FISCAL YEAR 2013
MONITORING REPORT
ON THE
VERMONT DIVISION FOR THE BLIND AND VISUALLY IMPAIRED
VOCATIONAL REHABILITATION PROGRAM

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

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SECTION 1: EXECUTIVE SUMMARY

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 Vermont Division for the Blind and Visually Impaired (DBVI) 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;
- identified 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 January 28 through 30, 2013, is described in detail in the FY 2013 Monitoring and Technical Assistance Guide for the Vocational Rehabilitation Program or as a PDF

Emerging Practices

Through the course of its review, RSA collaborated with DBVI, the State Rehabilitation Council (SRC), the New England Technical Assistance and Continuing Education Center (NE TACE) and other stakeholders to identify the emerging practices below implemented by the agency to improve the performance and administration of the VR program.

Strategic Planning:

- **Customer Centered Culture:** DBVI implemented a "Customer Centered Culture" model that allows a method for measuring successful outcomes based on the "voice of the customer," taking customer satisfaction into consideration in the development of performance goals and other planning activities.

A more complete description of this practice can be found in Section 3 of this report.

Summary of Observations

RSA's review of DBVI did not result in the identification of observations and recommendations related to the three focus areas.

Summary of Compliance Findings

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

- DBVI contracts with the Vermont Association for the Blind and Visually Impaired (VABVI) for services not allowable under the VR program and does not trace the provision of those services that are allowable under the contract to VR program applicants or eligible individuals.
- DBVI does not maintain semiannual certifications for staff working solely on a single cost objective; nor does it use personnel activity reports for employees working on multiple cost objectives to properly charge salary expenses (vacation and sick leave) to the VR and other awards.
- DBVI does not develop individualized plans for employment (IPE) for all transition-age youth within its established 30-day time standard.
- DBVI has not entered into an interagency agreement on services to transition age youth with the Vermont Department of Education.
- DBVI submitted inaccurate SF-269 and SF-425 reports for FYs 2007 through FY 2011 by incorrectly reporting indirect costs to the VR program.

Development of the Technical Assistance Plan

RSA will collaborate closely with DBVI and the NE TACE to develop a plan to address the technical assistance needs identified by DBVI in Appendix A of this report. RSA, DBVI and the NE 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, DBVI and NE 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); Tanielle Chandler (Fiscal Unit); Melissa Diehl, David Wachter, and Larry Vrooman (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 DBVI for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of the SRC, the Client Assistance Program and 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 DBVI. 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 DBVI open service records including that related to current applicants, individuals who have been determined eligible and those who are receiving services. DBVI 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
DBVI 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	134	104	122	120	100	-34	13,838
TOTAL CASES CLOSED	Percent	100.0%	100.0%	100.0%	100.0%	100.0%	-25.4%	100.0%
Exited as an applicant	Number	8	7	12	6	7	-1	2,895
	Percent	6.0%	6.7%	9.8%	5.0%	7.0%	-12.5%	20.9%
Exited during or after trial work experience/extended evaluation	Number	0	0	0	0	0	0	132
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%		1.0%
TOTAL NOT DETERMINED ELIGIBLE	Number	8	7	12	6	7	-1	3,027
TOTAL NOT DETERMINED ELIGIBLE	Percent	6.0%	6.7%	9.8%	5.0%	7.0%	-12.5%	21.9%
Exited without employment after IPE, before services	Number	0	0	0	0	0	0	125
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%		0.9%
Exited from order of selection waiting list	Number	0	0	0	0	0	0	26
	Percent	0.0%	0.0%	0.0%	0.0%	0.0%		0.2%
Exited without employment after eligibility, before IPE	Number	1	2	2	3	3	2	1,315
	Percent	0.7%	1.9%	1.6%	2.5%	3.0%	200.0%	9.5%

All Individual Cases Closed	Number, Percent, or Average	2007	2008	2009	2010	2011	Change from 2007 to 2011	Agency Type 2011
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Number	1	2	2	3	3	2	1,466
TOTAL EXITED AFTER ELIGIBILITY, BUT PRIOR TO RECEIVING SERVICES	Percent	0.7%	1.9%	1.6%	2.5%	3.0%	200.0%	10.6%
Exited with employment	Number	101	73	75	81	69	-32	6,240
	Percent	75.4%	70.2%	61.5%	67.5%	69.0%	-31.7%	45.1%
Exited without employment	Number	24	22	33	30	21	-3	3,105
	Percent	17.9%	21.2%	27.0%	25.0%	21.0%	-12.5%	22.4%
TOTAL RECEIVED SERVICES	Number	125	95	108	111	90	-35	9,345
TOTAL RECEIVED SERVICES	Percent	93.3%	91.3%	88.5%	92.5%	90.0%	-28.0%	67.5%
EMPLOYMENT RATE	Percent	80.80%	76.84%	69.44%	72.97%	76.67%	-5.12%	66.77%
Transition age youth	Number	14	12	15	12	15	1	1,869
	Percent	10.4%	11.5%	12.3%	10.0%	15.0%	7.1%	13.5%
Transition aged youth employment outcomes	Number	10	8	7	5	10	0	603
	Percent	9.9%	11.0%	9.3%	6.2%	14.5%	0.0%	9.7%
Competitive employment outcomes	Number	56	52	50	51	49	-7	5,452
	Percent	55.4%	71.2%	66.7%	63.0%	71.0%	-12.5%	87.4%
Supported employment outcomes	Number	0	3	2	2	4	4	196
	Percent	0.0%	4.1%	2.7%	2.5%	5.8%		3.1%
Average hourly wage for competitive employment outcomes	Average	$15.23	$13.67	$12.65	$17.43	$13.71	-$1.52	$14.33
Average hours worked for competitive employment outcomes	Average	29.2	28.1	26.2	28.7	26.5	-2.7	30.9
Competitive employment outcomes at 35 or more hours per week	Number	27	26	19	23	22	-5	2,829
	Percent	26.7%	35.6%	25.3%	28.4%	31.9%	-18.5%	45.3%
Employment outcomes meeting SGA	Number	28	24	19	26	22	-6	2,198
	Percent	27.7%	32.9%	25.3%	32.1%	31.9%	-21.4%	35.2%
Employment outcomes with employer-provided medical insurance	Number	13	15	7	18	14	1	1,325

All Individual Cases Closed	Number, Percent, or Average	2007	2008	2009	2010	2011	Change from 2007 to 2011	Agency Type 2011
	Percent	12.9%	20.5%	9.3%	22.2%	20.3%	7.7%	21.2%

