforce Development Cabinet to oversee and manage the financial matters of the VR program. The numerous reorganizations have had a negative financial impact on OVR as it has struggled to meet Federal compliance standards in its operation and reporting of the VR program.

During reallocation, in FFYs 2019 and 2020, OVR did not request additional VR funds and did not relinquish any funds. All VR funds were expended in full by the end of the period of performance for FFY 2019; FFY 2020 period of performance was not reviewed, and the final SF-425 was not yet available. OVR has experienced turnover in the fiscal department in recent years which has led, in part, to inaccurate, incomplete, and late reporting, and a lack of understanding of Federal regulations governing VR formula grant awards. New staff orientation was complicated by a lack of written processes or procedures for implementing the terms and conditions of the grant award. RSA's off-site discussions with staff often resulted in the agency's

inability to provide supporting documentation or detail how past processes were completed or previous projects implemented. As a result, current OVR staff have begun the process of writing procedures and implementing internal controls. Given the limited human capital resources and a lack of institutional knowledge, the RSA review team has discussed with OVR staff the need to conduct a comprehensive enterprise risk management analysis to identify the areas of priority.

C. Technical Assistance and Recommendations

During the monitoring activities, RSA provided technical assistance to OVR as described below.

Prior Approval

- The Uniform Guidance requirements for prior approval, including the use of a streamlined approach provided in RSA-TAC-18-02 and Frequently Asked Questions (FAQ), dated October 29, 2019, providing additional flexibilities.

Match/Maintenance of Effort (MOE)

- Tracking and reporting of the match in the year of appropriation; and
- MOE requirements.

Internal Controls and Contract Monitoring

- Implementation of internal controls to ensure preparation and submission of accurate, complete, and timely SF-425 financial reports;
- Carryover; and
- The development and implementation of written policies and procedures regarding contract monitoring.

Additionally, RSA provided technical assistance on contract provisions for non-Federal entity contracts under Federal awards. The Uniform Guidance at 2 C.F.R. part 200 Appendix II includes a list of provisions that all contracts made by the non-Federal entity under the Federal award must contain, as applicable. RSA discussed the provisions with the VR agency and suggested that OVR review the requirements with State procurement and legal staff who are responsible for the contracting process.

D. Findings and Corrective Actions

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

Finding 3.1 Missing/Insufficient Internal Controls

Issues:

- Whether OVR maintains effective internal controls over the Federal award to provide reasonable assurance that it is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award.
- Whether OVR satisfied prior approval requirements in 2 C.F.R. § 200.407.
- Whether OVR met the Federal requirements for procurement processes (2 C.F.R. § 200.317), including internal controls for such processes (2 C.F.R. § 200.302(b)(7)), determining allowability and allocability of costs (2 C.F.R. §§ 200.403 through 200.405), and establishment requirements in 34 C.F.R. §§ 361.5(c)(16) and (17), 361.29, 361.49, and 361.60(b)(3)(i).

Requirements: A State VR agency must assure, in the VR services portion of the Unified or Combined State Plan, that it will employ methods of administration that ensure the proper and efficient administration of the VR program. These methods of administration (i.e., the agency’s internal controls) must include procedures to ensure accurate data collection and financial accountability (34 C.F.R. § 361.12). “Internal controls” means a process, implemented by a non-Federal entity, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

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

In addition, the Uniform Guidance at 2 C.F.R. § 200.62(a)(3) defines “internal control over compliance requirements for Federal awards” as a process implemented by a grantee that provides reasonable assurance that, among other things, that transactions are accurately recorded and accounted for to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. In accordance with the Uniform Guidance, 2 C.F.R. § 200.303, among other things, a non-Federal entity must—

- Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award;
- Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards;
- Evaluate and monitor the non-Federal entity’s compliance with statutes, regulations and the terms and conditions of Federal awards; and
- Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

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

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

Furthermore, provisions at 2 C.F.R. § 200.302(b)(4) require that the financial management system of each non-Federal entity must ensure effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes. In its guidance *The Role of Internal Control, Documenting Internal Control, and Determining Allowability & Use of Funds*, the U.S. Department of Education (Department) made clear to grantees that internal controls represent those processes by which an organization assures operational objectives are achieved efficiently, effectively, and with reliable, compliant reporting. Therefore, an internal control deficiency would exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or correct processes that might lead to noncompliance with Federal and State requirements.

