

UNITED STATES DEPARTMENT OF EDUCATION  
REGION IV

REHABILITATION SERVICES ADMINISTRATION  
61 FORSYTH STREET, ROOM 18T91  
ATLANTA, GEORGIA 30303

December 2, 2002

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VOCATIONAL REHABILITATION

Mr. Bruce Crump, Commissioner  
Kentucky Department of Vocational Rehabilitation  
500 Mero Street  
Frankfort, KY 40601

Dear Mr. Crump:

This letter provides the final report of the Kentucky Department of Vocational Rehabilitation's (KDVR) progress on the implementation of the 1998 Amendments to the Rehabilitation Act, which includes the comments provided by KDVR on the draft report. The purpose of the review was to assess KDVR's performance in assisting eligible individuals with disabilities to achieve employment outcomes and to determine compliance with the assurances made in the State plan and with the Evaluation Standards and Performance Indicators established under section 106 of the Act.

The on-site review was conducted by Mr. Darlo Koldenhoven, Regional Representative for Kentucky, and Mr. Dan Hunsberger, Regional Financial Management Specialist, on June 11-13, 2002, utilizing the protocol and monitoring instruments contained in the Rehabilitation Services Administration (RSA) FY 2002 Monitoring and Technical Assistance Guide. The focus areas for the review were as follows:

- Service Record Review;
- Performance Monitoring Based on Vocational Rehabilitation Program Evaluation Standards and Performance Indicators;
- Transition From School to Work; and,
- Cost Allocation Under the Workforce Investment Act (WIA).

KDVR was requested, in Regional Identical Memorandum (RIM) No. 2002-04, dated March 27, 2002, to complete and submit to the Regional Office by April 19 the material on the focus areas, along with two specific consumer lists so a sample of service records could be drawn for the on-site service record review. Upon receipt, RSA reviewed the materials, relevant policies and procedures, KDVR forms and other related information and made a random selection of consumer records to be reviewed and notified the agency. During the on-site visit, RSA staff discussed and clarified responses and followed up on items of concern.

In addition to the above, RSA reviewed, while on-site, selected financial requirements pertaining to the Basic Support Program which included: the status of prior year monitoring activities, the source and sufficiency of State matching funds, adherence to the Federal requirements related to

maintenance of effort, carryover, program income and third-party cooperative arrangements, and the accuracy of selected financial and statistical reports.

The review of each focus area is summarized below.

## **SERVICE RECORD REVIEW**

The Service Record Review Guide, which is contained in Focus Area I of the Guide, was used to examine the following aspects of vocational rehabilitation (VR) policy and practice: Eligibility, Timeliness of Services, Substantiality of Services, Employment Outcomes, Closures Without Employment Outcomes and Transition Services for Students with Disabilities. The review focused not only on compliance with specific statutory and/or regulatory provisions but also on the State agency's performance as it relates to the quality of rehabilitation practice and service provision. The reviewers included the RSA review team leader and representatives from KDVR.

A sample of forty (40) consumer service records (CSRs) was selected for review. The sample was selected randomly and included service records from the Department's general population and from their population of students with disabilities who had been provided transition services. The sample from the Department's general population included ten (10) cases of individuals who had exited the VR program after obtaining employment, and ten (10) cases of individuals who had received services but who exited the VR program without employment. Those service records drawn from the Department's transition cases included twenty (20) cases of individuals that had exited the VR program after obtaining employment. The findings of the review are presented below.

### **Eligibility Determination**

KDVR's policies and procedures and the consumer service records appeared to conform with the provisions of 34 CFR 361.42 regarding eligibility determinations. All of the cases showed adequate documentation to support the determination of disability and the order of selection priority. Case records supported the determination of a significant or most significant disability. Each of the forty (40) cases adequately documented that VR services were required to prepare for, secure, retain, or regain employment consistent with the applicant's unique strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice. Two of the cases were a Supplemental Security Income (SSI) recipient or Social Security Disability Insurance (SSDI) beneficiary, one of the cases was presumed eligible and in one other case presumptive eligibility could have been used but was not.