VR Performance Trends

Positive Trends

As shown in Table 2.1, DBVI demonstrated positive trends in performance related to the provision of services to, outcomes achieved by, and the employment rate of individuals with disabilities. The percentage of individuals who were not determined eligible decreased from 9.8 percent (12) in FY 2009, to 7.0 percent (7) in FY 2011, lower than the average performance of all agencies serving individuals who are blind and visually impaired of 21.9 percent in FY 2011. The percentage of individuals who received VR services from DBVI under an IPE remained stable at approximately 90 percent during the period under review. In comparison, only 67.5 percent of the individuals served by all blind agencies received VR services under an IPE during FY 2011. DBVI increased the percentage of individuals who achieved an employment outcome of all individuals whose cases were closed from 61.5 percent in FY 2009, to 69 percent in FY 2011, compared to the performance of all blind agencies of 45.1 percent in that year. DBVI's employment rate increased from 69.44 percent in FY 2009, to 76.67 percent in FY 2011, higher than the rate for all blind agencies of 66.77 percent 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, DBVI experienced several trends that indicate potential risk to VR program performance. The total cases closed decreased from 134 in FY 2007, to 100 in FY 2011. The percentage of individuals with competitive employment outcomes ranged from 55 percent to 71 percent, lower than the percentage for all blind agencies of 87.4 percent in FY 2011. The average hourly wage for competitive employment outcomes was $13.71 in FY 2011, lower than the national average for blind agencies of $14.33. The average hours worked by DBVI consumers with competitive employment outcomes decreased from 29.2 in FY 2007, to 26.5 in FY 2011, below the national average for blind agencies of 30.9 hours. The percentage of individuals with competitive employment outcomes working 35 hours or more per week was 31.5 percent in FY 2011, lower than the percentage for blind agencies of 45.3 percent. Finally, the percentage of those individuals whose earnings were above the threshold of substantial gainful activity, as defined by the Social Security Administration, was 31.9 percent in FY 2011, below the percentage for all blind agencies of 35.2 percent.

Throughout the course of the review, RSA discussed with DBVI both the positive performance trends and those that posed potential risk to the VR program. DBVI indicated its intent to conduct further analyses to determine the factors contributing to its performance related to the number of competitive employment outcomes and the quality of these outcomes. However, during on-site discussions, DBVI management indicated that those data reflecting the quality of employment by its consumers may be affected by the considerations made by some individuals with respect to the impact of work on their SSA and medical benefits.

Fiscal Analysis

Table 2.2
DBVI Fiscal Performance Data for Federal FY 2007 through Federal FY 2011

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Grant amount per MIS	4th	1,135,502	1,137,079	-	1,308,899	-
	Latest/ Final*	1,135,502	-	1,225,409	1,308,899	1,376,899
Total outlays	4th	1,414,206	1,459,604	-	1,627,674	1,451,738
	Latest/ Final*	1,491,016		1,613,579	1,663,150	1,765,069
Total unliquidated obligations	4th	0	0	-	0	313,331
	Latest/ Final*	0	-	0	0	0
Federal share of total outlays	4th	1,058,692	1,137,079	-	1,149,524	1,063,568
	Latest/ Final*	1,135,502	-	1,225,409	1,308,899	1,376,899
Federal share of unliquidated obligations	4th	0	0	-	0	313,331
	Latest/ Final*	0		0	0	0
Total federal share	4th	1,058,692	1,137,079		1,149,524	1,376,899
	Latest/ Final*	1,135,502		1,225,409	1,308,899	1,376,899
Recipient funds	4th	355,514	322,525		354,251	388,170
	Latest/ Final*	355,514		388,170	354,251	388,170
Recipient share of unliquidated obligations	4th	0	0		0	0
	Latest/ Final*	0		0	0	0
Agency actual match (total recipient share)	4th	355,514	322,525		354,251	388,170
	Latest/ Final*	355,514		388,170	354,251	388,170
Agency required match	4th	286,533	307,748		344,649	331,472
	Latest/ Final*	307,321		331,655	354,251	372,655
Over/under match	4th	-69,981	-14,777		-9,602	-56,698
	Latest/ Final*	-48,193		-56,515	0	-15,515
MOE**	4th					-
	Latest/ Final*			388,170	354,251	388,170
Unobligated funds qualifying for carryover	4th	76,810	0		159,375	-

VR Fiscal Profile	Quarter	2007	2008	2009	2010	2011
	Latest/ Final*	0		0	0	0
Total program income realized	4th	0	0		106,090	0
	Latest/ Final*	0		0	106,090	0
Total indirect costs	4th	0	0		-	-
	Latest/ Final*	0		0	-	-

***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 FYs 2007 through 2011. Based on the data in Table 2.2 above, the agency matched its federal grant award through state appropriations in each fiscal year reviewed. The agency receives 100 percent of the required non-federal share (match) from state appropriations. DBVI was efficient in liquidating both non-federal and federal funds, with $0.00 in unliquidated obligations in either category from FY 2007 through FY 2011. DBVI reported receiving program income generated from Social Security reimbursement funds only in FY 2010, when it received a total of $106,090; for all other years covered by the review period, the agency reported receiving no program income from any sources. The U.S. Department of Health and Human Services is the cognizant agency for the DBVI approved cost allocation plan and the agency did not report indirect costs during the five years from FY 2007 through FY 2011 (see Finding 5 in Section 6 of this report).

SECTION 3: EMERGING PRACTICES

While conducting the monitoring of the VR program, the review team collaborated with the DBVI, 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.

As a result of its monitoring activities, RSA identified the emerging practices below.

Strategic planning: Customer Centered Culture

In FY 2012, DBVI implemented a “Customer Centered Culture” model that incorporates the “voice of the customer” into its planning and program assessment activities. DBVI management used information obtained from focus groups of consumers, the SRC and its staff in the development of the model. The model, aimed at identifying successful characteristics of the services provided, and the outcomes achieved by, DBVI consumers, takes into consideration the perspectives of both consumers and staff in assessing desired and undesired outcomes, product and service attributes, and the VR process. The model is used to:

- create alignment between agency values and those of the customers;
- balance agency goal-setting and measures of success;
- separate strategic focus from operational concerns; and
- select the best products for program improvement.

DBVI intends to use the input obtained through implementation of the model to determine the needs of its customers and in the development of the goals and strategies contained in its State Plan.

A complete description of DBVI's Customer Centered Culture model can be found on RSA's website under emerging practices.

SECTION 4: RESULTS OF PRIOR MONITORING ACTIVITIES

During its review of the VR and SE programs in federal FY 2013, RSA assessed progress toward the implementation of goals and strategies accepted by DBVI resulting from the prior monitoring review in FY 2007 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 goals and to resolve outstanding compliance findings.

Goals

In response to RSA's monitoring report dated September 7, 2007, DBVI agreed to the goals listed below, along with a brief summary of the agency's progress toward implementation of each goal and strategy.

1. **Meet or exceed the required performance level for Indicator 1.6.**

Strategy 1: DBVI will hire two part-time job developers who are charged with helping consumers to obtain high quality competitive employment.

Status: Although DBVI hired two part-time job developers, its performance on Indicator 1.6 did not improve during the period under review**.** DBVI met the required performance level of 30.4 percent for Indicator 1.6 (a measure of the change in percentage of individuals whose primary source of support is derived from their income, rather than public support, due to the provision of VR services) in only one of the five years covered in the review period. The percentage varied from a high in 2008 of 32.41 percent, to a low in 2010 of 16.83 percent. A major factor contributing to these results is the high percentage of services provided to individuals who are employed and require services to maintain employment. Another factor that DBVI attributes to difficulty in meeting this standard is the number of individuals served who choose to maintain a level of employment that enables them to retain their Social Security benefits. In these instances, wages do not change from application to closure.

2. Decrease the percentage of homemaker outcomes to eight percent above the national average by 2010.

Strategies:

2.1 Hire two part-time job developers to increase the number and quality of competitive employment placements.
2.2 Seek additional state funding for individuals in need of homemaker/ independent living services.