3.1.1 Missing/Insufficient Internal Controls

Undocumented or Insufficient Fiscal Policies: RSA's review of several written process memos provided by OVR, as examples of internal controls, found deficiencies and omissions. The agency did not provide all fiscal policies and procedures in RSA's document request. The available policies did not provide reasonable assurance that the agency has adequate internal controls, including policies and procedures for program income, match, and establishment.

The agency was not able to provide its segregation of duties memorandum that would permit a back-up officer to sign financial reports in instances where the primary authorized official is not available. The agency acknowledged the need for such documentation and expressed its intention to move forward with developing such a policy.

During the review, including discussions with OVR management and review of the agency's policy manuals, RSA found that the agency did not have sufficient policies, procedures, and internal controls to ensure compliance with applicable Federal requirements. RSA found that written processes either did not exist or did not include the details necessary to provide a reasonable assurance that the agency is managing the award in compliance with Federal statutes, requirements, and the terms and conditions of the award.

For some of the internal control processes, OVR has taken steps to address concerns; however, the processes were not adequately documented. Consequently, OVR was unable to demonstrate that adequate safeguards and internal controls were documented, implemented, and in compliance with Federal requirements. When considering staff turnover in key positions, the lack of documented internal control processes may result in loss of continuity necessary to identify and correct non-compliance.

3.1.2 Prior Approval Requirements Not Met

The Uniform Guidance at 2 C.F.R. § 200.407, includes a list of specific circumstances for which prior approval from the Federal awarding agency, in advance of the occurrence, is either required for allowability or recommended to avoid subsequent disallowance or dispute based on the unreasonableness or non-allocability. For example, 2 C.F.R. § 200.439(b)(1) states that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except with the prior written approval of the Federal awarding or pass-through entity. The Uniform Guidance at 2 C.F.R. § 200.62(a)(3) also requires the agency have internal control over compliance requirements for Federal awards to demonstrate compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. On November 2, 2015, the Department of Education adopted the final regulations found in 2 C.F.R. part 200 (Federal Register notice 80 § FR 67261). The Department issued notifications to grantees regarding the new requirements and made training and technical assistance documents available to grantees to assist in implementation of the new requirements. To ensure that RSA grantees were aware of the applicability of the prior approval requirements, RSA included a special clause on the FFY 2016 Grant Award Notifications that stated, in pertinent part: [T]he prior approval requirements listed in the Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance) (2 C.F.R. part 200) are applicable to this award... Grantees are responsible for ensuring that prior approval, when required, is obtained prior to incurring the expenditure. Grantees should pay particular attention to the prior approval requirements listed in the Cost Principles (2 C.F.R. 200 subpart E). In addition, information regarding the requirements in 2 C.F.R. part 200 was communicated to grantees via RSA's listserv on September 23, 2015.

RSA requested the VR agency's written policies, procedures, or processes for ensuring the agency was meeting the prior approval requirements when applicable. OVR did not have comprehensive policies for prior approval but provided guidance and processes for prior approval for select items of cost.

The agency was not able to provide reasonable assurance that it complied with the Uniform Guidance in accordance with 2 C.F.R. § 200.407:

- i. Direct administrative costs were charged to the award (\$14,260,335 for H126A200096 and \$15,183,328 for H126A190096 per RSA-2 reports) without prior approval; and
- ii. The agency did not request prior approval for all costs that require prior approval.

Conclusion: RSA's analysis found that—

- OVR has not established and maintained written policies and internal controls (2 C.F.R. §§ 200.61 and 200.62); and
- OVR does not have sufficient internal controls to ensure compliance with the prior approval requirements pursuant to the Uniform Guidance (2 C.F.R. § 200.407).

Corrective Actions 3.1 RSA requires that OVR—

- 3.1.1 Develop, implement and/or update internal control policies to address issues identified in the finding; and
- 3.1.2 In the first quarterly update after approval of the corrective action plan (CAP), develop and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with the prior approval requirements and the Frequently Asked Questions (FAQs) Prior Approval – OSEP and RSA Formula Grants, issued by OSERS on October 29, 2019. Once the CAP is developed, RSA will work with the VR agency to determine if updated processes result in meeting Federal requirements and ongoing compliance.

