

**FISCAL YEAR 2013  
MONITORING REPORT  
ON THE  
DELAWARE DIVISION FOR THE  
VISUALLY IMPAIRED  
VOCATIONAL REHABILITATION  
PROGRAM**



**U.S. DEPARTMENT OF EDUCATION  
OFFICE OF SPECIAL EDUCATION AND  
REHABILITATIVE SERVICES  
REHABILITATION SERVICES ADMINISTRATION**

**AUGUST 7, 2013**

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# SECTION 1: EXECUTIVE SUMMARY

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## Background

Section 107 of the Rehabilitation Act of 1973, as amended (Rehabilitation Act), 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 state 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. 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 (SE) Services under Title VI, part B, of the Rehabilitation Act.

Through its monitoring of the VR and SE programs administered by the Delaware Division of Visually Impaired (DVI) in federal fiscal year (FY) 2013, RSA:

- reviewed the VR agency's progress toward implementing recommendations and resolving findings identified during the prior monitoring cycle (FY 2007 through FY 2010);
- reviewed the VR agency's performance in assisting eligible individuals with disabilities to achieve high-quality employment outcomes;
- recommended strategies to improve performance and required corrective actions in response to compliance findings related to three focus areas, including:
  - organizational structure requirements of the designated state agency (DSA) and the designated state unit (DSU);
  - transition services and employment outcomes for youth with disabilities; and
  - the fiscal integrity of the VR program;
- discussed emerging practices related to the three focus areas and other aspects of the VR agency's operations; and
- provided technical assistance to the VR agency to enable it to enhance its performance and to resolve findings of noncompliance.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of an on-site visit from April 15, 2013 through April 17, 2013, is described in detail in the FY 2013 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program located at: <http://www.ed.gov/rschstat/eval/rehab/107-reports/2013/vr/monitoring-and-technical-assistance-guide.doc> or <http://www.ed.gov/rschstat/eval/rehab/107-reports/2013/vr/monitoring-and-technical-assistance-guide.pdf>

## **Summary of Compliance Findings**

RSA's review resulted in the identification of compliance findings in the focus areas specified below. The complete findings and the corrective actions that DVI must undertake to bring itself into compliance with pertinent legal requirements are contained in Section 6 of this report.

- Less than 90 percent of DVI staff members devote 100 percent of their time on VR or VR and other rehabilitation work of the DSU.
- DVI inaccurately drew down funds from its federal VR grant award.
- DVI does not disburse program income prior to requesting additional cash drawdowns from its federal VR award.
- DVI is not correctly documenting the assignment of personnel costs to specific cost objectives.
- DVI did not accurately report financial data from the state accounting records on the SF-425s for FY 2010 and FY 2011, and did not report program income received from SSA reimbursements on the SF-269 for FY 2009, and the SF-425 for FY 2011.
- The interagency agreement between DVI and the Delaware Department of Education does not describe the roles and responsibilities of the DVI VR program in providing transition services.
- DVI is not meeting its established time standard for developing individualized plans for employment (IPEs) for transition-age youth.

## **Development of the Technical Assistance Plan**

RSA will collaborate closely with DVI and the Mid-Atlantic TACE, (M-A TACE) to develop a plan to address the technical assistance needs identified by DVI in Appendix A of this report. RSA, DVI and M-A TACE will conduct a teleconference within 60 calendar days following the publication of this report to discuss the details of the technical assistance needs, identify and assign specific responsibilities for implementing technical assistance and establish initial timeframes for the provision of the assistance. RSA, DVI and M-A TACE will participate in teleconferences at least semi-annually to gauge progress and revise the plan as necessary.

## **Review Team Participants**

Members of the RSA review team included Suzanne Mitchell and Janette Shell (Technical Assistance Unit); Joe Pepin (representing Fiscal Unit); Melissa Diehl, Larry Vrooman and David Wachter (Vocational Rehabilitation Unit) and Yann-Yann Shieh (Data Collection and Analysis Unit). Although not all team members participated in the on-site visit, each contributed to the gathering and analysis of information, along with the development of this report.

## **Acknowledgements**

RSA wishes to express appreciation to the representatives of DVI for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of the SRC, advocates, and other stakeholders in the monitoring process.

## SECTION 2: PERFORMANCE ANALYSIS

This analysis is based on a review of the VR programmatic and fiscal data contained in Tables 2.1 and 2.2 below and is intended to serve as a broad overview of the VR program administered by DVI. It should not be construed as a definitive or exhaustive review of all available agency VR program data. As such, the analysis does not necessarily capture all possible VR programmatic trends. In addition, the data in Table 2.1 measure performance based on individuals who exited the VR program during FY 2007 through FY 2011. Consequently, the table and accompanying analysis do not provide information derived from DVI open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. DVI may wish to conduct its own analysis, incorporating internal open caseload data, to substantiate or confirm any trends identified in the analysis.

### VR Program Performance Analysis

**Table 2.1**  
**DVI Program Performance Data for Federal FY 2007 through Federal FY 2011**

All Individual Cases Closed	Number, Percent, or Average	2007	2008	2009	2010	2011	Change from 2007 to 2011	Agency Type 2011
TOTAL CASES CLOSED	Number	36	45	58	83	89	53	13,838
	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	147.2%	100.0%
Exited as an applicant	Number	5	1	7	4	3	-2	2,895
	Percent	13.9%	2.2%	12.1%	4.8%	3.4%	-40.0%	20.9%
Exited during or after trial work experience/extended evaluation	Number	2	0	2	0	0	-2	132
	Percent	5.6%	0.0%	3.4%	0.0%	0.0%	-100.0%	1.0%
TOTAL NOT DETERMINED ELIGIBLE	Number	7	1	9	4	3	-4	3,027
	Percent	19.4%	2.2%	15.5%	4.8%	3.4%	-57.1%	21.9%
Exited without employment after IPE, before services	Number	0	2	1	4	3	3	125
	Percent	0.0%	4.4%	1.7%	4.8%	3.4%		0.9%
Exited from order of selection waiting list	Number	2	0	0	0	0	-2	26
	Percent	5.6%	0.0%	0.0%	0.0%	0.0%	-100.0%	0.2%
Exited without employment after eligibility, before IPE	Number	6	16	15	18	21	15	1,315
	Percent	16.7%	35.6%	25.9%	21.7%	23.6%	250.0%	9.5%

<b>All Individual Cases Closed</b>	<b>Number, Percent, or Average</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Change from 2007 to 2011</b>	<b>Agency Type 2011</b>
<b>All Individual Cases Closed</b>	<b>Number, Percent, or Average</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Change from 2007 to 2011</b>	<b>Agency Type 2011</b>
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	8	18	16	22	24	16	1,466
	Percent	22.2%	40.0%	27.6%	26.5%	27.0%	200.0%	10.6%
Exited with employment	Number	13	20	25	43	53	40	6,240
	Percent	36.1%	44.4%	43.1%	51.8%	59.6%	307.7%	45.1%
Exited without employment	Number	8	6	8	14	9	1	3,105
	Percent	22.2%	13.3%	13.8%	16.9%	10.1%	12.5%	22.4%
TOTAL RECEIVED SERVICES	Number	21	26	33	57	62	41	9,345
	Percent	58.3%	57.8%	56.9%	68.7%	69.7%	195.2%	67.5%
EMPLOYMENT RATE	Percent	61.90%	76.92%	75.76%	75.44%	85.48%	38.09%	66.77%
Transition age youth	Number	11	16	24	23	8	-3	1,869
	Percent	30.6%	35.6%	41.4%	27.7%	9.0%	-27.3%	13.5%
Transition aged youth employment outcomes	Number	3	9	7	8	3	0	603
	Percent	23.1%	45.0%	28.0%	18.6%	5.7%	0.0%	9.7%
Competitive employment outcomes	Number	12	19	22	39	48	36	5,452
	Percent	92.3%	95.0%	88.0%	90.7%	90.6%	300.0%	87.4%
Supported employment outcomes	Number	0	2	1	3	1	1	196
	Percent	0.0%	10.0%	4.0%	7.0%	1.9%		3.1%
Average hourly wage for competitive employment outcomes	Average	\$10.54	\$11.82	\$11.93	\$13.22	\$12.74	\$2.21	\$14.33
Average hours worked for competitive employment outcomes	Average	30.2	30.1	32.8	32.6	30.8	0.6	30.9
Competitive employment outcomes at 35 or more hours per week	Number	5	9	13	25	24	19	2,829
	Percent	38.5%	45.0%	52.0%	58.1%	45.3%	380.0%	45.3%
Employment outcomes meeting SGA	Number	5	6	9	15	19	14	2,198
	Percent	38.5%	30.0%	36.0%	34.9%	35.8%	280.0%	35.2%
Employment outcomes with employer-provided medical insurance	Number	4	7	11	15	10	6	1,325
	Percent	30.8%	35.0%	44.0%	34.9%	18.9%	150.0%	21.2%

## **VR Performance Trends**

### **Positive Trends**

As shown in Table 2.1, DVI demonstrated positive trends in its performance related to the provision of services, outcomes achieved, and the employment rate of individuals with disabilities. The total number of cases closed in a year increased from 36 in FY 2007 to 89 in FY 2011. The percentage of individuals who received VR services from DVI with an individualized plan for employment (IPE) increased from 58.3 percent in FY 2007 to 69.7 percent in FY 2011, exceeding the FY 2011 average of 67.5 percent for all agencies serving individuals who are blind or visually impaired. Among all individuals whose cases were closed, DVI increased the percentage of individuals who achieved an employment outcome from 36.1 percent in FY 2007, to 59.6 percent in FY 2011, performing better than the total average of 45.1 percent in FY 2011 for all agencies serving individuals who are blind or visually impaired. DVI's employment rate increased from 61.90 percent in FY 2007, to 85.48 percent in FY 2011, significantly higher than the average rate of 66.77 percent for all agencies serving individuals who are blind or visually impaired. The percentage of individuals with competitive employment outcomes working 35 hours or more per week increased from 38.5 percent in FY 2007 to 58.1 percent in FY 2010, decreasing to 45.3 percent in FY 2011, which was the same as the average percentage for all agencies serving individuals with vision impairments in FY 2011.