Status: As stated above, DBVI hired two job developers. However, additional state funding was not available for the provision of Independent Living services. During the five-year review cycle, DBVI homemaker closures decreased from a high of 42.6 percent in FY 2007, to 29 percent in FY 2011, compared to the average for all agencies serving individuals who are blind and visually impaired of 10.7 percent that year. DBVI is continuing to address this goal and bring its performance in line with that of all blind agencies.

3. Increase the percentage of transitioning students served to the national average for blind and visually impaired agencies, (10.3 percent) by FY 2010.

Strategy: DBVI will increase the marketing of the LEAP program and its other transitioning services among families of children who are blind or visually impaired.

Status: DBVI increased the percentage of transition-age youth served from 6.5 percent in FY 2006, to 15 percent in FY 2011. The percentage of transition-age youth served remained slightly below the national average for blind and visually impaired agencies four out of the five years covered in this review, except in FY 2011, when the national average for blind and visually impaired agencies was 13.5 percent. DBVI continues to engage in its marketing efforts and believes its performance in this area will further improve.

4. Develop and implement an integrated quality assurance system that enables DBVI to fully utilize the data it collects, the results of its comprehensive state-wide needs assessment, its performance on the RSA evaluation standards and indicators, service record review findings, training activities and ongoing evaluative activities in improving agency management and the achievement of employment outcomes.

Strategy 4: RSA will work with the agency to enhance its quality assurance system.

Status: DBVI implemented bi-annual audits of case records beginning in FY 2010. Ten percent of the case files are randomly selected for a sample and selected from the regions for the reviews that include all aspects for required components of the case using a checklist. Reviews are conducted by a counselor from another region and results are shared with the DBVI director and the counselor in the region. DBVI uses the information obtained from the reviews in the development of policy, planning, the identification of best practices, and the implementation of quality improvement practices.

DBVI continues to partner with the Division of Vocational Rehabilitation (DVR) in the development of an automated case management system. The current timeline for implementation is October 2013. DBVI has been involved throughout the process to ensure accessibility and that the needs of DBVI are incorporated in the system. The new system will enable DBVI to improve its use of data in the management of the VR program and its reporting to RSA.

DBVI recently concluded its 3-year comprehensive statewide needs assessment and the updated goals and measures were included in the most recent state plan.

Compliance Findings and Corrective Actions

The monitoring review conducted during FY 2007 did not result in the identification of compliance findings.

SECTION 5: FOCUS AREAS

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 DBVI, the DSU, with the federal requirements related to its organization within the Vermont Agency for Human Services (AHS), the DSA, and the ability of DBVI 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 AHS and DBVI under 34 CFR 361.13(b);
- processes and practices related to the promulgation of VR program policies and procedures;
- the manner in which DVBI 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 DVBI 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:

- AHS secretary, DAIL commissioner, DBVI director and DBVI managers;
- DAIL and DBVI staff members responsible for the fiscal management of the VR program;
- SRC chairperson 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;
- number of full-time equivalents (FTEs) and staff in each program, identifying the specific programs on which they work and the individuals to whom they report, specifically including:
    - o individuals who spend 100 percent of their time working on the rehabilitation work of DBVI;

    - individuals who work on the rehabilitation work of DBVI and one or more additional programs/cost objectives (e.g., one-stop career centers); and
    - individuals under DBVI 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 Vermont procurement requirements and processes.

Overview

AHS, the DSA for the VR program, is comprised of six departments, including Children and Family Services, Health, Corrections, Mental Health, and Vermont Health Access, as well as the Department of Disabilities, Aging and Independent Living (DAIL), wherein DBVI is located. The secretary of AHS oversees the portfolio of Departments within AHS. Located in DAIL, along with DBVI, are the divisions of Licensing and Protection, Disability and Aging Services, and Vocational Rehabilitation (DVR). DBVI is located at a level, and has a status, comparable to the other program offices and divisions located within DAIL and the departments of AHS.

The directors of DBVI and DVR report directly to the secretary of AHS, while the commissioner of DAIL provides day-to-day functional assistance to, and coordination among, DBVI and the other divisions within DAIL. DAIL staff provides fiscal and human resource support to DBVI, while other administrative functions, such as information technology, are centralized at the state level.

DBVI administers the VR, state independent living services, and independent living services for older individuals who are blind programs. It employs the division director, four VR counselors, four rehabilitation associates, one assistive technology trainer, 0.5 FTE for an administrative assistant, and 0.2 FTE for data management and program evaluation staff, for a total of 12 staff persons or 10.7 FTE. This does not include DBVI’s share of FTEs for fiscal and personnel support staff located in DAIL.

RSA’s review of the organizational structure of DBVI did not result in the identification of observations and recommendations; nor did its implementation result in the identification of compliance findings.

B. Transition Services and Employment Outcomes for Youth with Disabilities

The purpose of this focus area was to assess DBVI’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 the technical assistance and continuing education needs of VR agency staff.

To implement this focus area, RSA reviewed:

- the progress toward the implementation of goals and strategies accepted by DBVI related to the provision of transition services identified in the prior monitoring report issued in FY 2007 (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;
- sample agreements between the VR agency and local education agencies (LEAs); and
- samples of other cooperative agreements.

To assess the agency's performance related to the provision of transition services and the outcomes achieved by youth with disabilities, RSA reviewed DBVI data from FYs 2007 through 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 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, 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 DBVI with that of all blind agencies. 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:

- DBVI director;
- DBVI VR counselors;
- DVR Transition Coordinator and DVR transition counselors;
- staff of the Vermont Association of the Blind and Visually Impaired (VABVI) serving as liaisons with the SEA and other agencies; and
- Vermont Association of Business and Industrial Rehabilitation (VABIR) employment specialists.

RSA's review of transition services and employment outcomes achieved by youth with disabilities did not result in the identification of observations and recommendations. 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 DBVI related to this focus area while onsite in Vermont regarding:

- allocation to DBVI of costs associated with the provision of transition services by DVR staff to DBVI consumers (see Finding 3 contained in the FY 2013 Monitoring Report of the DVR VR Program);
- collaboration between DBVI and DVR, including the ability of the agencies to jointly serve the same individuals through separate IPEs and the development of an formal written interagency agreement;
- federal requirements related to the development of the interagency agreement with the Vermont Department of Education; and
- requirement that IPEs for transition- age youth must be developed within the agency's established time standard and before the students exit the school setting.

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 management information system (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 2007 thru FY 2011, 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 2007 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 goals 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 DBVI 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 DBVI related to the fiscal integrity of the VR program in the following topical areas while onsite in Vermont.

- **Indirect Cost Reporting:** RSA provided technical assistance on the procedure for reporting indirect costs on the SF-425 reports when the indirect costs are a result of a cost allocation plan instead of an indirect cost rate.
- **Personnel Cost Allocation:** RSA provided technical assistance regarding the need to ensure that each program receives an appropriate allocation of costs based upon the actual time staff spent working in the program.
- **RSA-MIS:** RSA demonstrated the process for running queries in the RSA-MIS. RSA staff also reviewed DVR's Federal Financial Reports SF-269/SF-425 submissions in the RSA-MIS and compared the submitted data with the SF-269/SF-425 reporting requirements.

- **Contract Monitoring:** RSA provided technical assistance on how to improve the specificity and scope of the agency's contracts, as well as technical assistance to develop stronger performance measures to ensure high quality contract monitoring outcomes.

Section 6: Compliance Findings and Corrective Actions

RSA identified the following compliance findings and corrective actions that DBVI 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.