VR Agency Response:

- 3.1.1. OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area to analyze for risks that impede accurate reporting as outlined and to develop internal controls that allow for adequate financial management. OVR does have internal controls that include functional policies/procedures and checks/balances that produce adequate financial management processes and OVR will improve internal practices to ensure adequate documentation. OVR will work with Cabinet designated fiscal staff in the development of a corrective action plan within the required timeframes.
- 3.1.2 OVR agrees with the analysis of RSA for this area. OVR does have functional policies/procedures in place for prior approval. OVR did not adequately document the needs of prior approval requests submitted to RSA in the current CSNA or in the State Plan goals and priorities. OVR will work with Cabinet fiscal staff and the OVR Program Policy and Support Staff to revise and implement policies and procedures, as well as a written internal control process, including a monitoring component, to ensure ongoing compliance with all prior approval requirement in the development of a corrective action plan within the required timeframes.

VR Agency Request for Technical Assistance: OVR is requesting technical assistance from RSA regarding Capital Projects in relation to Kentucky’s state procurement processes. OVR is currently receiving technical assistance from the VRTAC – QM for the area of Internal Controls.

Finding 3.2 Financial Management Deficiencies

Issues:

- Whether OVR assigns obligations and expenditures to the correct Federal award in accordance with 34 C.F.R. § 361.12; 2 C.F.R. §§ 200.77, 200.302, 200.303(a), 200.309; and 34 C.F.R. § 76.702;
- Whether OVR established sufficient financial management over the Federal award to provide reasonable assurance that OVR is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award; and
- Whether OVR satisfied the non-Federal share requirements of Section 101(a)(3) of the Rehabilitation Act and 34 C.F.R. § 361.60.

Requirements: In accordance with the Uniform Guidance at 2 C.F.R. § 200.302(a), a State’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the award, must be sufficient to permit the preparation of reports required by general and program specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. In addition, 34 C.F.R. § 76.702 requires States to use fiscal control and fund accounting procedures that ensure proper disbursement of and accounting for Federal funds (see also 34 C.F.R. § 361.12).

Analysis: RSA’s review of OVR’s SF-425 financial reports, for FFYs 2019 through FFY 2012, identified the following issues:

3.2.1. Inaccurate Reporting of Non-Federal Share

- In its fourth quarter report for FFY 2019, the agency reported \$15,606,410 in line 10j (Recipient share of expenditures). However, in its final SF-425 report, the agency reported \$15,931,920 in line 10j (which is equal to the required amount for the entire award per 10i), resulting in a \$325,510 difference. Since non-Federal share added after the fourth quarter does not count toward the award’s matching requirement, if the agency reported \$15,606,410 in the fourth quarter erroneously, the fourth quarter report must be corrected.
- Additionally, the agency reported costs dated outside the period of performance. For instance, the agency charged \$747 for servicing beginning August 1, 2019, which is outside the period of performance for FFY 2020. Likewise, the agency reported several costs for services outside the period of performance for FFY 2019 (e.g., \$4,276.12 for services beginning September 12, 2018).

The agency must ensure that it has internal controls in place to accurately track and report all match in the year of appropriation. RSA uses the SF-425 fourth quarter reports to assess whether the State has met its non-Federal share requirement. Inaccurate reporting of non-Federal share prevents RSA from accurately assessing OVR’s compliance with the matching requirement.

3.2.2. Inaccurate Financial Reporting

OVR lacks internal controls that include functional policies/procedures and checks/balances that produce adequate financial management processes to ensure accurate and complete reporting. The RSA fiscal specialist explained that the issues should have been caught by the Authorized Certifying Official during the verification process before the SF-425 report was signed and submitted to RSA. The agency must strengthen internal controls regarding report preparation and verification.

RSA reviewed the Federal financial reports (SF-425) and supporting documentation of expenditures reported. The following is a brief analysis of the issues identified:

1. Accurate, Complete, and Timely Financial Reporting:
 - a. Late submission—

- i. The second quarter SF-425 for FFY 2019 was submitted late;
 - ii. The fourth quarter SF-425 for FFY 2019 was in the partially saved status at the time of review (not submitted to RSA; the agency was notified of the status of the report on June 14, 2021).
- b. Cash on Hand (not explained in the Remarks section of the SF-425 report)—
 - i. The fourth quarter SF-425 for FFY 2019 reported Cash on Hand on line 10c (\$1,176,542) that has not been explained in the Remarks section (line 12). Given that the last draw prior to the end of the reporting period was on September 17, 2019, there was no need to draw excess cash in advance.
- c. Program Income—
 - i. In its sixth quarter SF-425 for FFY 2019, the agency reported \$1,818,223 in 10l (Total Federal program income earned); the agency reported \$1,185,409 in line 10n (Program income expended in accordance with the addition alternative), and \$632,814 in 10o (Unexpended program income). However, in its sixth quarter report for FFY 2019, the agency reported \$3,152,183 in 10l (Total Federal program income earned); the agency reported \$1,460,149 in line 10n (Program income expended in accordance with the addition alternative), and \$1,692,034 in 10o (Unexpended program income), resulting in an increase on unexpended program income (\$1,059,220) and showing an additional program income earned after the end of the year of appropriation (\$1,333,960). Moreover, in its final SF-425 for FFY 2019, the agency reported \$1,920,656 in 10l (Total Federal program income earned), which is a \$1,231,527 decrease from the sixth quarter but, nevertheless, a \$102,433 increase from the fourth quarter. Program income is considered earned in the FFY in which the funds are received by the grantee (34 C.F.R. § 367.65; 34 C.F.R. § 370.47; and 2 C.F.R. § 200.80). Therefore, the amount reported on line 10l should not change after the grantee submits its annual report for any fiscal year.
 - ii. The fourth quarter report for FFY 2020 contained a typo in line 10l which the agency needs to correct. As a result of the typo, RSA was not able to determine what was the actual program income by the end of the FFY 2020 in which the funds were received by the grantee.
 - iii. Based on the information in the fourth quarter report (line 10o = \$632,814) and the sixth quarter report (line 10o = \$1,692,034), the agency had unexpended program income between the fourth and sixth quarter reports; however, the agency continued to draw Federal cash from G5. More specifically, between 10/01/2019 and 03/31/2020, the agency drew down \$29,797,929.16 while it still had available program income. In accordance with 34 C.F.R. § 361.63(c)(3)(ii), “to the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments.”

Conclusion: RSA’s review of OVR’s financial reporting found inaccuracies and inconsistencies and identified issues with the timeliness of reporting. Therefore, OVR did not ensure the

accuracy and timeliness of reporting. As described above, OVR cannot assure that it is administering the VR program in a proper and efficient manner and ensuring financial accountability. For these reasons, OVR has not complied with the VR program provisions and internal control requirements set forth at 34 C.F.R. §§ 361.3(a) and 361.12, and 2 C.F.R. § 200.302(a) and (b)(4).

Corrective Actions 3.2 RSA requires that OVR—

3.2.1 Review SF-425 reports for FFYs 2019-2020

- Since non-Federal share can only be credited as match when expended or obligated, in accordance with 34 C.F.R. § 76.707, in the FFY of appropriation for an award, identify all match that was charged and reported in FFYs 2019 and 2020; and
- Revise incorrect SF-425 reports to ensure that all allowable match is reported correctly (including the correct period of performance);

3.2.2 In the first quarterly update after approval of the corrective action plan, develop and implement policies and procedures to—

- Accurately collect and timely report fiscal data on Federal financial reports, including the SF-425 and RSA-17;
- Ensure its internal controls address how the excess cash on hand is managed to ensure compliance with the Cash Management Improvement Act (CMIA) requirements and also note in the comments section of the SF-425 (and RSA-17) the reason for the excess Federal cash on hand; and
- Review and correct program income for all affected quarters for FFYs 2019-2020. The grantee should ensure its internal controls address how program income is reported and managed to ensure that program income is reported earned in the FFY in which the funds are received by the grantee and expended before requesting additional cash payments.

VR Agency Response:

3.2.1. OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area to analyze for risks that impede accurate reporting as outlined and to develop internal controls that allow for accurate report preparation and verification. OVR did not have sufficient internal controls during the reporting timeframe. OVR and Cabinet designated fiscal staff have already started working on functional policies/procedures and checks/balances that produce adequate financial management processes to ensure accurate and timely reporting. OVR will work with Cabinet designated fiscal staff in the revision and correction of incorrect SF-425 reports to ensure that all allowable match is reported correctly (including the correct period of performance) and the development of a corrective action plan within the set timeframes.

3.2.2 OVR agrees with the analysis of RSA for this area. The finding confirms what OVR has identified as an area to analyze for risks that impede accurate reporting as outlined and to develop internal controls that allow for regarding report preparation and verification. OVR has started working with Cabinet designated fiscal staff to develop and implement policies and procedures to address the timely collection of accurate fiscal data on Federal financial reports to include the SF-425 and RSA-17; addressing internal controls for

cash on hand program income. OVR and Cabinet designated fiscal staff will review and correct program income for all affected quarters for FFYs 2019-2020. OVR and designated Cabinet fiscal staff will work on the development of a corrective action plan within the set timeframes.

VR Agency Request for Technical Assistance: OVR is currently receiving technical assistance from the VRTAC – QM for the area of Internal Controls.