### **Timeliness**

The KDVR's policies and procedures were reviewed and are not consistent with the requirements found in 34 CFR 361.41 and 361.46 which require the State agency to develop time standards for making the initial contact with the individual after referral and for developing the Individual Plan for Employment (IPE) after eligibility determination. The agency has not established time standards for contacting a referral, the development of an IPE and the provision of services on an IPE. Even though the agency did not have written policies, the CSR did not reflect delays or interruptions in services. Timeframes for the provision of services were listed on the IPE.

Once an individual has submitted an application for services, an eligibility determination will be made as soon as possible and will not exceed 60 calendar days as required in 34 CFR 361.42. Eligibility for 34 of the cases reviewed was determined within the 60-day timeline. One closed-employed case contained documentation of a specific extension of time and three cases did not have an extension. Two of the cases closed not-employed did not have any documentation of time extension. All cases showed the services were provided in a timely manner without undue delays or interruptions and within the time frames identified on the IPE. The service records indicated that in 37 of the cases reviewed the VR counselor maintained contact with the individual. One case record showed documentation of repeated attempts of contact by the counselor with no response from the client.

### **Findings**

The agency has not developed standards that are consistent with the requirements found in 34 CFR 361.41 and 361.46 which require the State agency to develop time standards for making the initial contact with the individual after referral and for developing the Individual Plan for Employment (IPE) after eligibility determination. A total of six case records did not have proper documentation for the extension of the 60-day timeline requirement for eligibility determination.

### **Recommendation**

It is recommended that the agency develop policies and procedures that are consistent with 34 CFR 361.41 and 361.46. Appropriate system monitoring should be established to determine compliance with the State established standards.

It is recommended that the agency review the policies on the documentation of extension on the 60-day requirement of eligibility determination.

### **Agency Response**

The agency is aware that they have not developed policies and procedures that are consistent with 34 CFR 361.41 and 361.46. The agency recognizes the importance of time standards and will develop policies and procedures related to the standards.

After an individual review of the six case records that did not appear to have proper documentation for the extension of the 60-day timeline requirement for eligibility determination, the agency found only three cases out of compliance with no waiver in the case record. The remaining three cases showed documentation of two cases being accepted within the 60-day limit and the remaining one case containing a waiver.

The agency Field Administrators are scheduled to meet and have included the results of the review on the agenda. The 60-day eligibility policy will be emphasized. Further, Field Administrators will randomly audit each caseload under their supervision for the next three (3) calendar months, specifically looking at the 60-day eligibility criteria.

### **Substantiality of Services**

For this CSR review, the Guide defined substantial vocational rehabilitation services as those services, which provided in the context of the counseling relationship, collectively and significantly contribute to the achievement of an employment outcome consistent with the informed choice of the individual. KDVR's policies and procedures describes substantial services as the services needed for the achievement of a positive employment outcome that take into consideration the specific needs of the individual.

In all of the 40 cases reviewed, the services identified on the IPE were determined necessary for the achievement of an employment outcome. In four of the 40 reviewed cases there were services necessary for the achievement of an employment outcome that was not provided. Some of the comments of the reviewers described the lack of proper documentation and the refusal of the client as a reason that a service was not provided. In 28 of the 30 employment cases, the services provided contributed substantially to the achievement of the employment outcome consistent with the informed choice of the individual. One of the closed-employed case records did not appear to provide the client with choice or vocational guidance.

### **Employment Outcomes**

KDVR is focusing on employment outcomes, specifically competitive employment outcomes that meet the criteria of 34 CFR 361.56. In all of the 30 CSRs with employment outcomes, the CSR documentation supported the individual's achievement of the employment outcome described in the original or amended IPE. The CSRs showed that in 29 of the 30 cases the goal was consistent with the individual's strengths, resources, priorities, concerns, abilities, capabilities, interests and informed choice. The one case did not document informed choice or an assessment of the clients strengths and interests.