DBVI 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 DBVI to develop the plan and undertake the corrective actions.

RSA reserves the right to pursue enforcement action related to 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. Expenditure of Funds Under the VABVI Contract

Legal Requirements:

- Rehabilitation Act—Sections 7(38), 103(a),103(b), and 111(a)(1)
- VR Program Regulations—34 CFR 361.3, 34 CFR 361.5(b)(58), 34 CFR 361.12, 34 CFR 361.48, and 34CFR 361.49
- EDGAR—34 CFR 80.20(a)
- Federal Cost Principles—2 CFR 225, Appendix A, paragraph C

Finding:

The expenditure of VR program funds for companionship services provided through the Volunteer Services Coordination Program established under the contract with the Vermont Association for the Blind and Visually Impaired (VABVI) is not allowable in accordance with Sections 111(a)(1) and 103 of the Rehabilitation Act and regulations at 34 CFR 361.3, 361.48 and 361.49. In addition, the expenditure of funds on transportation services delivered under the contract is neither allowable or allocable to the VR program to the degree that such expenditures are not sufficiently traceable, through appropriate supporting documentation, to the provision of VR services to applicants or individuals determined eligible for VR services, as required by Section 111(a)(1) of the Rehabilitation Act; 34 CFR 361.3 and 34 CFR 361.12; 34 CFR 80.20(a); and the federal cost principles at 2 CFR 225, Appendix A, paragraph C.

As a recipient of VR program funds, DBVI must maintain procedures to ensure that it administers the VR program in an efficient and effective manner and accounts for the proper expenditure of VR funds (34 CFR 361.12 and 34 CFR 80.20(a)). DBVI must ensure that VR funds are spent solely on the provision of VR services and the administration of the VR program (Section 111(a)(1) of the Rehabilitation Act; 34 CFR 361.3). The federal cost principles require that federal funds be spent solely on allowable and allocable costs. To be allowable, costs must be necessary and reasonable for carrying out the federal program (2 CFR 225, Appendix A, paragraph C.1.a). To be considered reasonable, the cost must be one that would be incurred by a prudent person (2 CFR 225, Appendix A, paragraph C.2). To be allocable to the VR program, the cost must be proportional to the benefit received by the federal program (2 CFR 225, Appendix A, paragraph C.3.a).

A. Allowability of Services

DBVI contracts annually with VABVI, a Vermont nonprofit organization, for the provision of services to individuals who are blind or visually impaired. Under the contract, VR funds are used, in whole or in part, to cover the costs associated with the salary of a part-time volunteer services coordinator, the only personnel employed under the contract; mileage; costs related to the recruitment of additional volunteers; administrative costs; and fringe benefits. The specific services provided under the contract are identified in Attachment A, "Specifications of Work" and include:

- the employment of one part-time volunteer services coordinator for 1,307 hours statewide to recruit, train and match appropriate volunteers with blind and visually impaired individuals who need services; and
- the provision of volunteer services in the areas of transportation, companionship, taping, Brailling, reading and other appropriate support services to an estimated 225 to 275 individuals.

To constitute an allowable expenditure as a VR service, the costs must be incurred in the provision of VR services to individuals in accordance with their approved IPEs, pursuant to Section 103(a) of the Rehabilitation Act and 34 CFR 361.48, or to groups of individuals with disabilities, pursuant to Section 103(b) of the Act and 34 CFR 361.49 (Section 7(38) of the Rehabilitation Act; 34 CFR 361.5(b)(58)). Each of the above-mentioned services – reading, recording and Brailling; transportation; and companionship – will be analyzed separately to determine if it is an allowable service under the VR program.

<u>Reading-Related Services</u>: VR program funds can be used to provide reading, recording and Brailling services either as a service to an individual when connected to his or her pursuit of employment, or as a service to a group of individuals who are blind or visually impaired. Regulations at 34 CFR 361.48 identify a variety of services that can be provided to an eligible individual when listed on an IPE as necessary to prepare for, secure, retain, or regain employment, such as reader services, which RSA interprets to include recording and Brailling (34 CFR 361.48(k)). In addition, Section 103(b)(4)(A) and regulations at 34 CFR 361.49(3) permit the use of VR program funds for the provision of services for the benefit of groups of individuals with disabilities, including "Special services to provide nonvisual access to information for individuals who are blind, including the use of telecommunications, Braille, sound recordings, or other appropriate media."

Transportation: Section 103(a)(8) permits the use of VR program funds for, "transportation…that is provided in connection with the provision of any other service described in this section and needed by the individual to achieve an employment outcome" (see also 34 CFR 361.48(h)). Thus, DBVI can use VR program funds for expenditures under the VABVI contract for the provision of transportation, including mileage costs, by volunteers to individuals for whom it is identified on the IPE as required for the provision of other services necessary for the achievement of employment.

However, unlike the reading-related services described above, VR program funds cannot be used to provide transportation services for the benefit of groups of individuals who are blind and visually impaired, as suggested by DBVI management during the review. Section 103(b)(2)(B) and 34 CFR 361.49(a)(6) allow for the provision of "other" services to groups of individuals with disabilities that, "promise to contribute substantially to the rehabilitation of a group of individuals but that are not related directly to the individualized plan for employment of any one individual." Nevertheless, services provided to groups in accordance with these provisions must be provided to eligible VR applicants or consumers, not just to "groups of individuals with disabilities." The examples contained in the regulatory provision reinforce that this particular authority, unlike some of the other provisions of 34 CFR 361.49(a), is intended to be used for the provision of VR services to groups of VR applicants and consumers – not a more general group of individuals with disabilities. Therefore, the statute and regulations do not permit DBVI to use VR program funds to support the provision of transportation services by VABVI volunteers, including their mileage costs, unless those individuals benefiting from the service are applicants for, or eligible to receive, VR services in connection with their IPEs.

Companionship: The provision of companionship is not specifically identified as a VR service under the Rehabilitation Act or implementing regulations. Nonetheless, regulations at 34 CFR 361.48(t) permit the use of VR program funds for the provision of "Other goods and services determined necessary for the individual with a disability to achieve an employment outcome." During the on-site visit, DBVI management and staff described "companionship" as a service that may include taking an individual to the grocery store, shopping, or to address "whatever the individuals needs may be." DBVI staff did not state that the provision of companionship services by contract volunteers was in support of an individual's employment goal. Thus, the provision of companionship services under the contract is not allowable, either as an individualized service listed on an IPE pursuant to Section 103 and 34 CFR 361.48 since it is not necessary for the achievement of an employment goal, or as a service to groups of individuals because such assistance does not promise to contribute substantially to the rehabilitation of VR program applicants and eligible individuals as required by Section 103(b)(2)(B) and 34 CFR 361.49(a)(6).

In summary, the use of VR program funds is allowable for the provision of reading-related services by VABVI volunteers whether to an individual when listed on his or her IPE, or for the benefit of groups of individuals who are blind or visually impaired. The use of VR program funds to cover costs associated with the provision of transportation services by these volunteers is allowable only if the service is provided to an individual when listed on the IPE, but not for the benefit of groups of individuals who are not applicants or eligible individuals. Finally, the provision of companionship services is neither allowable as an individualized service pursuant to an IPE, or as a service to groups of individuals who are blind or visually impaired.