### **Trends Indicating Potential Risk to the Performance of the VR Program**

During the five-year period between FY 2007 and FY 2011, DVI experienced trends that indicate a potential risk to its program performance. The percentage of individuals who exited after eligibility but prior to receiving services increased from 22.2 percent in FY 2007 to 27 percent in FY 2011, higher than the average of 10.6 percent in FY 2011 for all agencies serving individuals who are blind or visually impaired. Among all DVI consumers whose cases were closed, the percentage of closures of transition-age youth decreased from 41.4 percent in FY 2009 to 9.0 percent in FY 2011, lower than the average performance of 13.5 percent in FY 2011 for all agencies serving individuals who are blind or visually impaired. The average hourly wage for competitive employment outcomes was \$12.74 in FY 2011, lower than the average of \$14.33 for all blind agencies. Finally, the percentage of individuals who received employer-provided medical benefits decreased from 44.0 percent in FY 2009, to 18.9 percent in FY 2011, falling below the average of 21.7 percent in FY 2011 for agencies serving individuals who are blind or visually impaired.

Throughout the course of the review, RSA discussed with DVI positive performance trends and those that posed potential risk to the VR program. Acknowledging that the small numbers of individuals served may pose challenges in the analysis and interpretation of data, DVI indicated its intent to conduct further analyses to determine the factors contributing to its performance related to serving transition-age youth and the quality of employment outcomes for its consumers. While on site, RSA and DVI discussed data coding practices and current open case data related to the time between eligibility and the development of the IPE and the impact of the agency's practices around the provision of assistive technology services and college/university training upon successful employment outcomes.

## Fiscal Analysis

**Table 2.2  
Delaware DVI Fiscal Performance Data for Federal FY 2008 through Federal FY 2012**

<b>VR Fiscal Profile</b>	<b>Quarter</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Grant amount	4 <sup>th</sup>	1,421,424	1,523,723	1,873,624	1,523,624	1,541,907
	Latest/ Final*	1,421,424	1,523,723	1,873,624	1,523,624	
Total outlays	4 <sup>th</sup>	1,941,388	1,797,836	1,680,764	1,603,383	1,568,370
	Latest/ Final*	1,976,505	1,947,694	2,368,712	1,841,339	
Total unliquidated obligations	4 <sup>th</sup>	6,095	0	13,952	0	2,202
	Latest/ Final*	0	0	0	61,287	
Federal share of expenditures	4 <sup>th</sup>	1,386,307	1,340,553	930,083	1,060,491	1,041,585
	Latest/ Final*	1,421,424	1,490,411	1,845,748	1,315,185	
Federal share of unliquidated obligations	4 <sup>th</sup>	6,095	0	13,952	0	2,202
	Latest/ Final*	0	0	0	61,287	
Total federal share	4 <sup>th</sup>	1,392,402	1,340,553	944,035	1,060,491	1,043,787
	Latest/ Final*	1,421,424	1,490,411	1,845,748	1,376,472	
Recipient share of expenditures	4 <sup>th</sup>	555,081	457,283	750,681	542,892	526,785
	Latest/ Final*	555,081	457,283	522,964	526,154	
Recipient share of unliquidated obligations	4 <sup>th</sup>	0	0	0	0	0
	Latest/ Final*	0	0	0	0	
Agency actual match (total recipient share)	4 <sup>th</sup>	555,081	457,283	750,681	542,892	526,785
	Latest/ Final*	555,081	457,283	522,964	526,154	
Agency required match (total recipient share required)	4 <sup>th</sup>	375,201	362,818	251,725	287,020	281,903
	Latest/ Final*	384,706	403,377	499,548	355,952	
Over/under match (remaining recipient share)	4 <sup>th</sup>	-179,880	-94,465	-498,956	-255,872	-244,882
	Latest/ Final*	-170,375	-53,906	-23,416	-170,202	
MOE **	4 <sup>th</sup>					
	Latest/ Final*		457,283	522,964	526,154	
Unobligated funds qualifying for carryover	4 <sup>th</sup>	29,022	183,170	929,589	463,133	498,120

VR Fiscal Profile	Quarter	2008	2009	2010	2011	2012
	Latest/ Final*	0	33,312	27,876	147,152	
Total federal program income earned	4 <sup>th</sup>	0	0	0	0	0
Total indirect costs	4 <sup>th</sup>	55,928	27,028	21,299	56,833	52,448
	Latest/ Final*	101,475	54,525	53,624	75,737	

\*Denotes Final or Latest SF-269 or SF-425 Submitted

\*\* Based upon Final or Latest SF-269 or SF-425 Submitted

RSA reviewed fiscal performance data from federal FY 2008 through federal FY 2012. Based on the data in the table above, the agency exceeded the required level of match in each fiscal year reviewed. The entire recipient non-federal share was provided through state appropriations. The agency was able to carry-over unexpended federal funds in those years for an additional federal fiscal year. The data also indicate that the agency carried over an increasing amount of VR program funds from FY 2008 to FY 2012, from \$29,022 in FY 2008 to \$498,120 in FY 2012. The largest part of the increase of carry over funds was the result of ARRA funds spent during FY 2010 when \$929,589 of the VR grant was carried over to FY 2011. The agency met its maintenance of effort requirements, both as an agency and on a state basis for each fiscal year reviewed.

The U. S. Department of Health and Human Services is the cognizant agency for DVI and is responsible for approving its cost allocation plans. Indirect costs were reported as charged against each of the award years included in the above table. Data in Table 2.2 were obtained from fiscal reports submitted by DVI. The agency may be required to amend fiscal reports based on findings contained in Section 6 of this report. If fiscal reports are amended, RSA will recalculate data pertaining to the agency's match and maintenance of effort requirements.

## SECTION 3: EMERGING PRACTICES

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While conducting the monitoring of the VR program, the review team collaborated with the DVI, the SRC, the TACE, and agency stakeholders to identify emerging practices in the following areas:

- strategic planning;
- program evaluation and quality assurance practices;
- financial management;
- human resource development;
- transition;
- the partnership between the VR agency and SRC;
- the improvement of employment outcomes, including supported employment and self-employment;
- VR agency organizational structure; and
- outreach to unserved and underserved individuals.

RSA considers emerging practices to be operational activities or initiatives that contribute to successful outcomes or enhance VR agency performance capabilities. Emerging practices are those that have been successfully implemented and demonstrate the potential for replication by other VR agencies. Typically, emerging practices have not been evaluated as rigorously as "promising," "effective," "evidence-based," or "best" practices, but still offer ideas that work in specific situations.

While DVI is engaged in activities that may become emerging practices in the future, none were presented to RSA at the time of the review.

## **SECTION 4: RESULTS OF PRIOR MONITORING ACTIVITIES**

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During its review of the VR and SE programs in federal FY 2013, RSA assessed progress toward the implementation of recommendations accepted by DVI resulting from the prior monitoring review in FY 2008 and the resolution of compliance findings from that review. Appendix A of this report indicates whether or not the agency has requested additional technical assistance to enable it to implement any outstanding prior accepted recommendations and to resolve outstanding compliance findings.

### **Recommendations**

In response to RSA's monitoring report dated September 12, 2008, DVI accepted the recommendations listed in the following section, including a brief summary of the agency's progress toward implementation of each recommendation.

#### **VR and SE Observations and Recommendations**

##### **2. Persons Served**

**Recommendation 2:** RSA recommends that DVI:

**2.1** develop and implement goals, objectives, and strategies with measurable targets to increase the number of persons served by the agency;

**2.2** develop and implement a plan that will enable DVI to avoid being on an OOS and placing individuals on a waiting list; and

**2.3** ensure that it uses an effective methodology the next time it conducts its comprehensive needs assessment to accurately identify individuals who may be under-served and the VR services they require.

##### **Progress and Status:**

DVI implemented various strategies to increase the number of persons served by the agency, such as advertising agency services through billboards, radio announcements on Latino radio stations and advertisements on buses. The agency also shared information about services at community outreach events and used its newsletters to highlight successfully rehabilitated individuals as a means of encouraging others to apply for VR services. DVI used its registry for the blind as a mechanism to reach out to consumers who may qualify for VR services. Furthermore, the agency has been working on more direct targeted outreach to the medical community in an effort to get additional referrals to the agency. DVI is able to serve all eligible individuals at this time.