All individuals were employed for an appropriate period of time but not less than 90 days. At the end of the appropriate employment maintenance period, the individual and the VR counselor considered employment outcomes to be satisfactory and agreed that the individual is performing well in the employment. The CSRs provided verification that in 28 of the cases closed-employed wages and benefits were not less than that customarily provided for similar work performed by non-disabled individuals and that the two other closures were employed in sheltered employment.

### **Closures Without Employment Outcomes**

KDVR has developed policies and procedures that appear consistent with Federal law and regulations in 34 CFR 361.47(a)(3) regarding the closing of a case where the individual did not achieve an employment outcome after receiving VR services. RSA reviewed ten CSRs of individuals who had received services but exited the VR program without employment. Accordingly, the ten CSRs documented the reasons for closing the case without an employment outcome. The CSR showed that the cases were closed for a variety of reasons, including the individual moving out of the State, the client being jailed and unavailable for employment, client refusal to participate with psychotherapy services listed on IPE and the individual deciding to not pursue employment.

### **Transition Services**

The CSR review demonstrated the diversity of services provided to the transition students. The Community Based Work Transition Program (CBWTP) provides a great resource for the school district and the VR agency. The 20 transition records reviewed documented the school activities that were used to prepare the student for participation in the VR program. Students were provided specific services that included career exploration, vocational interests, work experience, job readiness training and vocational assessments.

In all of the 20 cases, VR provided assessments, guidance and planning prior to the student leaving school. Seventeen (17) of the CSRs documented the signing of the IPE prior to the student leaving school; one case was not signed since the client left school; one client did not have an IEP; and, one case the IPE was signed after graduation. The employment goal was documented on all the IPEs and was included as a part of the employment outcome information. The employment outcomes listed included a lab technician, department store worker, truck driver, welder, roofer, food service worker and bookstore assistant.

### **Summary**

KDVR is focusing on employment outcomes, specifically competitive employment outcomes that meet the criteria of 34 CFR 361.56. The CSR review demonstrated KDVR's efforts to provide quality services to individuals with disabilities. KDVR's policies and procedures and the consumer service records appeared to conform with the provisions of 34 CFR 361.42 regarding eligibility determinations. KDVR has developed policies and procedures that appear consistent with Federal law and regulations in 34 CFR 361.47(a)(3) regarding the closing of a case where the individual did not achieve an employment outcome after receiving VR services.

The KDVR's policies and procedures which require the State agency to develop time standards for making the initial contact with the individual after referral and for developing the Individual Plan for Employment (IPE) after eligibility determination were reviewed and are not consistent with the requirements found in 34 CFR 361.41 and 361.46. It is recommended that the agency develop policies and procedures that are consistent with 34 CFR 361.41 and 361.46.

### **PERFORMANCE MONITORING BASED ON VOCATIONAL REHABILITATION PROGRAM EVALUATION STANDARDS AND PERFORMANCE INDICATORS**

The State VR Services Evaluation Standards and the Performance Indicators (ESPIs) are contained in 34 CFR 361, Subpart E, 361.80 through 361.89. The purpose of the ESPIs is to evaluate State agency performance in serving individuals with disabilities under the VR program. There are two evaluation standards: Evaluation Standard 1--Employment outcomes, and Evaluation Standard 2--Equal access to services. Standard 1 has six indicators, three of which are primary indicators (Performance Indicators 1.3, 1.4, and 1.5); Standard 2 has one indicator. The definition for Evaluation Standard and the Performance Indicators is as follows:

**Evaluation standard** is the performance level stated in regulation that a Designated State Unit (DSU) must attain in order to meet an acceptable level of performance in serving individuals with disabilities under the VR program.

**Performance indicators** establish the performance areas that RSA has identified to measure the efficacy of DSU's performance in serving individuals with disabilities under the VR program.

Below is the performance data for the KDVR as recorded on the standards and indicators report. The performance data is based on the FY 2000 RSA-911 data.