B. Allocability of Expenditures

As with any cost paid with VR funds, the cost must be allowable under the VR program (Section 111(a)(1) of the Rehabilitation Act; 34 CFR 361.3), and traceable to a level of expenditure to ensure that the cost was allowable under the program (34 CFR 361.12; 34 CFR 80.20(a)). The question remains as to whether those allowable services provided under the VABVI contract (reading-related services and transportation when provided to an individual under his or her IPE) are allocable to the VR program as required by the federal cost principles at 2 CFR 225, Appendix A, paragraph C.3. As stated above, to be allocable to a federal award, the expenditure must be proportional to the benefit received by the program.

While onsite, RSA staff received quarterly invoices and reports of the individuals served under the contract submitted by VABVI to DBVI. DBVI pays the invoices submitted by VABVI using VR and independent living (IL) program funds. However, the documentation provided that includes monthly volunteer service reports is not sufficient to be traceable to the VR consumers and program to which they are assigned. RSA reviewed monthly volunteer service reports that included the total number of miles, the name of each consumer being served, the volunteer that provided the service, and the destination and task for example shopping, reading/companion, group, or doctor appointments. These reports, however, do not include information to determine whether the consumer being served is a VR or IL program consumer. Moreover, when DBVI receives the quarterly invoices from VABVI, they include only the total number of miles, the task, and the total number of VR and IL consumers being served. There is no cross-referencing of individuals being served for DBVI to ensure that the services provided are of proportionate benefit to the VR program. In addition, the quarterly invoices do not provide sufficient information to determine the cost for services being billed for the individual consumer being served.

Because reading-related services are allowable under the VR program when provided to program applicants, eligible individuals or to groups of individuals who are blind and visually impaired, their delivery by volunteers under the VABVI contract is necessarily allocable to the VR program without the need to trace their associated expenditures to specific individuals served. However, since transportation services can be provided only to applicants and eligible individuals pursuant to their IPEs, DBVI must be able to determine the proportional benefit to the VR program by tracing their associated expenditures, such as mileage, to VR program consumers. Because DBVI did not use the documentation it received from VABVI in a manner that enabled it to ensure that transportation services billed for were actually provided to applicants for VR services or those eligible to receive services pursuant to approved IPEs, the use of VR funds in connection with these services was not allowable or allocable to the VR program to the degree that it benefited individuals who were not DBVI consumers. Therefore, DBVI did not ensure it expended and accounted for VR grant funds for transportation services under the VABVI contract in accordance with pertinent laws and procedures as required by 34 CFR 80.20(a). Moreover, DBVI did not trace the expenditure of VR funds associated with these services to a level adequate to establish that such funds were spent in proportion to the benefit received by the VR program in accordance with the federal cost principles found at 2 CFR 225, Appendix A, paragraph C.

For the reasons stated above, the use of VR funds to support the activities of the VABVI contract is either not allowable when associated with those services not listed in Section 103 of the Rehabilitation Act and its implementing regulations at 34 CFR 361.48 and 361.49, or, if allowable, not allocable to the VR program in accordance with federal cost principles at 2 CFR 225 to the extent that those funds were used to provide transportation services to individuals who were not DBVI VR program consumers.

Corrective Action 1: DBVI must:

1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will cease using VR funds to pay costs that are not allowable under the program or lack the supporting documentation necessary to ensure that such costs are allocable, specifically those costs under the contract with VABVI; and
1.2 develop and implement written policies and procedures for maintaining and verifying supporting documentation for allowable VR expenditures under the VABVI contract that 1) include methods for monitoring and implementation, and 2) ensure funds are not used in violation of restrictions and prohibitions or applicable statutes.

2. Personnel Costs

Federal regulations at 34 CFR 361.3, 34 CFR 361.12, and 34 CFR 80.20(a) require that VR funds must be used solely for the provision of VR services or for the administration of the VR program, that State agencies must be responsible for financial accountability, and that procedures must be in place to ensure that expenditures are traceable and in compliance with federal statutes. Additionally, federal cost principles at 2 CFR part 225, Appendix B, paragraphs 8.h.3, 8.h.4 and 8.h.5 require periodic certifications for employees working solely on a single Federal award or cost objective, and that personnel activity reports or equivalent documentation be maintained for employees working on multiple cost objectives. DBVI is not in compliance with these regulations because it:

- does not maintain periodic certifications for employees working solely on one grant; and
- may improperly charge salary expenses for staff working on the VR and other programs solely to the VR award.

A. Periodic Personnel Certifications

Legal Requirements:

- Federal Cost Principles—2 CFR 225, Appendix B, paragraph 8.h.3

Finding:

DBVI is not in compliance with requirements set forth in 2 CFR 225, Appendix B, paragraph 8.h.3, which state:

> 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 firsthand knowledge of the work performed by the employee.

During the monitoring visit, RSA requested that DBVI provide copies of semi-annual certifications for staff working solely on the VR award. In response, DBVI stated that it does not require staff working solely on one program to complete semiannual certifications and DBVI was unable to provide the required certifications. Therefore, the agency is not in compliance with the requirements of federal cost principles found in 2 CFR 225, Appendix B, paragraph 8.h.3.

Corrective Action 2.A: DBVI must develop and implement written processes necessary to ensure that DBVI employees who work solely on a single cost objective or single federal award prepare semi-annual certifications that are signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

B. Unallowable VR Expenditures—Assignment of Personnel Costs to the VR Program

Legal Requirements:

- Rehabilitation Act—Section 111(a)(1)
- VR Program Regulations—34 CFR 361.3; 34 CFR 361.5(b)(2) and 34 CFR 361.12
- EDGAR—34 CFR 80.20(a)
- Federal Cost Principles—2 CFR 225, Appendix B, paragraphs 8.h.4 and 8.h.5; 2 CFR 225, Appendix A, paragraph C.3.a

Finding:

DBVI is not in compliance with Section 111(a) (1) of the Rehabilitation Act, along with regulations a 34 CFR 361.3 and 2 CFR 225 Appendix A, paragraph C.3.a to the degree that VR program funds were expended on personnel costs associated with staff working on other programs.

DBVI must ensure that VR funds are spent solely on the provision of VR services and the administration of the VR program (Section 111(a)(1) of the Rehabilitation Act; 34 CFR 361.3). To constitute an administrative cost under the VR program, expenditures must be incurred in the performance of administrative functions of the VR program (34 CFR 361.5(b)(2)). Administrative salaries, including those for clerical and other support staff who work under the VR program, constitute a VR-related administrative cost (34 CFR 361.5(b)(2)(xi)). Non-VR-related personnel costs do not constitute VR administrative costs because they do not arise from the performance of administrative functions for the VR program. Therefore, non-VR-related expenditures are not allowable under the VR program, pursuant to 34 CFR 361.3, and may not be paid for with VR funds.

DBVI administers multiple programs, including the VR, State Independent Living Services, Independent Living Services for Older Individuals Who Are Blind, and Supported Employment programs. The allocation of personnel costs related to vacation or sick leave for staff working across programs that DBVI administers is not properly allocated. To be allocable to the VR program, the cost must be proportional to the benefit received by the federal program (2 CFR 225, Appendix A, paragraph C.3.a).