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

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

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

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

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

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

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

Table 7—KY 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—KY Number of Participants Who Exited with Competitive Integrated Employment or Supported Employment by the Most Frequent SOC Title (PYs 2017-2019)

Table 9—KY 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—KY Number and Percentage of Required Pre-Employment Transition Services Provided (PYs 2017-2019)

Vocational Rehabilitation Program Other Measures That Matter

Measure 1—KY Sustaining Employment After Exit (January 1, 2018 – December 31, 2018)

Measure 2—KY Profile: Quality Employment (PY 2019)

Measure 3—KY Profile: VR Process Efficiency (PYs 2019 and 2020)

Measure 4—KY Profile: VR Service Provision (PY 2019)

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

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

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

VR Agency Profile Data	2017	2018	2019
Employment Rate	57.0%	51.0%	46.0%
Number of Participants Exiting in Competitive Integrated Employment or Supported Employment	3,139	2,985	3,482
Percentage of Timely Eligibility Determinations	98.8%	99.9%	99.1%
Percentage of Eligibility Determination Extensions	5.4	4.1	3.3
Percentage of Timely IPE Development	70.3%	92.8%	77.1%
Number of Applicants	8,361	8,621	6,819
Number of Individuals Determined Eligible	7,209	7,848	6,655
Number of Individuals with an IPE and No VR Services Provided	2,291	3,289	2,913
Number of Participants (with an IPE and VR Services Provided)	15,803	15,859	15,244
WIOA Performance Indicators	2017	2018	2019
Measurable Skill Gains Rate	18%	16.2%	34.1%
Employment Rate in 2 nd Qtr After Exit	N/A	4.3%	25.3%
Median Earnings in 2 nd Qtr After Exit	N/A	\$4577.30	\$3911.30
Employment Rate in 4 th Qtr After Exit	N/A	N/A	24.6%
Credential Attainment Rate	N/A	N/A	4%

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

Primary Disability Type by Group	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Visual	1,013	6.4%	948	6.0%	871	5.7%
Auditory or Communicative	2,805	17.7%	3,033	19.1%	2,982	19.6%
Physical	3,124	19.8%	3,063	19.3%	2,941	19.3%
Cognitive	4,109	26.0%	3,993	25.2%	3,691	24.2%
Psychological or Psychosocial	4,749	30.1%	4,822	30.4%	4,759	31.2%
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	416	2.6%	385	2.4%	336	2.2%
Other Visual Impairments	597	3.8%	563	3.6%	535	3.5%
Deafness, Primary Communication Visual	164	1.0%	170	1.1%	182	1.2%
Deafness, Primary Communication Auditory	11	0.1%	9	0.1%	18	0.1%
Hearing Loss, Primary Communication Visual	46	0.3%	47	0.3%	31	0.2%
Hearing Loss, Primary Communication Auditory	2,344	14.8%	2,597	16.4%	2,605	17.1%
Other Hearing Impairments (Tinnitus, Meniere's Disease, hyperacusis, etc.)	123	0.8%	108	0.7%	60	0.4%

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
Deaf-Blindness	54	0.3%	46	0.3%	37	0.2%
Communicative Impairments (expressive/receptive)	63	0.4%	56	0.4%	49	0.3%
Mobility Orthopedic/Neurological Impairments	614	3.9%	616	3.9%	576	3.8%
Manipulation/Dexterity Orthopedic/Neurological Impairments	187	1.2%	175	1.1%	158	1.0%
Both Mobility and Manipulation/Dexterity Orthopedic/Neurological Impairments	512	3.2%	493	3.1%	463	3.0%
Other Orthopedic Impairments (e.g., limited range of motion)	492	3.1%	467	2.9%	447	2.9%
Respiratory Impairments	110	0.7%	116	0.7%	118	0.8%
General Physical Debilitation (e.g., fatigue, weakness, pain, etc.)	625	4.0%	603	3.8%	608	4.0%
Other Physical Impairments (not listed above)	584	3.7%	593	3.7%	571	3.7%
Cognitive Impairments (e.g., impairments involving learning, thinking, processing information and concentration)	4,109	26.0%	3,993	25.2%	3,691	24.2%
Psychosocial Impairments (e.g., interpersonal and behavioral impairments, difficulty coping)	4,512	28.6%	4,574	28.8%	4,543	29.8%
Other Mental Impairments	237	1.5%	248	1.6%	216	1.4%