### **Evaluation Standard 1 – Employment Outcomes**

As required in 361.82(c)(1), a DSU must assist any eligible individual, including an individual with a significant disability, to obtain, maintain, or regain high-quality employment. To achieve successful performance on Evaluation Standard I, KDVR must meet or exceed the performance levels established for four of the six performance indicators, including meeting or exceeding the performance levels for two of the primary indicators (Performance Indicators 1.3, 1.4, and 1.5).

**Performance Indicator 1.1. Change in Number of Employment Outcomes:** The difference between the number of individuals exiting the VR program who achieved an employment outcome during the current performance period and the number of individuals exiting who achieved an employment outcome during the previous performance period. KDVR increased the number of employment outcomes by 100.

**Performance Indicator 1.2. Percent Employed:** Of all individuals who exit the VR program after receiving services, the percentage who are determined to have achieved an employment outcome. The required performance level for a General VR agency is 55.8%. KDVR's performance exceeded the requirement at 65.40 %.

**Performance Indicator 1.3. Employed Competitively:** Of all the individuals determined to have achieved an employment outcome, the percentage who exit the VR program in competitive, self, or Business Enterprise Program (BEP) employment with earnings equivalent to at least the minimum wage. Minimum wage is defined in the regulations as the Federal or State minimum wage, whichever is higher. **This is a primary indicator.** The required performance level for a General VR agency is 72.6%. KDVR's performance exceeded the requirement at 82.31%.

**Performance Indicator 1.4. Significant Disability:** Of all individuals who exit the VR program in competitive, self, or BEP employment with earnings equivalent to at least the minimum wage, the percentage who are individuals with significant disabilities. The required performance level for a General VR agency is 62.4%. **This is a primary indicator.** KDVR's performance exceeded the requirement at 98.61%.

**Performance Indicator 1.5. Earnings Ratio:** The average hourly earnings of all individuals who exit the VR program in competitive, self, or BEP employment with earnings levels equivalent to at least the minimum wage as a ratio to the State's average hourly earnings of all individuals in

the State who are employed. These figures are derived from the Bureau of Labor Statistics report "State Average Pay" for the most recent available year. The required performance level for a General VR agency is a ratio of 0.52. **This is a primary indicator.** KDVR's performance exceeded this requirement at 0.627.

Performance Indicator 1.6. Self-Support: Of all individuals who exit the VR program in competitive, self-, or BEP employment with earnings equivalent to at least the minimum wage, the difference between the percentage who report their own income as the largest single source of economic support at the time they exit the VR program and the percentage who report their own income as the largest single source of support at the time they apply for VR services. The required performance level for a General VR agency is a mathematic difference of 53.0%. KDVR's performance exceeded this requirement at 74.51%.

## **Evaluation Standard 2 – Equal Access to Services**

As required, the DSU must ensure that individuals from minority backgrounds have equal access to VR services.

Performance Indicator 2.1. Ratio Minority: The service rate for all individuals with disabilities from minority backgrounds as a ratio to the service rate for all non-minority individuals with disabilities. The required performance level for all VR agencies must attain a ratio level of 0.80. KDVR exceeded this requirement by attaining a ratio of 0.92.

## **Summary**

KDVR's performance for each Standard and Indicator exceeded the required performance level. Discussions with agency management found that the performance Standards and Indicators are monitored to ensure that the agency's programs produce outcomes that exceed the required performance for each indicator.

## **TRANSITION FROM SCHOOL TO WORK**

The purpose of this part of the annual 107 review is to assess State vocational rehabilitation (VR) agency performance in the implementation of transition services to students with disabilities to achieve employment outcomes and to determine compliance with the assurances made in the State plan. This review consisted of the following four activities: (1) a review of policies and procedures regarding transition services; (2) a review of formal interagency agreements between the VR agency and the State Educational Agency (SEA); (3) the use of supplemental questions to the service record review when reviewing service records of transitioning students; and (4) the conduct of interviews with the State VR director/administrator, transition coordinator, VR counselors, and special education personnel. Below are RSA's findings.

Section 7(37) of the 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.