In FY 2010 DVI contracted and collaborated with University of Delaware's Center for Disabilities Studies to construct and administer DVI's needs assessment. The assessment

identified Amish individuals with visual impairments as an unserved population. In addition, individuals with multiple disabilities, transition-age youth, individuals with limited English proficiency and individuals older than age 55 with visual impairments were identified as under-served populations in Delaware.

### **3. Cases Closed**

**Recommendation 3:** RSA recommends that DVI evaluate the reasons for the high number of cases closed prior to service delivery

#### **Progress and Status:**

While DVI implemented strategies to decrease the number of individuals exiting after receiving services but without an employment outcome, there has been an increase in the number of closures after eligibility but prior to service delivery. DVI reviewed 88 service records that were closed after eligibility but prior to receiving services during the period FY 2007 through FY 2011.

Among the closure reasons identified were:

- Did not keep scheduled appointment and/or did not return VR staff calls for attempts to contact – 22 (30 percent);
- Unwillingness of the consumer to engage in skills training needed/ having an unrealistic employment objective based on current skill set - 20 (23 percent);
- Unable to continue due to health reasons or cited personal issues as impacting their ability to engage in VR services – 18 (20.4 percent); and
- Not interested in pursuing VR services - 9 (10.22 percent)

DVI attempted strategies to increase parent involvement in the VR process that proved unsuccessful. In addition, DVI placed more emphasis on employment in its marketing materials. DVI indicated it will review its referral and intake procedures as well as its marketing messages and revise them as necessary to increase applicant awareness that the VR program is an employment program. DVI also anticipates that its revised interagency agreement with the Delaware Department of Education will clearly identify the vocational as well as educational services available from DVI.

### **6. Transition Services and Outcomes**

**Recommendation 6:** RSA recommends that DVI:

**6.1** consider maintaining transition-age youth with the transition counselor until an employment outcome is achieved to improve the retention of youths in the VR program during this critical period of transition;

**6.2** develop strategies using the full range of available staff and resources to prioritize outreach efforts to parents to improve their support of IEP transition plans that promote independent living (IL) and VR goals; and

**6.3** develop staff training strategies that ensure all DVI supervised staff share common goals regarding transition and maintain a focus on employment outcomes as well as the IL goals that must be achieved to accomplish those employment outcomes.

**Progress and Status:**

The suggested strategies were implemented from FY 2008 to FY 2012. However, given the statewide responsibilities of one transition counselor and the need to improve the retention and employment outcomes of transition-age youth, the process was changed at the beginning of the FY 2013. Students from age 14 (or grade 8) to age 16 (or completion of grade 10) are now served by one transition counselor in order to receive extensive career counseling and other employment related activities and services that will facilitate informed choice in choosing their career path. The transition counselor is responsible for maintaining contact with the students' primary care taker to build a partnership in the transitioning of the student into the world of work and in keeping them engaged in the VR process. The transition counselor also partners with direct service program staff from the DVI educational services and the independent living programs to develop summer activities that promote the development of social skills, independent living skills and employment related skills such as career exploration, interviewing skills, self-advocacy, and use of various technologies.

At the completion of the 10<sup>th</sup> grade, students will transition to a counselor serving an adult caseload. That counselor will maintain continuity in collaborating with resource room teachers, special education coordinators, school-to-work transition counselors, DVI itinerant teacher consultants, the student, and the student's family in order to coordinate the necessary supports that will afford the student the opportunity to achieve a positive employment outcome.

Training on transition services strategies have been incorporated into DVI's agency-wide quarterly trainings, enabling direct service personnel to discuss common customer service goals and ways to improve procedures that impact the timeliness and quality of service delivery.

**8. DVI Lacks Focus on Vocational Rehabilitation and Employment Outcomes**

**Recommendation 8:** RSA recommends that DVI:

**8.1** aggressively redefine the primary mission of the designated state unit as one of assisting consumers with blindness or visual impairments to achieve competitive employment in integrated settings; and

**8.2** convey the resulting employment focus and emphasis on integrated employment outcomes as well as the values that underlie that focus to staff at all levels of the agency.

**Progress and Status:**

DVI administers eight programs, one of which is the VR program. Employment and VR have been given additional resources and attention by agency leadership facilitating a 60 percent increase in referrals, 195.2 percent increase in consumers served, and a 300.0 percent increase in employment outcomes for the period FY 2007 to FY 2011.

Employment of persons with visual impairments is aggressively reinforced through agency-wide communications such as twice monthly town meetings within the agency, town hall meetings with the community at large, the DVI newsletter, public hearings, advertising campaigns, and various outreach activities.

## **9. Limited Communication Between Staff in DVI**

**Recommendation 9:** RSA recommends that DVI:

**9.1** expand its formal and informal methods for communication such as division wide staff meetings, shared training session, regular interdisciplinary district office meetings, and opportunities for exchange of best practices and interdisciplinary staffing of specific cases; and

**9.2** conduct in-service training to improve communication, teamwork and problem solving skills between the various units in the division.

### **Progress and Status:**

DVI increased its formal and informal methods of communication through division-wide quarterly trainings, agency town hall meetings, and meetings arranged and coordinated by the VR counselors to discuss mutual cases. DVI implemented agency-wide quarterly trainings that are cooperatively planned by the independent living services program manager, VR district administrator, the education supervisor and front line direct service program staff. The trainings incorporate a component that enables direct service personnel to discuss common customer services goals and ways to improve procedures that impact the timeliness and quality of service delivery.

## **Fiscal Management Observations and Recommendations**

### **1. Allocation of Cost to VR Program**

**Recommendation 1:** RSA recommends that DVI:

**1.1** restructure and reallocate the resources of the primary program units within the DVI to promote a strong vocational rehabilitation mission to the staff involved in vocational rehabilitation activities, including, but not limited to, significantly increasing the number of VR counselors; and

**1.2** identify the organizational units and staff directly providing or supporting employment outcomes and redefine job duties as required to ensure the agency has sufficient staff focused on the vocational rehabilitation activities of the agency to ensure the program is administered and operated in an effective and efficient manner.

**Progress and Status:**

DVI is prioritizing staff vacancies to shift resources to direct services staff. For example, administrative specialist and fiscal specialist vacancies have been shifted to hire an employment specialist and a business enterprise program (BEP) supervisor position to find opportunities that lead to VR employment outcomes. The agency also added a counselor position to provide additional support to the VR program. Additionally, DVI reallocated resources to dedicate funding for a trainer educator and an orientation and mobility instructor to increase efficiencies for the VR program.

**2. Expenditure of Funds Under “Services to Groups”**

**Recommendation 2:** RSA recommends that DVI consider the cost and efficiency of the Business Enterprise Program and the appropriateness of the amount of Title I funds expended given that the program does not materially contribute to employment outcomes.

**Progress and Status:**

DVI reduced its expenditures under services to groups for the BEP program from \$411,927 in FY 2007 to \$212,390 in FY 2011. Additionally, DVI secured employment outcomes from the BEP program in FY 2010, FY 2011 and FY 2012.

DVI lost an accounting specialist full time equivalent (FTE) to budget reductions in FY 2010,. DVI realigned its resources in the accounting staff that resulted in a 1.2 FTE decrease to BEP and Delaware Industries for the Blind (DIB) programs and a 0.2 increase to all other DVI programs.

**Compliance Findings and Corrective Actions**

As the result of the monitoring conducted during FY 2008, DVI developed a corrective action plan (CAP) that included the steps DVI committed to take to resolve the compliance findings identified in the monitoring report dated September 12, 2008, timelines for the implementation of the steps and the methods by which the agency and RSA would evaluate the agency’s progress toward the resolution of the findings. A summary of DVI’s progress toward the resolution of each finding appears below.

Through the implementation of the CAP, DVI successfully resolved compliance findings in the following programmatic and/or fiscal areas:

### **1. Cost Allocation Plan**

**Corrective Action 1:** DVI must develop a cost allocation plan that meets the requirements of OMB A-87 – Attachment A - Sec.C.3.a. And submit the plan to U.S. Department of Education as soon as possible.

#### **Progress and Status:**

DVI submitted the cost allocation plan to RSA on October 1, 2008.

### **Technical Assistance**

During the course of FY 2013 monitoring activities, RSA provided technical assistance to enable DVI to implement accepted recommendations and resolve compliance findings identified through the FY 2008 review.

- RSA clarified the provisions of services to groups of individuals and their application to both individuals that are applicants or who are determined eligible for VR services and those that are not.
- RSA clarified the options for conducting a comprehensive statewide needs assessment within a three year period, the timing of reporting the results of the assessment in the State Plan, and incorporating results of the assessment into State Plan goals and strategies.

## SECTION 5: FOCUS AREAS

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### A. Organizational Structure Requirements of the Designated State Agency (DSA) and Designated State Unit (DSU)

The purpose of this focus area was to assess the compliance of DVI with the federal requirements related to its organization within Delaware Health and Social Services (DHSS), and the ability of the DVI to perform its non-delegable functions, including the determination of eligibility, the provision of VR services, the development of VR service policies, and the expenditure of funds. Specifically, RSA engaged in a review of:

- compliance with statutory and regulatory provisions governing the organization of the DHSS and DVI under 34 CFR 361.13(b);
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which DVI exercises responsibility over the expenditure and allocation of VR program funds, including procurement processes related to the development of contracts and agreements;
- procedures and practices related to the management of personnel, including the hiring, supervision and evaluation of staff; and
- the manner in which DVI participates in the state's workforce investment system.