During the on-site visit, DBVI staff stated that employees who work on multiple programs and take vacation or sick leave have 100 percent of that time charged to the VR program. DBVI is not allowed to charge salary expenses for staff working on programs other than VR to the VR award. Staff working on multiple cost objectives must charge their time to the appropriate cost objective based upon the proportionate benefit received, and must utilize personnel activity reports in accordance with 2 CFR 225, Appendix B, Paragraphs 8.h.4 and 8.h.5. Although DBVI staff prepare personnel activity reports as required, the practice of assigning personnel costs, including vacation and sick leave, to the VR program that are allocable to other programs is not in accordance with the federal cost principles outlined in 2 CFR 225, VR implementing regulations at 34 CFR 361.3 and 34 CFR 361.12, and EDGAR 34 CFR 80.20(a).

Corrective Action 2.B: DBVI must cease using Title I funds for personnel costs, including those related to vacation and sick leave that are incurred in the administration of other programs.

3. Development of the IPE

Legal Requirements:

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

Finding:

DBVI 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 30-day time standard for the development of IPEs. As required by Section 101(a)(9)(A), DBVI 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. According to the *DBVI Policy and Procedure Manual, Chapter 2 Section 3A, "Timeframe in the Development of the IPE:"*

> The IPE should be developed within 30 days of eligibility determination, unless:

1. The establishment of the vocational field is undefined (such as for a student in high school without a clear vocational goal); or
2. A longer assessment period is needed to determine goals and objectives; or
3. The individual is undergoing a trial work experience (see Chapter 1, Eligibility); or
4. The individual is writing his/her own IPE and needs additional time.

Based on data reported to RSA, DBVI's performance in meeting its 30-day time standard for the development of IPEs for transition-age youth was inconsistent during the period under review. The agency's performance steadily improved for the first several years, ranging from 75 percent of the IPEs for youth developed within 30 days from the determination of eligibility in FY 2007, to 91.67 percent developed within the timeline in FY 2009. However, in FY 2010 DBVI's ability to develop IPEs for youth within 30 days began to decline, with 80 percent of these IPEs developed within the timeline in FY 2010, and only 69.23 percent in FY 2011. Furthermore, in FY 2011, an additional 30.77 percent of the IPEs for transition-age youth were developed beyond ninety days. Finally, DBVI provided data during the course of the review indicating that for the six months prior to the on-site review (September 2012 through January 2013) only 60 percent of the IPEs for transition-age youth were developed within 30 days. As these data demonstrate, DBVI did not develop IPEs for transition-age youth in compliance with the federal requirements set forth in Section 101(a)(9) of the Rehabilitation Act and 34 CFR 361.45(e).

During on-site discussions, DBVI counselors agreed that they are not developing IPEs for transition-age youth within the agency's established timeline. The counselors indicated that their goal was to write the IPE before the student left the school setting. Although this approach meets the federal requirement to develop a transition student's IPE before he or she leaves school, it does not meet the requirement to develop the IPE within DBVI's 30-day time standard. The IPE for a transition student must be developed in compliance with both requirements – within the agency's established timeline of 30 days from the determination of eligibility and prior to the student leaving the school setting.

Corrective Action 3: DBVI must submit the actions that it will take, including timelines, to ensure that IPEs for transition-age youth are developed in a timely manner and within 30 days of eligibility determination (i.e., 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)).

4. Interagency Agreement with the Vermont Department of Education

Legal Requirement:

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

Finding:

DBVI 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 Vermont Department of Education (DOE). 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, DBVI submitted a document entitled the "*Interagency Agreement with Vermont Department of Education and Vermont Agency of Human Services*," dated June 2005. This interagency agreement on transition services between AHS, the DSA for the VR program, and the state DOE does not include DBVI as a party to the agreement. The agreement includes signature lines for the Secretary of AHS, and the Commissioner of the DOE. Although AHS, as the DSA within which DBVI is located, may execute the agreement on behalf of DBVI, the DSU, the content of the agreement does not indicate that it is doing so, making no reference to DBVI. Since the submitted agreement does not describe the role of DBVI in providing transition services, it does not constitute an interagency agreement for the provision of transition services between DBVI and DOE.

In addition, the existing interagency agreement between AHS and DOE is not in compliance with 34 CFR 361.22(b). This agreement meets all of the requirements set forth in 34 CFR 361.22(b), except that it 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. If DBVI were to become a party to this agreement to satisfy its obligation under Section 101(a)(11)(D) of the Rehabilitation Act, this deficiency must be corrected.

Corrective Action 4: DBVI must submit a signed agreement with the SEA 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.

5. Financial Reporting

Legal Requirements:

- VR Regulations – 34 CFR 361.12
- EDGAR – 34 CFR 80.20(a)

Finding:

DBVI is not in compliance with the requirements of 34 CFR 361.12 and 34 CFR 80.20(a) because it submitted inaccurate SF-269 and SF-425 reports for FYs 2007 through 2011. In particular, DBVI did not report indirect costs generated by a cost allocation plan on the SF-269 and SF-425 reports.

For the VR awards in FYs 2007 through 2009, DBVI reported the Indirect Expense data element for Total Amount Charged (11d) as zero and the Federal Share (11e) as zero on the SF-269. The instructions in RSA-TAC-01-02, dated August 8, 2001, require grantees reporting indirect costs under a cost allocation plan to enter the Total Amount of Indirect Expense claimed in data element (11d). The federal share of the amount reported in data element (11d) should be entered in (11e).

For the FY 2010 and the FY 2011 VR awards, the SF-425 reports revealed that the Indirect Expense data element for the Rate (11b) was reported as "SWCAP" and the Base (11d) was left blank on the final report. The instructions in RSA-PD-11-02, implemented October 26, 2010, (revised as RSA-PD-12-06, implemented February 13, 2012) require grantees reporting indirect costs under a cost allocation plan to enter 100 percent in the Indirect Expense data element for the Rate (11b) and to report the total amount of the cost allocation plan costs for the Base (11d) data element.

Due to automatic calculations in the SF-269 and SF-425 reporting forms, this resulted in a zero reported for the Amount Charged (11e) data element for all instances. Therefore, the SF-269 and SF-425 reports submitted by DBVI for FYs 2007 through FY 2011 did not accurately reflect the actual indirect costs incurred by the agency under the VR program, as required by 34 CFR 361.12 and 34 CFR 80.20(a).

Federal regulations require that all recipients of federal funds accurately report the financial results of all federally-assisted activities (34 CFR 361.12 and 34 CFR 80.20(a)). As a recipient of federal Title I VR funds, DBVI must comply with these requirements. DBVI's inaccurate reporting of indirect costs resulted in an inaccurate reporting of the expenditures that DBVI incurred in each of those years. Therefore, DBVI's submission of inaccurate reports is not in compliance with the requirements of 34 CFR 361.12 and 34 CFR 80.20(a).

Corrective Action 5: DBVI must:

5.1 cease the inaccurate reporting of indirect costs on the SF-425; and
5.2 develop and implement internal processes necessary to ensure the accurate and timely submission of Federal Financial Reports to RSA.

APPENDIX A: AGENCY RESPONSE

Section 4: Results of Prior Monitoring Activities

DBVI does not request additional technical assistance to enable it to implement outstanding goals and strategies identified in the FY 2007 monitoring report.