Table 3—KY 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			9,441	10,427	10,620	
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	825	8.7%	764	7.3%	683	6.43%
Individual exited during or after a trial work experience	2	0.02%	3	0.02%	2	0.02%

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 after eligibility, but from an order of selection waiting list	664	7.0%	108	1.0%	23	0.2%
Individual exited after eligibility, but prior to a signed IPE	2,407	25.5%	3,557	34.1%	2,342	22.1%
Individual exited after an IPE without an employment outcome	2,347	24.9%	2,912	27.9%	4,011	37.8%
Individual exited after an IPE in noncompetitive and/or nonintegrated employment	4	0.0%	13	0.1%	13	0.1%
Individual exited after an IPE in competitive and integrated employment or supported employment	3,139	33.2%	2,985	28.6%	3,482	32.8%
Individual exited as an applicant after being determined ineligible for VR services	52	0.6%	85	0.8%	66	0.6%
Potentially eligible individual exited after receiving pre-employment transition services and has not applied for VR services	-	0.0%	-	0.0%	-	0.0%
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				585	461	303
Number of Participants Who Exited with a Supported Employment Outcome in Noncompetitive and/or Nonintegrated Employment				-	-	-

Table 4—KY 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	24	0.3%	19	0.2%	18	0.2%
Health/Medical	114	1.2%	112	1.1%	115	1.1%
Death of Individual	50	0.5%	37	0.4%	24	0.2%

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
Reserve Forces Called to Active Duty	-	0.0%	-	0.0%	1	0.0%
Foster Care	-	0.0%	-	0.0%	-	0.0%
Ineligible after determined eligible	25	0.3%	4	0.0%	5	0.0%
Criminal Offender	97	1.0%	78	0.7%	52	0.5%
No Disabling Condition	37	0.4%	43	0.4%	33	0.3%
No Impediment to Employment	18	0.2%	15	0.1%	12	0.1%
Does Not Require VR Service	27	0.3%	32	0.3%	21	0.2%
Disability Too Significant to Benefit from Service	18	0.2%	19	0.2%	16	0.2%
No Long Term Source of Extended Services Available	-	0.0%	-	0.0%	1	0.0%
Transferred to Another Agency	15	0.2%	100	1.0%	19	0.2%
Achieved Competitive Integrated Employment Outcome	3,139	33.2%	2,985	28.6%	3,482	32.8%
Extended Employment	3	0.0%	3	0.0%	4	0.0%
Extended Services Not Available	1	0.0%	2	0.0%	3	0.0%
Unable to Locate or Contact	2,365	25.1%	2,661	25.5%	2,578	24.3%
No Longer Interested in Receiving Services or Further Services	2,566	27.2%	3,086	29.6%	2,900	27.3%
All Other Reasons	941	10.0%	1,234	11.8%	1,338	12.6%
Number of Individuals Who Exited the VR Program	9,441		10,427		10,620	

Table 5—KY 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			15,803	15,859	15,244	
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	157	1.0%	192	1.2%	232	1.5%
Bachelor Degree Training	1,704	10.8%	1,532	9.7%	1,483	9.7%
Junior or Community College Training	649	4.1%	660	4.2%	709	4.7%
Occupational or Vocational Training	408	2.6%	460	2.9%	418	2.7%
On-the-Job Training	32	0.2%	19	0.1%	13	0.1%
Apprenticeship Training	2	0.0%	-	0.0%	-	0.0%
Basic Academic Remedial or Literacy Training	3	0.0%	2	0.0%	-	0.0%
Job Readiness Training	824	5.2%	773	4.9%	702	4.6%
Disability Related Skills Training	385	2.4%	326	2.1%	289	1.9%
Miscellaneous Training	324	2.1%	241	1.5%	174	1.1%
Randolph-Sheppard Entrepreneurial Training	-	0.0%	-	0.0%	-	0.0%
Customized Training	20	0.1%	41	0.3%	52	0.3%
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	4,132	26.1%	3,422	21.6%	3,079	20.2%
Diagnosis and Treatment of Impairment	1,218	7.7%	1,663	10.5%	1,438	9.4%
Vocational Rehabilitation Counseling and Guidance	2,272	14.4%	1,138	7.2%	1,673	11.0%
Job Search Assistance	1,812	11.5%	1,618	10.2%	1,365	9.0%
Job Placement Assistance	926	5.9%	892	5.6%	901	5.9%
Short-Term Job Supports	531	3.4%	426	2.7%	406	2.7%
Supported Employment Services	765	4.8%	861	5.4%	841	5.5%
Information and Referral Services	16	0.1%	12	0.1%	8	0.1%
Benefits Counseling	146	0.9%	129	0.8%	182	1.2%
Customized Employment Services	12	0.1%	13	0.1%	2	
Extended Services (for youth with the most significant disabilities)	-	0.0%	-	0.0%	-	0.0%