In the course of implementing this focus area, RSA consulted with the following agency staff and stakeholders:

- DVI staff members responsible for the fiscal management of the VR program;
- SRC chairpersons and members; and
- TACE center representatives.

In support of this focus area, RSA reviewed the following documents:

- diagrams, organizational charts and other supporting documentation illustrating the DSU's position in relation to the DSA, its relationship and position to other agencies that fall under the DSA, and the direction of supervisory reporting between agencies;
- diagrams, tables, charts and supporting documentation identifying all programs from all funding sources that fall under the administrative purview of the DSU, illustrating the number of staff working on each program;
- the number of FTEs in each program, identifying the specific programs on which they work and the individuals to whom they report, specifically including:
  - individuals who spend 100 percent of their time working on the rehabilitation work of DVI;
  - individuals who work on rehabilitation work of the DVI and one or more additional programs/cost objectives (e.g., one-stop career centers); and
  - individuals under DVI that do not work on VR or other rehabilitation within the DSU.

- sample memoranda of understanding (MOUs) and/or cost allocation plans with one-stop career centers; and
- documents describing Delaware procurement requirements and processes.

## **Overview**

DVI, the DSU, is one among eleven divisions of the DHSS, the DSA. The other divisions within DHSS are Child Support Enforcement, Developmental Disabilities Services, Long Term Care Residents Protection, Management Services, Medicaid and Medical Assistance, Public Health, Services for Aging and Adults with Physical Disabilities, Social Services, State Service Centers, Substance Abuse and Mental Health, and Medical Examiner. The director of DVI reports directly to the secretary of DHSS. RSA's review of organizational charts and the organizational structure teleconference prior to the on-site visit affirmed that DVI is comparable to the other ten divisions in DHSS with the authority to provide the full scope and nature of the VR program while performing all of its non-delegable functions without interference from the DSA or other divisions within the DSA.

DVI, through the Secretary of the DHSS, is a signatory to the *Memorandum of Understanding, State of Delaware Workforce Investment Board and Delaware One-Stop Partners* effective July 1, 2012 through June 30, 2017. Under the MOU, each partner is primarily responsible for providing those services they are authorized and funded to provide. DVI is not co-located in any of the four One-Stop service centers in Delaware. For these reasons, DVI is not party to a cost allocation agreement with One-Stop centers.

At the time of the on-site review, there were a total of 58 full and part-time employees within DVI. The DSU is further organized into eight program offices: Independent Living Services; Low Vision Services; Assistive Technology Services; Central Intake; Educational Services; Business Enterprise Program; Delaware Industries for the Blind (DIB); and, Vocational Rehabilitation (VR). Each of these offices is overseen by the director of DVI.

RSA's review of the organizational structure of DVI did not result in identification of observations and recommendations. In addition, the compliance finding identified by RSA through the implementation of this focus area is contained in Section 6 of this report.

## **Technical Assistance**

RSA provided technical assistance to DVI related to this focus area during the course of its monitoring activities. Specifically, RSA provided guidance to DVI concerning the requirement that at least 90 percent of the DSU's staff must work full-time on the provision of VR or other rehabilitation services. This particular requirement was of significant interest to DVI given the long-standing connection between the agency and DIB, and the possible challenges this organizational relationship may pose for compliance.

## **B. Transition Services and Employment Outcomes for Youth with Disabilities**

The purpose of this focus area was to assess DVI's performance related to the provision of transition services to, and the employment outcomes achieved by, youth with disabilities and to determine compliance with pertinent federal statutory and regulatory requirements.

Section 7(37) of the Rehabilitation Act defines "transition services" as a coordinated set of activities for a student, designed within an outcome-oriented process, that promotes movement from school to post-school activities, including post-secondary education, vocational training, integrated employment (including supported employment), continuing and adult education, adult services, independent living, or community participation. The coordinated set of activities shall be based upon the individual student's needs, taking into account the student's preferences and interests, and shall include instruction, community experiences, the development of employment and other post-school adult living objectives, and when appropriate, acquisition of daily living skills and functional vocational evaluation.

In the course of implementing this focus area, RSA identified and assessed the variety of transition services provided in the state, including community-based work experiences and other in-school activities, and post-secondary education and training, as well as the strategies used to provide these services. RSA utilized five-year trend data to assess the degree to which youth with disabilities achieved quality employment with competitive wages. In addition, RSA gathered information related to the coordination of state and local resources through required agreements developed pursuant to the Individuals with Disabilities Education Improvement Act of 2004 (IDEA) and the Rehabilitation Act, and communities of practice. RSA also gathered information regarding emerging practices initiated by the VR agency in the area of services to youth with disabilities, as well as technical assistance and continuing education needs of VR agency staff.

To implement this focus area, RSA reviewed:

- the progress toward the implementation of recommendations accepted by DVI and the resolution of findings related to the provision of transition services identified in the prior monitoring report from FY 2008 (see Section 4 above);
- formal interagency agreements between the VR agency and the state educational agency (SEA);
- transition-related VR service policies and procedures;
- VR agency resources and collaborative efforts with other federal, state and local entities; and
- sample agreements between the VR agency and local education agencies (LEA), if applicable.

To assess the performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed DVI relevant data from FY 2007 through FY 2011, describing:

- the number and percentage of youth with disabilities who exited the VR program at various stages of the process; the amount of time spent in key phases of the VR process, including eligibility determination, development of the individualized plan for employment (IPE) and the achievement of a vocational goal;
- the number and percentage of youth with disabilities receiving various VR services, including, among others, assessment, university and vocational training, transportation, rehabilitation technology and job placement; and
- the quantity, quality and types of employment outcomes achieved by youth with disabilities.

To provide context for the agency's performance in the area of transition, RSA also compared the performance of DVI with the national average of all combined, general, or blind state agencies as appropriate.

As part of its review activities, RSA met with the following DSA and DSU staff and stakeholders to discuss the provision of services to youth with disabilities:

- DVI administrator/director;
- DVI VR counselors and transition staff;
- Delaware Governor's Council on the Blind representative;
- DVI transition coordinators serving as liaisons with the SEA and other agencies;
- DVI orientation and mobility (O&M) instructor; and
- SRC members.

RSA's review of transition services and employment outcomes achieved by youth with disabilities did not result in the identification of observations and recommendations.

In addition, the compliance findings identified by RSA through the implementation of this focus area are contained in Section 6 of this report.

### **Technical Assistance**

RSA provided technical assistance to DVI in the area of transition services and employment outcomes for youth with disabilities while on-site in Delaware.

- RSA and DVI discussed data coding and interpretation errors. In particular, RSA clarified that the definition of transition-age youth used in processing RSA-911 data is the age at application of 14 to 24 years. No other data elements are used to identify transition-age youth. DVI and the M-A TACE previously provided training to staff emphasizing the importance of entering the correct codes, supported by case notes, at closure. DVI is considering additional training in the area of data coding and interpretation.

- RSA provided technical assistance regarding the content of an interagency agreement on transition services with the state educational agency.
- RSA discussed mechanisms for supporting students in paid and unpaid work experiences. In particular, RSA suggested that DVI provide funding for maintenance and transportation only to the extent that the student needs those funds to participate in work experiences. Wages must be paid on actual work performed through appropriate mechanisms other than maintenance.
- RSA suggested a strategy to develop and implement IPEs that would promote student engagement and compliance with the agency's IPE time standard. Some IPEs for transition-age youth were being developed before the student exited school but not within the agency's established time standard. Additionally, RSA provided technical assistance regarding changes to written policies, procedures and guidance for consistency and clarity of IPE development policy as well as ease in locating IPE policy. RSA and DVI discussed the implications of the agency having a different IPE time standard for transition-age youth.
- RSA and DVI staff discussed several aspects of agency policy and practice relating to decreasing the number of students who exit the VR program prior to receiving services and those exiting without an employment outcome. Technical assistance was provided regarding strategies for engaging students and parents in the VR process to emphasize maximizing potential and achieving self-sufficiency, including collaboration with community organizations to assist in this effort. As part of this technical assistance, RSA provided DVI with materials produced by the Maryland Department of Rehabilitation and the M-A TACE regarding the use of social media to engage transition-age youth in the VR process. DVI and RSA agreed that orienting new applicants more thoroughly to emphasize a commitment to obtain employment as part of receiving services, such as assistive technology, may assist in increasing the retention of applicants and increasing employment outcomes. DVI also acknowledged the need to track consumers more closely in order to provide support and counseling to avoid transition-age youth exiting the VR program prior to receiving services.
- RSA provided technical assistance to DVI regarding its application of presumptive eligibility, emphasizing that presumptive eligibility requires also that the individual must intend to achieve an employment outcome. RSA also recommended that DVI examine the need to educate referral sources on appropriately referring individuals with the intention to achieve an employment outcome. In addition, RSA recommended that DVI examine its marketing materials and approaches to determine if revisions are needed in order to increase the number of consumers referred that are interested in achieving an employment outcome. RSA recommended that DVI consider utilizing benefits planning services as an assessment tool to assist consumers in making an informed choice about employment.