Section 6: Compliance Findings and Corrective Actions

1. Expenditure of Funds Under the VABVI Contract

Corrective Action 1: DBVI must:

1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will cease using VR funds to pay costs that are not allowable under the program or lack the supporting documentation necessary to ensure that such costs are allocable, specifically those costs under the contract with VABVI; and
1.2 develop and implement written policies and procedures for maintaining and verifying supporting documentation for allowable VR expenditures under the VABVI contract that 1) include methods for monitoring and implementation, and 2) ensure funds are not used in violation of restrictions and prohibitions or applicable statutes.

Agency Response: DBVI concurs with RSA's finding related to the expenditure of funds under the VABVI contract.

Technical Assistance: DBVI does not request Technical Assistance.

2. Personnel Costs

A. Periodic Personnel Certifications

Corrective Action 2.A: DBVI must develop and implement written processes necessary to ensure that DBVI employees who work solely on a single cost objective or single federal award prepare semi-annual certifications that are signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.

Agency Response: DBVI concurs with RSA's finding relating to personnel costs.

Technical Assistance: DBVI does not request Technical Assistance.

B. Unallowable VR Expenditures—Assignment of Personnel Costs to the VR Program

Corrective Action 2.B: DBVI must cease using Title I funds for personnel costs, including those related to vacation and sick leave that are incurred in the administration of other programs.

Agency Response: DBVI concurs with RSA's finding related to the unallowable expenditure of VR funds for personnel costs attributable to other programs.

Technical Assistance: DBVI does not request Technical Assistance.

3. Development of the IPE

Corrective Action 3: DBVI must submit the actions that it will take, including timelines, to ensure that IPEs for transition-age youth are developed in a timely manner and within 30 days of eligibility determination (i.e., 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)).

Agency Response: DBVI concurs with RSA's finding related to the untimely development of IPEs for transition-age youth.

Technical Assistance: DBVI does not request Technical Assistance.

4. Interagency Agreement with the Vermont Department of Education

Corrective Action 4: DBVI must submit a signed agreement with the SEA 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: DBVI concurs with RSA's finding relating to the lack of an interagency agreement with Vermont Department of Education.

Technical Assistance: DBVI does not request Technical Assistance.

5. Financial Reporting

Corrective Action 5: DBVI must:

5.1 cease the inaccurate reporting of indirect costs on the SF-425; and
5.2 develop and implement internal processes necessary to ensure the accurate and timely submission of Federal Financial Reports to RSA.

Agency Response: DBVI concurs with RSA's finding related to inaccurate financial reporting.

Technical Assistance: DBVI does not request Technical Assistance.

APPENDIX B: LEGAL REQUIREMENTS

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

Rehabilitation Act of 1973, as amended

Definitions

Section 7 For the purposes of this Act:

(38) Vocational rehabilitation services. The term "vocational rehabilitation services" means those services identified in section 103 which are provided to individuals with disabilities under this Act.

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-- ***

(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 transition services.

Section 103(a) Vocational Rehabilitation Services

(a) Vocational Rehabilitation Services for Individuals

Vocational rehabilitation services provided under this title are any services described in an individualized plan for employment necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual, including--

(1) an assessment for determining eligibility and vocational rehabilitation needs by qualified personnel, including, if appropriate, an assessment by personnel skilled in rehabilitation technology;

(2) counseling and guidance, including information and support services to assist an individual in exercising informed choice consistent with the provisions of section 102(d);

(3) referral and other services to secure needed services from other agencies through agreements developed under section 101(a)(11), if such services are not available under this title;

(4) job-related services, including job search and placement assistance, job retention services, follow-up services, and follow-along services;

(5) vocational and other training services, including the provision of personal and vocational adjustment services, books, tools, and other training materials, except that no training services provided at an institution of higher education shall be paid for with funds under this title unless maximum efforts have been made by the designated State unit and the individual to secure grant assistance, in whole or in part, from other sources to pay for such training;

(6) to the extent that financial support is not readily available from a source (such as through health insurance of the individual or through comparable services and benefits consistent with section 101(a)(8)(A)), other than the designated State unit, diagnosis and treatment of physical and mental impairments, including--

(A) corrective surgery or therapeutic treatment necessary to correct or substantially modify a physical or mental condition that constitutes a substantial impediment to employment, but is of such a nature that such correction or modification may reasonably be expected to eliminate or reduce such impediment to employment within a reasonable length of time;

(B) necessary hospitalization in connection with surgery or treatment;

(C) prosthetic and orthotic devices;

(D) eyeglasses and visual services as prescribed by qualified personnel who meet State licensure laws and who are selected by the individual;

(E) special services (including transplantation and dialysis), artificial kidneys, and supplies necessary for the treatment of individuals with end-stage renal disease; and

(F) diagnosis and treatment for mental and emotional disorders by qualified personnel who meet State licensure laws;

(7) maintenance for additional costs incurred while participating in an assessment for determining eligibility and vocational rehabilitation needs or while receiving services under an individualized plan for employment;

(8) transportation, including adequate training in the use of public transportation vehicles and systems, that is provided in connection with the provision of any other service described in this section and needed by the individual to achieve an employment outcome;

(9) on-the-job or other related personal assistance services provided while an individual is receiving other services described in this section;

(10) interpreter services provided by qualified personnel for individuals who are deaf or hard of hearing, and reader services for individuals who are determined to be blind, after an examination by qualified personnel who meet State licensure laws;
(11) rehabilitation teaching services, and orientation and mobility services, for individuals who are blind;
(12) occupational licenses, tools, equipment, and initial stocks and supplies;
(13) technical assistance and other consultation services to conduct market analyses, develop business plans, and otherwise provide resources, to the extent such resources are authorized to be provided through the statewide workforce investment system, to eligible individuals who are pursuing self-employment or telecommuting or establishing a small business operation as an employment outcome;
(14) rehabilitation technology, including telecommunications, sensory, and other technological aids and devices;
(15) transition services for students with disabilities, that facilitate the achievement of the employment outcome identified in the individualized plan for employment;
(16) supported employment services;
(17) services to the family of an individual with a disability necessary to assist the individual to achieve an employment outcome; and
(18) specific post-employment services necessary to assist an individual with a disability to, retain, regain, or advance in employment.

Section 103(b)(5)

(b) Vocational Rehabilitation Services for Groups of Individuals

Vocational rehabilitation services provided for the benefit of groups of individuals with disabilities may also include the following:

(2)(B) The provision of other services, that promise to contribute substantially to the rehabilitation of a group of individuals but that are not related directly to the individualized plan for employment of any 1 individual with a disability.

(4)(A) Special services to provide nonvisual access to information for individuals who are blind, including the use of telecommunications, Braille, sound recordings, or other appropriate media.

Section 111

(a)(1) Except as provided in paragraph (2), from each State's allotment under this part for any fiscal year, the Commissioner shall pay to a State an amount equal to the Federal share of the cost of vocational rehabilitation services under the plan for that State approved under section 101, including expenditures for the administration of the State plan.

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)

(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 361.5(b)(58) Vocational rehabilitation services--

(i) If provided to an individual, means those services listed in §361.48; and
(ii) If provided for the benefit of groups of individuals, also means those services listed in §361.49.

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 361.22 - Coordination with education officials.

(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 361.45(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.