Other Services Provided to Participants	PY 17 Number of Participants	PY 17 Percent	PY 18 Number of Participants	PY 18 Percent	PY 19 Number of Participants	PY 19 Percent
Transportation	845	5.3%	866	5.5%	659	4.3%
Maintenance	944	6.0%	939	5.9%	875	5.7%
Rehabilitation Technology	2,112	13.4%	2,691	17.0%	2,461	16.1%
Personal Attendant Services	11	0.1%	8	0.1%	8	0.1%
Technical Assistance Services	6	0.0%	9	0.1%	9	0.1%
Reader Services	2	0.0%	1	0.0%	-	0.0%
Interpreter Services	101	0.6%	113	0.7%	118	0.8%
Other Services	392	2.5%	390	2.5%	389	2.6%

Table 6— KY 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	-	-	-
Secondary Diploma	6	7	88
Postsecondary Transcript/ Report Card	492	597	1,178
Training Milestone	-	-	11
Skills Progression	-	2	21
Total	498	606	1,298
Participants Who Earned Measurable Skill Gains	2017	2018	2019
Number of Participants Who Earned Measurable Skill Gains	496	604	1,293

Table 7—KY 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	2,954	2,802	3,307			
Median Hourly Earnings at Exit	10.58	\$11.00	\$12.50			
Median Hours Worked per Week at Exit	37	38	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	2,446	82.8%	2,372	84.7%	2,966	89.7%
Family and Friends	129	4.4%	101	3.6%	82	2.5%
Public Support	373	12.6%	321	11.5%	250	7.6%
Other Sources	7	0.2%	8	0.3%	9	0.3%

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	369	12.5%	324	11.6%	273	8.3%
Supplemental Security Income (SSI) for the Aged, Blind, or Disabled at Exit	437	14.8%	387	13.8%	336	10.2%
Temporary Assistance for Needy Families (TANF) at Exit	20	0.7%	9	0.3%	13	0.4%
General Assistance (State or local government) at Exit	-	0.0%	-	0.0%	1	0.0%
Veterans' Disability Benefits at Exit	10	0.3%	7	0.2%	3	0.1%
Workers' Compensation at Exit	-	0.0%	-	0.0%	1	0.0%
Other Public Support at Exit	46	1.6%	60	2.1%	88	2.7%
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	781	26.4%	720	25.7%	721	21.8%
Medicare at Exit	477	16.1%	489	17.5%	512	15.5%
State or Federal Affordable Care Act Exchange at Exit	84	2.8%	85	3.0%	104	3.1%
Public Insurance from Other Sources at Exit	118	4.0%	87	3.1%	73	2.2%
Private Insurance Through Employer at Exit	1,024	34.7%	958	34.2%	1,377	41.6%
Not Yet Eligible for Private Insurance Through Employer at Exit	27	0.9%	8	0.3%	21	0.6%
Private Insurance Through Other Means at Exit	414	14.0%	454	16.2%	513	15.5%

Table 8— KY 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	Stock Clerks and Order Fillers	162	\$9.00
2	Customer Service Representatives	131	\$10.50
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	130	\$8.50
4	Cashiers	73	\$9.00
5	Retail Salespersons	73	\$9.00
6	Laborers and Freight, Stock, and Material Movers, Hand	58	\$10.20
7	Registered Nurses	56	\$26.50
8	Combined Food Preparation and Serving Workers, Including Fast Food	51	\$7.50
9	Production Workers, All Other	44	\$11.80
10	Food Preparation Workers	41	\$8.30
No.	PY 18 SOC Title	PY 18 Number of Participants	PY 18 Median Hourly Earnings
1	Stock Clerks and Order Fillers	145	\$9.30
2	Customer Service Representatives	126	\$10.00
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	111	\$9.00
4	Retail Salespersons	68	\$9.00
5	Cashiers	66	\$9.00
6	Registered Nurses	62	\$27.50
7	Heavy and Tractor-Trailer Truck Drivers	57	\$16.80
8	Laborers and Freight, Stock, and Material Movers, Hand	52	\$10.40
9	Farmers, Ranchers, and Other Agricultural Managers	50	\$10.00
10	Dishwashers	39	\$8.50
No.	PY 19 SOC Title	PY 19 Number of Participants	PY 19 Median Hourly Earnings
1	Customer Service Representatives	122	\$11.00
2	Stock Clerks and Order Fillers	121	\$10.00
3	Janitors and Cleaners, Except Maids and Housekeeping Cleaners	102	\$10.00
4	Registered Nurses	92	\$26.00
5	Retail Salespersons	80	\$10.00
6	Farmers, Ranchers, and Other Agricultural Managers	62	\$10.00
7	Laborers and Freight, Stock, and Material Movers, Hand	57	\$13.00
8	Nursing Assistants	53	\$12.00
9	Heavy and Tractor-Trailer Truck Drivers	50	\$18.00
10	Cashiers	49	\$10.00