### **C. Fiscal Integrity of the Vocational Rehabilitation Program**

For purposes of the VR program, fiscal integrity is broadly defined as the proper and legal management of VR program funds to ensure that VR agencies effectively and efficiently manage funds to maximize employment outcomes for individuals with disabilities. Through the

implementation of this focus area, RSA assessed the fiscal performance of the VR and SE programs and compliance with pertinent federal statutory and regulatory requirements, including cost principles, governing three components of review: financial resources, match and maintenance of effort (MOE), and internal controls.

RSA used a variety of resources and documents in the course of this monitoring, including data maintained on RSA's MIS generated from reports submitted by the VR agency, e.g., Financial Status Report (SF-269/SF-425) and the Annual VR Program/Cost Report (RSA-2). The review covered fiscal data from FY 2008 thru FY 2012, along with other fiscal reports as necessary, to identify areas for improvement and potential areas of noncompliance.

Where applicable, RSA engaged in the review of the following to ensure compliance with federal requirements:

- the federal FY 2008 monitoring report issued pursuant to Section 107 of the Rehabilitation Act (see Section 4 above for a report of the agency's progress toward implementation of recommendations and resolution of findings);
- A-133 audit findings and corrective actions;
- state/agency allotment/budget documents and annual federal fiscal reports;
- grant award, match, MOE, and program income documentation;
- agency policies, procedures, and forms (e.g., monitoring, personnel certifications, procurement and personnel activity reports), as needed;
- documentation of expenditures including contracts, purchase orders and invoices;
- if appropriate, third-party cooperative arrangements;
- internal agency fiscal reports and other fiscal supporting documentation, as needed; and
- VR agency cost benefit analysis reports.

RSA's review of the fiscal integrity of the VR Program administered by DVI did not result in the identification of observations and recommendations.

In addition, the compliance findings identified by RSA through the implementation of this focus area are contained in Section 6 of this report.

### **Technical Assistance**

RSA provided technical assistance to DVI related to the fiscal integrity of the VR program while on-site in Delaware. In particular, RSA provided technical assistance to DVI and DHSS staff regarding reimbursement of overdrawn funds to the Department of Education and the procedures to follow for requesting extensions to liquidate obligations after the allowable drawdown periods have expired; the need to use program income prior to drawing down grant funds for the VR program; completion of federal financial reports as it relates to the documentation of entries for the various line items on the reports.

## SECTION 6: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

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RSA identified the following compliance findings and corrective actions that DVI is required to undertake. Appendix A of this report indicates whether or not the agency requests technical assistance to enable it to carry out the corrective actions. The full text of the legal requirements pertaining to each finding is contained in Appendix B.

DVI must develop a corrective action plan for RSA's review and approval that includes specific steps the agency will take to complete the corrective action, the timetable for completing those steps, and the methods the agency will use to evaluate whether the compliance finding has been resolved. RSA anticipates that the corrective action plan can be developed and submitted online using the RSA website at <http://rsa.ed.gov> within 45 days from the issuance of this report and RSA is available to provide technical assistance to enable DVI to develop the plan and undertake the corrective actions.

RSA reserves the right to pursue enforcement action related to this/these findings as it deems appropriate, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR Part 81 of the Education Department General Administrative Regulations (EDGAR).

### 1. Percentage of DSU Staff Working Full-Time on the VR Program and Other Rehabilitation Services

#### Legal Requirements:

- Rehabilitation Act—Section 101(a)(2)(B)(ii)(III)
- VR Program Regulations—34 CFR 361.13(b)(1)(iii)
- Preamble to 1997 VR program regulations at 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)

**Finding:** DVI is not in compliance with the organizational requirement that 90 percent of the staff of the DSU work full-time on VR or other rehabilitation services. The Rehabilitation Act requires that the DSU have a staff "all or substantially all of whom are employed full time" on the rehabilitation work of the unit, i.e., VR or vocational and other rehabilitation work of the unit. The VR regulations at 34 CFR 361.13(b)(1)(iii) require that at least 90 percent of the DSU's staff must be employed full-time on the VR program or vocational and other rehabilitation work of the DSU, meaning that no more than 10 percent of the DSU staff can devote any portion of its time to other programs and activities carried out by the DSU. The provision of the Rehabilitation Act that at least 90 percent of the designated state unit staff shall work full-time on the rehabilitation work of the organizational unit means that if the organizational unit provides other rehabilitation services in addition to VR, the 90 percent staffing requirement applies to all unit staff providing rehabilitation services, not just to the VR staff. According to the Preamble to the 1997 VR program regulations, "the Secretary believes that this requirement is consistent with the statutory requirement in Section 101(a)(2)(A)(iii) of the Rehabilitation Act that "substantially all" of the DSU's staff shall work on rehabilitation and

with RSA's longstanding interpretation of "substantially all" to mean 90 percent." (62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)).

DVI consists of eight units that report directly to the director of DVI, including Vocational Rehabilitation Services (VRS), Independent Living Services (ILS), Low Vision Services (LVS), Assistive Technology Services (ATS), Central Intake (CI), Educational Services (ES), Business Enterprise Program (BEP), and, Delaware Industries for the Blind (DIB). Each of these units can be characterized as providing vocational rehabilitation or other rehabilitation for individuals with disabilities with the exception of DIB.

Under Chapter 96 of the Delaware Annotated State Code (the Delaware State Use Law), DIB is defined as a "workshop" or "sheltered workshop." A non-profit agency established in 1909, DIB is an affiliate of National Industries for the Blind and provides employment for individuals who are blind or visually impaired through government set-aside and private sector contracts. DVI operates the program and the Delaware Commission for the Purchase of Products and Services of the Blind and Other Severely Handicapped Individuals appointed by the governor advises the DVI director in the management of DIB. During the on-site monitoring visit, RSA was informed that DIB's total budget was funded by work-generated income and not from VR Title I funds. According to DVI, DIB previously received state funds but is now expected to rely solely on generated income. In FY 2011, income was generated from federal, state, local and private sector contracts performed by the workers at DIB. DIB provides a range of promotional products and order fulfillment services in addition to various contracted services including switchboard operation, janitorial and textile services. Consequently, while it functions as an employer for persons with disabilities, DIB is not engaged in the vocational rehabilitation or other rehabilitation work of the DSU.

At the time of the review, DVI employed 58 full-time and part-time staff, 51 of who are providing VR or other rehabilitation services. A total of seven DVI staff members (12.07 percent of the DSU staff) dedicate some or all of their time to the management and operation of the DIB program. Of these seven staff members, three (the DVI director and two fiscal staff) provide VR and other rehabilitation services in addition to providing DIB-related staff functions, and four devote their full time to DIB and non-rehabilitation work. DIB production employees are not state employees and, therefore, are not included in the number of employees working for DVI. Based on these figures, only 87.93 percent of DVI staff work full-time on the provision of VR or other rehabilitation services; thus, DVI is not in compliance with federal requirements contained in Section 101(a)(2)(B)(ii)(III) of the Rehabilitation Act and 34 CFR 361.13(b)(1)(iii).

**Corrective Action 1:** DVI must:

- 1.1 modify its organizational structure or adjust its staffing levels so that 90 percent of all staff are employed full-time on the rehabilitation work of the DSU, including both VR and "other rehabilitation," as required by 34 CFR 361.13(b)(1)(iii); and
- 1.2 submit an assurance within 10 days of the issuance of the final report that it will comply with the requirements of 34 CFR 361.13(b)(1).

## 2. Grant Fund Drawdowns

### Legal Requirements:

- VR Regulations—34 CFR 361.5(b)(2); 34 CFR 361.12
- EDGAR—34 CFR 80.20(a)

**Finding:** DVI is not in compliance with 34 CFR 361.12 because it inaccurately drew down funds from its federal VR grant award. Federal regulations at 34 CFR 361.12 require DVI to assure in its State Plan that it will implement policies and procedures for the efficient and effective administration of the VR program to ensure that all functions are carried out properly and financial accounting is accurate. The regulations at 34 CFR 80.20(a) require that DVI must expend and account for grant funds in a manner that permits the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

The FY 2010 DVI VR grant was overdrawn by \$27,875. The amount of funds drawn down from the Department of Education's G5 system was \$1,873,624 while the amount of expenditures from the state's accounting system was \$1,845,749 or \$27,875 less. The FY 2011 DVI VR grant was underdrawn by \$45,749. The state accounting system's expenditures was \$1,458,398 and the amount drawn down in G5 was \$1,412,649. The amount remaining to be drawn down is \$45,749.<sup>1</sup> The SE grant was overdrawn by \$38,711. The amount drawn down in G5 was \$40,711 while the amount of expenditures reported in the state accounting system was \$2,000.

**Corrective Action 2:** DVI must develop methods and procedures for payments to ensure the accurate drawdown of federal funds and that the disbursement of those funds is supported by appropriate documentation as required by 34 CFR 361.12.

## 3. Program Income

### Legal Requirements:

- VR Regulations—34 CFR 361.12
- EDGAR—34 CFR 80.20(a); 34 CFR 80.21(f)(2)

**Finding:** DVI is not in compliance with 34 CFR 80.21(f)(2) because it does not disburse program income prior to requesting additional cash drawdowns from its federal VR award.