34 CFR 361.48 Scope of vocational rehabilitation services for individuals with disabilities.

As appropriate to the vocational rehabilitation needs of each individual and consistent with each individual's informed choice, the designated State unit must ensure that the following vocational rehabilitation services are available to assist the individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the individual’s strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice:
(a) Assessment for determining eligibility and priority for services by qualified personnel, including, if appropriate, an assessment by personnel skilled in rehabilitation technology, in accordance with §361.42.
(b) Assessment for determining vocational rehabilitation needs by qualified personnel, including, if appropriate, an assessment by personnel skilled in rehabilitation technology, in accordance with §361.45.
(c) Vocational rehabilitation counseling and guidance, including information and support services to assist an individual in exercising informed choice in accordance with §361.52.
(d) Referral and other services necessary to assist applicants and eligible individuals to secure needed services from other agencies, including other components of the statewide workforce investment system, in accordance with §§361.23, 361.24, and 361.37, and to advise those individuals about client assistance programs established under 34 CFR part 370.
(e) In accordance with the definition in §361.5(b)(40), physical and mental restoration services, to the extent that financial support is not readily available from a source other than the designated State unit (such as through health insurance or a comparable service or benefit as defined in §361.5(b)(10)).
(f) Vocational and other training services, including personal and vocational adjustment training, books, tools, and other training materials, except that no training or training services in an institution of higher education (universities, colleges, community or junior colleges, vocational schools, technical institutes, or hospital schools of nursing) may be paid for with funds under this part unless maximum efforts have been made by the State unit and the individual to secure grant assistance in whole or in part from other sources to pay for that training.
(g) Maintenance, in accordance with the definition of that term in §361.5(b)(35).
(h) Transportation in connection with the rendering of any vocational rehabilitation service and in accordance with the definition of that term in §361.5(b)(57).
(i) Vocational rehabilitation services to family members, as defined in §361.5(b)(23), of an applicant or eligible individual if necessary to enable the applicant or eligible individual to achieve an employment outcome.
(j) Interpreter services, including sign language and oral interpreter services, for individuals who are deaf or hard of hearing and tactile interpreting services for individuals who are deaf-blind provided by qualified personnel.
(k) Reader services, rehabilitation teaching services, and orientation and mobility services for individuals who are blind.
(l) Job-related services, including job search and placement assistance, job retention services, follow-up services, and follow-along services.

(m) Supported employment services in accordance with the definition of that term in §361.5(b)(54).
(n) Personal assistance services in accordance with the definition of that term in §361.5(b)(39).
(o) Post-employment services in accordance with the definition of that term in §361.5(b)(42).
(p) Occupational licenses, tools, equipment, initial stocks, and supplies.
(q) Rehabilitation technology in accordance with the definition of that term in §361.5(b)(45), including vehicular modification, telecommunications, sensory, and other technological aids and devices.
(r) Transition services in accordance with the definition of that term in §361.5(b)(55).
(s) Technical assistance and other consultation services to conduct market analyses, develop business plans, and otherwise provide resources, to the extent those resources are authorized to be provided through the statewide workforce investment system, to eligible individuals who are pursuing self-employment or telecommuting or establishing a small business operation as an employment outcome.
(t) Other goods and services determined necessary for the individual with a disability to achieve an employment outcome.

34 CFR 361.49(a)(6) Scope of vocational rehabilitation services for groups of individuals with disabilities.

(a) The designated State unit may also provide for the following vocational rehabilitation services for the benefit of groups of individuals with disabilities:
(3) Special services to provide nonvisual access to information for individuals who are blind, including the use of telecommunications, Braille, sound recordings, or other appropriate media; captioned television, films, or video cassettes for individuals who are deaf or hard of hearing; tactile materials for individuals who are deaf-blind; and other special services that provide information through tactile, vibratory, auditory, and visual media.

(6) Other services that promise to contribute substantially to the rehabilitation of a group of individuals but that are not related directly to the individualized plan for employment of any one individual. Examples of those other services might include the purchase or lease of a bus to provide transportation to a group of applicants or eligible individuals or the purchase of equipment or instructional materials that would benefit a group of applicants or eligible individuals.

Education Department General Administrative Regulations (EDGAR)

34 CFR 80.20(a)

(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.

Federal Cost Principles as Cited in the CFR

2 CFR 225, Appendix A, paragraph C

C. Basic Guidelines

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.

b. The restraints or requirements imposed by such factors as: Sound business practices; arm's-length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.

c. Market prices for comparable goods or services.

d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.

e. Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

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.

RSA Policy Directives (PD)

RSA-PD-12-06: "Revision of PD-11-02, instructions for completing the Federal Financial Report (SF-425) for the Vocational Rehabilitation State Grants Program"

11. **Indirect Expense:**
Indirect costs are generally charged to federal awards via an indirect cost rate. The rate is simply the percentage relationship of indirect costs to direct costs and is substantiated by a standardized set of work papers referred to as the indirect cost proposal. Any grantee that wishes to claim indirect costs under federal grants must prepare an indirect cost proposal and submit it to the cognizant federal agency for approval (2 CFR 225, Appendix A, paragraphs B and F). Grantees claiming indirect expense based on an approved cost allocation plan (CAP), rather than an indirect cost rate, should follow the directions included in the line item instructions below.

11b. Rate:

Enter the approved indirect cost rate(s) in effect during the reporting period. For cost allocation plans only, enter 100% of the costs attributable to this award.

RSA Technical Assistance Circulars

RSA-TAC-01-02: "Supplementary Instructions for Completing the SF-269, Financial Status Report, For the Independent Living Services Program, Part B, Independent Living, Part C, Centers for Independent Living Program (If Administered by a State Agency Pursuant to Section 723), Independent Living Services for Older Individuals Who Are Blind Program, Chapter 2, Supported Employment Program, Client Assistance Program, and Protection and Advocacy of Individual Rights Program"

BLOCK 11. INDIRECT EXPENSE. Indirect costs are normally charged under Federal awards via an indirect cost rate. The rate is simply the percentage relationship of indirect costs to direct costs and is substantiated by a standardized set of work papers referred to as the indirect cost proposal. Any State agency or other grantee that wishes to claim indirect costs under Federal grants must prepare an indirect cost proposal and submit it to the cognizant Federal agency for approval. (OMB Circular A-87 for State agencies and OMB Circular A-122 for non-profits)

Note: Grantees claiming indirect expense based on an approved indirect cost rate should complete Blocks 11.a through 11.e.

a---TYPE OF RATE. At the time of approval, the Federal cognizant agency will determine and identify one of three kinds of agreements that the rate is based on -- Provisional/Final, Predetermined, or Fixed with Carry Forward (FCF). Indicate the kind of agreement that is identified in the Federal cognizant agency approval.

b---RATE. Enter the indirect rate(s) approved by the Federal cognizant agency and the period(s) covered. For example: six percent, July 1998 through June 1999.

c---BASE. Enter the total amount of expenditures (Base) that the indirect rate is being applied against.

d---TOTAL AMOUNT. Multiply Block 11.c by the percentage rate identified in Block 11.b and indicate that amount.

e---FEDERAL SHARE. Multiply Block 11.d by the percentage of Federal Financial Participation (90 percent for Independent Living - Part B and Independent Living -- Older Blind Programs) and indicate that amount as the claimed Federal share.

Note: Grantees claiming indirect expense based on an approved cost allocation plan, rather than an indirect cost rate, should leave Blocks 11.a, 11.b and 11.c blank, but should enter the total amount of indirect expense claimed during the reporting period in Block 11.d. The Federal share of the amount reported in Block 11.d should be reported in Block 11.e.