Table 9—KY 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	12,812	17,559	20,459
Students with Disabilities Reported with 504 Accommodation	849	1,156	1,338
Students with Disabilities Reported with IEP	10,323	14,100	16,240
Students with Disabilities Reported without 504 Accommodation or IEP	1,640	2,305	2,881
Total Students with Disabilities Who Received a Pre-Employment Transition Service	3,515	6,849	7,039
Potentially Eligible Students with Disabilities Who Received a Pre-Employment Transition Service	2,482	5,846	6,389
Students with Disabilities, Who Applied for VR Services, and Received a Pre-Employment Transition Service	1,033	1,003	650
Percentage of Students with Disabilities Reported Who Received a Pre-Employment Transition Service	27.4%	39.0%	34.4%

Table 10—KY 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	20,767		56,941		57,678	
Job Exploration Counseling	5,579	26.9%	12,732	22.4%	12,558	21.8%
Work-Based Learning Experiences	4,070	19.6%	11,053	19.4%	10,649	18.5%
Counseling on Enrollment Opportunities	2,917	14.0%	10,032	17.6%	10,499	18.2%
Workplace Readiness Training	5,146	24.8%	12,598	22.1%	12,875	22.3%
Instruction in Self-Advocacy	3,055	14.7%	10,526	18.5%	11,097	19.2%

Vocational Rehabilitation Program Other Measures That Matter

Measure 1—KY 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)	2700
Number Employed in Second Quarter after Exit AND Fourth Quarter after Exit	301
Percent Sustaining Employment	11.15%

Measure 2—KY 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	178	5.38%	14.15	40	151	42	64.49%
Communication	1,268	38.34%	15.04	40	1,211	130	84.20%
Physical	511	15.45%	12.76	40	487	134	48.16%
Intellectual	537	16.24%	10	30	484	138	38.00%
Psychosocial	813	0	11	40	744	124	43.43%
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	866	26.19%	15	40	792	54	57.20%
Most Significant	2,440	73.78%	11.75	38	2,284	514	52.89%
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	6	0.18%	7.875	10	5	3	42.86%

Measure 3—KY 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	6,819		
Number of Individuals Determined Eligible in PY 2019	6,655		
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:	3,181	3,243	231
Percent Determined Eligible within:	47.80%	48.73%	3.47%
Number Determined Eligible in PY 2019 Who Exited with Employment during PY 2019 within	265	114	-
Number Determined Eligible in PY 2019 Who Exited without Employment during PY 2019 within	127	70	2

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—KY 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	Program Year 2019 Annual
Number of Participants Receiving VR Services	5,989	5,407	5,687	4,479	21,562
Total Number of Participants	12,488	11,711	11,035	9,937	55,893
Percent Receiving VR Services	47.96%	46.17%	51.54%	45.07%	38.58%

**Measure 5—KY 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
3,793	15,209	24.94%

Measure 6—KY 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	5,732	5,779	5,130	4,973	5,450	6,389
Number of Students Who Received Service under IPE	278	272	250	249	226	397
Number of Students Who Received Service as Both Potentially Eligible and under an IPE	195	196	180	174	167	264
Number of Students Who Exited with Employment during PY	2	4	5	2	3	6
Number of Students Who Exited without Employment during PY	4	7	5	5	6	8

	Number/ Percent
Total Number of Participants in VR Program	15,209
Number of Potentially Eligible Students with Disabilities Who Received Pre-Employment Transition Services	6,389
Percent of Potentially Eligible Students with Disabilities Who Received Pre-Employment Transition Services	49.2%
Total Number of Applicants to VR Program	6,819
Number of Potentially Eligible Students with Disabilities Who Applied to VR Program	611
Percent of Potentially Eligible Students with Disabilities Who Applied to VR Program	9.0%

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.