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<sup>1</sup> While the State Independent Living Services (SILS) program was not included in the scope of this review, RSA found that the FY 2010 DVI SILS grant was overdrawn by \$41. The amount of the grant, \$46,948, was drawn down, but the amount of expenditures from the state accounting system was \$46,907. The FY 2011 DVI SILS grant was under drawn by \$668. The amount of expenditures from the state accounting system records was \$46,854 while the amount drawn down from G5 was \$46,186.

Federal regulations require DVI to assure in its State Plan that it will implement policies and procedures for the efficient and effective administration of the VR program to ensure that all functions are carried out properly and financial accounting is accurate (34 CFR 361.12). DVI also is required to implement fiscal controls to ensure that VR funds are expended and accounted for accurately and that expenditures are traceable to a level sufficient to determine that such expenditures were made in accordance with applicable federal requirements (34 CFR 80.20(a)). DVI is required under 34 CFR 80.21(f)(2) to disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments. At the time of the review, DVI had not used the total of the program income received from SSA reimbursements in FY 2009 and FY 2011 of \$35,354.

**Corrective Action 3:** DVI must:

- 3.1 cease drawing down federal VR funds prior to disbursing available program income; and
- 3.2 submit a written assurance to RSA within 10 days of the final monitoring report that it will disburse all program income before requesting additional drawdowns from its federal VR award, as required by 34 CFR 80.21(f)(2).

#### **4. Documentation of Personnel Costs**

**Legal Requirements:**

- VR Program Regulations—34 CFR 361.3; 34 CFR 361.12
- EDGAR—34 CFR 80.20(a)
- Cost Principles—2 CFR 225, Appendix A, paragraphs C.1.b and C.3.a; 2 CFR 225, Appendix B, paragraphs 8.h.3, 8.h.4, and 8.h.5

**Finding:** DVI is not in compliance with 2 CFR 225 Appendix B, paragraph 8.h.3, and 2 CFR 225 Appendix B paragraphs 8.h.4 and 8.h.5 because it is not documenting fully and correctly the assignment of personnel costs to specific cost objectives.

Federal cost principles at 2 CFR 225 Appendix B, paragraph 8.h.3 require employees who are expected to work solely on a single federal award or cost objective, to complete periodic certifications that they worked solely on that program for the period covered by the certification, that the certifications are prepared at least semi-annually, and that they are signed by the employee or supervisory official having first-hand knowledge of the work performed by them.

Federal cost principles at 2 CFR 225 Appendix B, paragraph 8.h.4, and 8.h.5 require employees who work on multiple cost objectives to maintain personnel activity reports (PARs) or equivalent documentation that reflect an after-the-fact distribution of the actual activity of each employee. The PARs must account for the total activities for which the employees are compensated, be prepared monthly, coincide with one or more pay periods, and be signed by each employee.

The VR program regulations at 34 CFR 361.3 and 34 CFR 361.12 require that the DVI assure in its State Plan that it will implement policies and procedures for the efficient and effective administration of the VR program to ensure that all functions are carried out properly and

financial accounting is accurate. The regulations at 34 CFR 80.20(a) state that DVI must expend and account for grant funds in a manner that permits the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

DVI is responsible for several programs, including Vocational Rehabilitation, Independent Living, Independent Living Services for Older Individuals who are Blind, the Business Enterprise Program, Educational Services, and the Delaware Industries for the Blind, the staff of which total 58 employees. Although DVI is completing some semi-annual certifications and PARs, it is doing PARs quarterly rather than monthly and not all employees are completing either semi-annual certifications or PARs. DVI provided RSA with semi-annual certifications and PARs for employees covering a period of more than a year. The highest number of employees completing either PARs or certifications was 19 during either quarterly or semi-annual periods. All DVI staff should be completing either PARS or semi-annual certifications.

In the absence of PARs and semi-annual certifications from all DVI staff, RSA cannot determine the proper allocation of the personnel costs of employees to the VR program or other programs or federal awards. To the extent that costs may have been charged solely or inaccurately to the VR program, these costs would be unallowable program expenditures, pursuant to 34 CFR 361.3 and federal cost principles at 2 CFR 225, Appendix A, paragraphs C.1.b and C.3.a. The purpose of completing PARs and semi-annual certifications is to ensure the proper allocation of personnel costs of employees to various cost objectives including federal awards.

**Corrective Action 4:** DVI must develop and implement procedures to:

- (1) ensure that personnel activity reports, or equivalent documentation, are prepared and maintained for all DVI staff to support the allocation of an equitable portion of personnel costs for individuals who work on more than one federal grant program or cost objective and that reflect an after-the-fact distribution of the actual activity for which each employee is compensated, are prepared at least monthly and coincide with one or more pay periods, and are signed by the employee in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5; and
- (2) ensure that semi-annual certifications are prepared and maintained for all DVI employees working solely on one cost objective, signed by the employee or supervisory official having first-hand knowledge of their activities in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.3.

## **5. Federal Reporting**

### **Legal Requirements:**

- VR Program Regulations—34 CFR 361.12; 34 CFR 361.40(b)
- EDGAR—34 CFR 80.20(a)

**Finding:** DVI is not in compliance with 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a)(1) because it did not accurately report financial data from the state accounting records onto the SF-425s for FY 2010 and FY 2011 and it also failed to report program income received

from SSA reimbursements for individuals served on the SF-269 for FY 2009 and the SF-425 for FY 2011.

Federal regulations require DVI to assure in its State Plan that it will implement policies and procedures for the efficient and effective administration of the VR program to ensure that all functions are carried out properly and financial accounting is accurate (34 CFR 361.12; 34 CFR 361.40(b)). DVI also is required to implement fiscal controls to ensure that VR funds are expended and accounted for accurately and that expenditures are traceable to a level sufficient to determine that such expenditures were made in accordance with applicable federal requirements (34 CFR 80.20(a)).

DVI reported on the SF-425 for FY 2010 that the funds received for the VR program totaled \$1,865,794 while the amount drawn down in the Department of Education's G5 system was \$1,873,624, a \$7,830 understatement. The amount reported as expended on DVI's SF-425 for FY 2011 was \$1,342,172, while the amount reported on the state accounting system was \$1,458,398, a difference of \$116,226. The amount reported as unliquidated obligations on the FY 2011 SF-425 was \$181,452. Based on the state accounting system's expenditures of \$1,458,398 and the amount of actual G5 drawdowns of \$1,412,649, the amount of unliquidated obligations that should have been reported on the SF-425 was \$45,749.<sup>2</sup> The amount reported as expenditures on DVI's SF-425 for FY 2011 for the SE program is \$1,000 while the state accounting system expenditures is \$2,000.

Program income received was not reported in the federal financial reports (FFRs) for the VR program. In FY 2009 DVI received \$21,210 from the Social Security Administration (SSA) as reimbursement for individuals who achieved an employment outcome at the substantial gainful activity level. The amount was not reported on DVI's SF-269 for FY 2009. In addition, DVI's SF-425 for FY 2011 did not report \$14,144 of program income from SSA reimbursements received during that year.

**Corrective Action 5:** DVI must cease submitting inaccurate SF-425 reports and develop procedures to ensure the accurate and timely submission of federal financial reports to RSA in accordance with regulations at 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a).

## **6. Interagency Agreement with the Delaware Department of Education (DDOE)**

### **Legal Requirements:**

- Rehabilitation Act—Section 101(a)(11)(D)
- VR Program Regulations—34 CFR 361.22(b)

**Finding:** DVI is not in compliance with federal requirements at Section 101(a)(11)(D) of the Rehabilitation Act and regulations at 34 CFR 361.22(b) because it has not entered into a written interagency agreement with the DDOE for the purpose of coordinating transition services

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<sup>2</sup> Regarding the SILS program, RSA found that the SF-425 for the SILS grant for FY 2011 reported receipts of \$46,186 which agrees with the drawdowns in G5, it also shows expenditures of \$46,186, but the state agency accounting system shows expenditures of \$46,948, \$668 more.

between the VR program and the DDOE. Section 101(a)(11)(D) of the Rehabilitation Act and 34 CFR 361.22(b) require that the State Plan for Titles I and VIB provide information on the coordination of transition services with state education officials, including information on a formal interagency agreement with the state educational agency. The agreement, at a minimum, must provide for— (1) consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services; (2) transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of the IEP; (3) the roles and responsibilities, including financial responsibilities, of each agency; and (4) procedures for outreach to and identification of students with disabilities who need transition services.

Upon RSA's request for a copy of its SEA agreement during the course of this review, DVI submitted a document entitled the "*Interagency Agreement between the Division for the Visually Impaired, Delaware Department of Health and Social Services, and the Exceptional Children and Early Childhood Education Group, Delaware Department of Education, Local Educational Agencies/Charter Schools Serving Children with Visual Impairments. 34 CFR 300.142,*" dated January 2004. Section II of the agreement states that DVI's authority under this agreement is:

. . . to provide services to children and youth with visual impairments, age of birth to 21, in accordance with the rules and regulations of the DDOE and Delaware Law.

In addition, Section III states:

The purpose of this Interagency Agreement is to ensure through a cooperative effort, that a free appropriate public education is provided to all children and youth with visual impairments who are served by the DVI, the LEAs, and Charter Schools under the general supervision and direction of the DDOE.

The focus of this interagency agreement is on the coordination of services in providing a free and appropriate public education and primarily involves the Educational Services Program under DVI rather than the VR program. Since the submitted agreement does not fully describe the role of DVI's VR program and DDOE in providing and coordinating transition services, it does not constitute an interagency agreement for the provision of transition services, as described in Section 101(a)(11)(D) of the Rehabilitation Act, between DVI and DDOE.

While the agreement submitted by DVI contains all of the elements described in 34 CFR 361.22(b), it does not apply those elements to DVI's VR program, focusing instead on the provision of free appropriate education services. In addition, the agreement does not cover students with disabilities in need of transition services who do not receive services under an IEP, such as those receiving regular education services, education services under a 504 plan or youth who are not in school. The Rehabilitation Act and its implementing regulations do not limit the requirements for the interagency agreement with the SEA to special education students. Even though the numbers of students with visual impairments not receiving special education services

may be small, the agreement should provide for identification and coordination of services for those students who may not require special education services.

**Corrective Action 6:** DVI must submit a signed agreement with the DDOE that fulfills the requirements outlined in 34 CFR 361.22(b) for meeting the transition needs of students with disabilities pursuant to Section 101(a)(11)(D) of the Rehabilitation Act.

## 7. Development of the IPE

### Legal Requirements:

- Rehabilitation Act—Section 101(a)(9)(A)
- VR Program Regulations—34 CFR 361.22(a)(2); 34 CFR 361.45(e)

**Finding:** DVI is not in compliance with Section 101(a)(9)(A) of the Rehabilitation Act and the requirements of 34 CFR 361.45(e) because it is not meeting its established time standard for the development of IPEs. As required by Section 101(a)(9)(A), DVI assures in its annual State Plan that an IPE meeting federal requirements will be developed in a timely manner for each individual following the determination of eligibility. The VR program regulations at 34 CFR 361.45(e) state that the agency must establish standards including timelines that take into consideration the needs of each individual.

DVI administrators indicated to RSA that the time standard for development of IPEs for DVI consumers changed in FY 2009 from 120 days to 90 days. For the period FY 2009 to FY 2011, the percentage of IPEs for transition-age youth that met the 90 day time standard moved from 38.46 percent (5 of 13 IPEs) in FY 2009 to 80 percent (4 of 5 IPEs) in FY 2011. However, for each year during the FY 2007 to FY 2011 period, one or more IPEs for transition-age youth were developed two years or more from the date of eligibility determination, with the peak numbers being in FY 2009 (six of 13) and FY 2010 (five of 14). DVI submitted data for its current open cases for transition-age youth regarding the elapsed time between eligibility determination and the development of the IPE. This current data demonstrates a similar pattern, with seven of 36 IPEs developed within the 90-day time standard and seven of 36 IPEs developed after more than two years.

DVI policy is not consistent regarding the time standard for developing the IPE for a transition-age youth. Chapter 10 of the DVI policy manual indicates that the time standard for IPE development for DVI consumers is 90 days. Chapter 11 on transition services states the time standard for transition-age youth IPEs is 120 days and DVI guidance titled “Vocational Rehabilitation Transition Service Programming” indicates that the IPE for a transition student must be developed at least 60 days prior to the student leaving school.

During interviews, DVI counselors and administrators agreed that the DVI time standard for developing IPEs for transition-age youth is 60 days prior to leaving school. Although this approach meets the federal requirement to develop a transition student’s IPE before he or she leaves school (34 CFR 361.22(a)(2)), it does not meet the requirement to develop the IPE within

a specific timeline established by the agency. The time standard established by the agency for development of the IPE must be a specific number of days from the date that eligibility is determined. Both the agency's established time standard from eligibility to IPE development and the requirement that the IPE be developed prior to the student leaving school must be met.

Although the pertinent statutory and regulatory provisions do not prohibit the establishment of separate timelines for different groups of eligible individuals, RSA emphasizes, pursuant to Section 101(a)(9)(A) of the Rehabilitation Act and 34 CFR 361.45(e), that agencies should implement policies stating that the needs of each individual must be considered and can specify circumstances that can require the IPE to be developed in a period of time greater than the stipulated timeline. RSA recognizes that some, but not all, transitioning students may require longer periods of time to explore their interests and capabilities. Nonetheless, agencies should avoid establishing policies that can be interpreted as allowing the IPEs of all individuals in these circumstances to be developed in periods of time greater than the specified timeline for all other individuals as these determinations need to be made on an individual basis.

**Corrective Action 7:** DVI must submit the actions that it will take to ensure that IPEs for transition-age youth are developed in a timely manner and in accordance with the agency's established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e)) and make policy, guidance and practice consistent with one another regarding the established IPE time standard(s).

# APPENDIX A: AGENCY RESPONSE

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## Section 6: Compliance Findings and Corrective Actions

### 1. Percentage of DSU Staff Working Full-Time on the VR Program and other Rehabilitation Services

#### Corrective Action:

- 1.1 modify its organizational structure or adjust its staffing levels so that 90 percent of all staff are employed full-time on the rehabilitation work of the DSU, including both VR and “other rehabilitation,” as required by 34 CFR 361.13(b)(1)(iii); and
- 1.2 submit an assurance within 10 days of the issuance of the final report that it will comply with the requirements of 34 CFR 361.13(b)(1).

**Agency Response:** During the time of RSA’s visit, the agency had several vacancies that were not counted in RSA’s count that would have rendered the agency in compliance with the 90 percent rule. Additionally, while some staff may provide only 5 percent of their time to the work of Delaware Industries for the Blind, the full FTE was included in the count. The agency also contends that DIB does engage in VR related activities. Finally, agency would also like to note, that while DIB is operated by the funds that are received through the program, state code allows for the expenditure of general revenue funds and/or donated/gift funds to support the operation.

**RSA Response:** RSA made this determination based upon the number of people, rather than FTEs, actively working for DVI at the time of the review. Since the number of people actively working is used, vacancies were not counted. If a staff person spends any of his or her work time on activities that are not vocational rehabilitation or other rehabilitation, the staff person is not devoting 100 percent of his or her time on these activities and is included in the group of staff persons engaged in non-rehabilitation work of DVI. At the time of the review, DIB was not engaged in rehabilitation services, such as vocational assessment or training leading to competitive employment.

**Technical Assistance:** DVI requests technical assistance.

### 2. Grant Fund Drawdowns

**Corrective Action 2:** DVI must develop methods and procedures for payments to ensure the accurate drawdown of federal funds and that the disbursement of those funds is supported by appropriate documentation as required by 34 CFR 361.12.

**Agency Response:** DVI agrees with RSA’s findings and will work the DSA’s Management Services Division to develop methods and procedures for payments to ensure accurate drawdowns of federal funds and that the disbursement of those funds is supported by appropriate documentation as required by 34 CFR 361.12.

**Technical Assistance:** DVI requests technical assistance.

### **3. Program Income**

**Corrective Action:** DVI must:

3.1 cease drawing down federal VR funds prior to disbursing available program income; and

3.2 submit a written assurance to RSA within 10 days of the final monitoring report that it will disburse all program income before requesting additional drawdowns from its federal VR award, as required by 34 CFR 80.21(f)(2).

**Agency Response:** DVI agrees with RSA's finding and will implement strategies to ensure that program income is spent prior to drawing down additional funds from its grants. DVI will submit a written assurance to RSA within 10 days of the final monitoring report that it will disburse all program income before requesting additional drawdowns from its federal VR award, as required by 34 CFR 80.21(f)(2).

**Technical Assistance:** DVI requests technical assistance.

### **4. Documentation of Personnel Costs**

**Corrective Action 4:** DVI must develop and implement procedures to:

(1) ensure that personnel activity reports, or equivalent documentation, are prepared and maintained for all DVI staff to support the allocation of an equitable portion of personnel costs for individuals who work on more than one federal grant program or cost objective and that reflect an after-the-fact distribution of the actual activity for which each employee is compensated, are prepared at least monthly and coincide with one or more pay periods, and are signed by the employee in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5; and

(2) ensure that semi-annual certifications are prepared and maintained for all DVI employees working solely on one cost objective, signed by the employee or supervisory official having first-hand knowledge of their activities in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.3.

**Agency Response:** DVI agrees with RSA's findings concerning the documentation of personnel costs and will ensure that personnel activity reports and semi-annual certifications are completed and prepared in accordance with 34 CFR 361.12, 34 CFR 80.20(a), and 2 CFR 225, Appendix B, paragraphs 8.h.3, 8.h.4 and 8.h.5.

**Technical Assistance:** DVI does not request technical assistance.

## 5. Federal Reporting

**Corrective Action:** DVI must cease submitting inaccurate SF-425 reports and develop procedures to ensure the accurate and timely submission of federal financial reports to RSA in accordance with regulations at 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a).

**Agency Response:** DVI agrees with RSA's finding and will ensure that procedures are in place to produce accurate and timely submission of federal financial reports to RSA in accordance with regulations at 34 CFR 361.12, 34 CFR 361.40(b) and 34 CFR 80.20(a).

**Technical Assistance:** DVI requests technical assistance.

## 6. Interagency Agreement with the Delaware Department of Education (DDOE)

**Corrective Action 6:** DVI must submit a signed agreement with the DDOE that fulfills the requirements outlined in 34 CFR 361.22(b) for meeting the transition needs of students with disabilities pursuant to Section 101(a)(11)(D) of the Rehabilitation Act.

**Agency Response:** DVI has a broad MOU with the DDOE, LEAs and Charter Schools that includes duties and responsibilities of DVI and all partners for the provision of services from all students, including those who are transition aged and receiving transition services. Plans are underway with the DDOE, LEAs, Charter Schools, the Governor's Advisory Council on the Blind, the State Rehabilitation Council to DVI and other interested stakeholders to revise the current MOU to provide separate and more expansive details on the provision of transition services to youth who are blind visually impaired that outlines the minimum requirements outlined in 34 CFR 361.22(b). The parties will submit this goal as part of the new FFY State plan.

**Technical Assistance:** DVI requests technical assistance.

## 7. Development of the IPE

**Corrective Action 7:** DVI must submit the actions that it will take to ensure that IPEs for transition-age youth are developed in a timely manner and in accordance with the agency's established timeline developed pursuant to Section 101(a)(9) of the Rehabilitation Act and its implementing regulations at 34 CFR 361.45(e) and make policy, guidance and practice consistent with one another regarding the established IPE time standard(s).

**Agency Response:** DVI agrees with RSA's finding and has implemented a consistent time-frame for IPE development for all individuals receiving VR services from the agency. Chapter 11 of the DVI Casework Manual which covers Secondary Education Transition has been revised. All tenets as mandated in Chapter 10 (Individualized Plan for Employment) shall apply to Transition Students. The IPE will be co-developed within 120 days following established eligibility in consultation with the student and the students' parent(s) (or guardian). In cases where this is not possible, the reasons should be clearly documented and a waiver obtained signed by the parent, or guardian, that must have prior approval of the VR District Administrator.

**RSA Response:** RSA understands that DVI will identify in its corrective action plan the timeline for consulting with the Client Assistance Program and the State Rehabilitation Council as well as conducting public hearings on this substantive change in its time standard for developing IPEs as required by 34 CFR 361.20(a)(d).

**Technical Assistance:** DVI requests technical assistance.

## **APPENDIX B: LEGAL REQUIREMENTS**

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This Appendix contains the full text of each legal requirement cited in Section 6 of this report.

### **Rehabilitation Act of 1973, as amended**

#### **Section 101(a)(2)(B)(ii)(III) Designated state unit**

The State agency designated under subparagraph (A) shall be--

(i) a State agency primarily concerned with vocational rehabilitation, or vocational and other rehabilitation, of individuals with disabilities; or

(ii) if not such an agency, the State agency (or each State agency if 2 are so designated) shall include a vocational rehabilitation bureau, division, or other organizational unit that-- \*\*\*

(III) has a staff employed on the rehabilitation work of the organizational unit all or substantially all of whom are employed full time on such work; \*\*\*

#### **Section 101(a)(9)(A) - Individualized plan for employment**

##### **(A) Development and implementation.**

The State plan shall include an assurance that an individualized plan for employment meeting the requirements of section 102(b) will be developed and implemented in a timely manner for an individual subsequent to the determination of the eligibility of the individual for services under this title, except that in a State operating under an order of selection described in paragraph (5), the plan will be developed and implemented only for individuals meeting the order of selection criteria of the State.

#### **Section 101(a)(11)(D) Coordination with education officials**

The State plan shall contain plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities, that are designed to facilitate the transition of the students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under this title, including information on a formal interagency agreement with the State educational agency that, at a minimum, provides for--

(i) consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services;

(ii) transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of their individualized education programs under section 614(d) of the Individuals with Disabilities Education Act;

(iii) 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

(iv) procedures for outreach to and identification of students with disabilities who need the transition services.

## **VR program regulations**

### **34 CFR 361.3 Authorized activities.**

The Secretary makes payments to a State to assist in—

- (a) The costs of providing vocational rehabilitation services under the State plan; and
- (b) Administrative costs under the State plan.

### **34 CFR 361.5(b)(2) Administrative costs under the state plan.**

(2) *Administrative costs under the State plan* means expenditures incurred in the performance of administrative functions under the vocational rehabilitation program carried out under this part, including expenses related to program planning, development, monitoring, and evaluation, including, but not limited to, expenses for—\*\*\*

(xi) Administrative salaries, including clerical and other support staff salaries, in support of these administrative functions; \*\*\*

### **34 CFR 361.12 - Methods of administration.**

The State plan must assure that the State agency, and the designated State unit if applicable, employs methods of administration found necessary by the Secretary for the proper and efficient administration of the plan and for carrying out all functions for which the State is responsible under the plan and this part. These methods must include procedures to ensure accurate data collection and financial accountability.

### **34 CFR 361.13(b)(1)(iii) State agency for administration.**

(b) *Designation of State unit.* (1) If the designated State agency is not of the type specified in paragraph (a)(1)(i) of this section or if the designated State agency specified in paragraph (a)(3) of this section is not primarily concerned with vocational rehabilitation or vocational and other rehabilitation of individuals with disabilities, the State plan must assure that the agency (or each agency if two agencies are designated) includes a vocational rehabilitation bureau, division, or

unit that\*\*\* iii) Has a staff, at least 90 percent of whom are employed full time on the rehabilitation work of the organizational unit; \*\*\*

### **34 CFR 361.22 - Coordination with education officials.**

(a) *Plans, policies, and procedures.* (1) The State plan must contain plans, policies, and procedures for coordination between the designated State agency and education officials responsible for the public education of students with disabilities that are designed to facilitate the transition of students with disabilities from the receipt of educational services in school to the receipt of vocational rehabilitation services under the responsibility of the designated State agency. 2) These plans, policies, and procedures in paragraph (a)(1) of this section must provide for the development and approval of an individualized plan for employment in accordance with § 361.45 as early as possible during the transition planning process but, at the latest, by the time each student determined to be eligible for vocational rehabilitation services leaves the school setting or, if the designated State unit is operating under an order of selection, before each eligible student able to be served under the order leaves the school setting.

(b) *Formal interagency agreement.* The State plan must include information on a formal interagency agreement with the State educational agency that, at a minimum, provides for--

- (1) Consultation and technical assistance to assist educational agencies in planning for the transition of students with disabilities from school to post-school activities, including vocational rehabilitation services;
- (2) Transition planning by personnel of the designated State agency and educational agency personnel for students with disabilities that facilitates the development and completion of their individualized education programs (IEPs) under section 614(d) of the Individuals with Disabilities Education Act;
- (3) 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
- (4) Procedures for outreach to and identification of students with disabilities who are in need of transition services. Outreach to these students should occur as early as possible during the transition planning process and must include, at a minimum, a description of the purpose of the vocational rehabilitation program, eligibility requirements, application procedures, and scope of services that may be provided to eligible individuals.

### **34 CFR 361.40(b) Reports**

(b) The designated State agency must comply with any requirements necessary to ensure the accuracy and verification of those reports.

### **34 CFR 361.45(e) Standards for developing the IPE.**

The designated State unit must establish and implement standards for the prompt development of IPEs for the individuals identified under paragraph (a) of this section, including timelines that take into consideration the needs of the individuals.

## **Education Department General Administrative Regulations (EDGAR)**

### **34 CFR 80.20(a) Standards for financial management systems.**

(a) A state must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its sub grantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant; and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

### **34 CFR 80.21(f)(2) Effect of Program Income, Refunds, and Audit Recoveries on Payment**

(f)(1) Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity. (2) Except as provided in paragraph (f)(1) of this section, grantees and subgrantees shall disburse program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.

## **Federal Cost Principles as Cited in the CFR**

### **2 CFR 225, Appendix A, Paragraph C.1.b**

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: \*\*\* b. Be allocable to Federal awards under the provisions of 2 CFR part 225.

### **2 CFR 225, Appendix A, Paragraph C.3.a**

3. Allocable costs. a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

### **2 CFR 225, Appendix B, paragraph 8.h.3**

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

2 CFR 225, Appendix B, paragraph 8.h.4

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system (see subsection 8.h.(6) of this appendix) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

## **2 CFR 225, Appendix B, paragraph 8.h.5**

- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
  - (b) They must account for the total activity for which each employee is compensated,
  - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
  - (d) They must be signed by the employee.
  - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
    - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
    - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
    - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

## **Guidance from the Federal Register**

### **Preamble to 1997 VR program regulations at 62 Fed. Reg. 6308, 6316 (Feb. 11, 1997)**

“The Secretary does not believe that the proposed requirement that at least 90 percent of the designated State unit staff shall work full time on the rehabilitation work of the organizational unit is unduly restrictive. This provision means that if the organizational unit provides other rehabilitation services, in addition to vocational rehabilitation, the 90 percent staffing requirement applies to all unit staff providing rehabilitation services, not to just the vocational rehabilitation staff. "Other rehabilitation" includes, but is not limited to, other programs that provide medical, psychological, educational, or social services to individuals with disabilities. Although some commenter's believed the 90 percent staffing requirement sets too restrictive a

standard, the Secretary believes that this requirement is consistent with the statutory requirement in section 101(a)(2)(A)(iii) of the Act that “substantially all” of the DSU’s staff shall work on rehabilitation and with RSA’s longstanding interpretation of “substantially all” to mean 90 percent.”