The review of KDVR's transition program policies and procedures documents the coordination between the agency and the State education program. The agency has a transition coordinator and uses 38 CBWTP funded counselors to provide services in 96 school districts with five counselors being co-located in the schools. An additional 138 counselors serve 176 school districts on an itinerant basis for a total of 8,233 students. The transition cases equals 28% of the agency caseload. The counselors serve the transition students in their general caseload and provide services in the schools on an as-needed, by-referral basis. The agency provides services through two third-party agreements in northern and western school districts. The agreements provide for transition joint planning by KDVR and DOE that facilitates the development of the Individualized Education Plan (IEP's) under section 614(d) of the Individuals with Disabilities Education Act and 34 CFR 361.22(2)(b)(2).

In accordance with 34 CFR 361.22 and 361.45, policies and procedures are in place to ensure the development and approval of the Individualized Plan for Employment (IPE) before the student graduates or leaves the school system. Referrals of students are based on the student's age, needs and the timing of progress towards leaving the school setting, usually the year before exiting the system. The agency facilitates the success of transition cases by coordinating vocational rehabilitation IPE services and the student's IEP as early as age 14.

The agency has a formal interagency agreement with the State Department of Education (DOE) that complies with 34 CFR 361.22 (b). The agreement is in the process of being updated and will include provisions for consultation, technical assistance, cross-training and transition planning that facilitate the completion of the student's IEP. The agreement describes the roles and responsibilities of each agency including the financial responsibilities, personnel needs, outreach and identification of transition students. The agency has formal agreements with local education agencies that are standard and tailored to meet the unique resources and needs of each community.

The transition program provides joint training through the Community Based Work Transition Program (CBWTP) and the Transition Weekend program. The CBWTP is a very effective school-to-work transition program that is supported by the agency as well as the State DOE. The program is a collaborative effort between local school districts, the Department for the Blind (DFB) and the agency and is designed to facilitate the transition of students with special needs from school to the world of work without a gap in support and follow-up services. The CBWTP support for the program comes from the DOE, DFB, the Interdisciplinary Human Development Institute at the University of Kentucky and the agency. The goal of the CBWTP is for all students to leave high school with a paid, competitive job in an integrated setting of the student's choice.



Interviews were conducted with the agency coordinator of transition services, a VR counselor serving transition students and a representative of the State special education program. Each of the individuals spoke of the positive cooperation between the agency and the State and local school districts. Referrals can be as early as age 14 and always before graduation or leaving the school system. Services most requested are orientation and mobility, assistive technology, independent living skills and vocational evaluation. Agency counselors attend IEP meetings for each student in the program. Workshops on transition are held on an annual basis in each region.

The State plan attachment on transition (Attachment 4.9 (C)) documents the commitment of agency personnel and service resources. The interviews with the agency coordinator, counselor and State education representative indicated that the barriers to delivering transition services are the inaccuracy of the referral list due to being out of date, the Community Based Work experience program is not available in all areas of the State and the shortage of qualified job coaches. The agency coordinates training and resources with DFB.

The agency is continually attempting to develop additional fiscal resources to expand the CBWTP and job coaches by developing agreements with the smaller and more rural school districts that combine resources with other similar districts. A new computer program is expected to improve the accuracy and timeliness of the referral information.

### **Summary**

The review of KDVR's transition program policies and procedures documents the coordination between the agency and the State education program. The agency uses 38 CBWTP funded counselors to provide services in 96 school districts with five counselors being co-located in the schools. An additional 138 counselors serve 176 school districts on an itinerant basis for a total of 8,233 students. The transition cases equals 28% of the agency caseload. The State plan attachment on transition documents the commitment of agency personnel and service resources. The review of the KDVR policies and procedures appeared to conform to the requirements of the Act and implementing regulations.

### **COST ALLOCATION UNDER THE WORKFORCE INVESTMENT ACT**

The Designated State Unit's (DSU's) financial participation in the One-Stop system must be consistent with the VR program requirements (34 CFR 361.23(a), title I of WIA, regulations implementing title I of WIA and applicable guidance materials), be proportional to the benefits that accrue to the VR program, and be consistent with applicable Office of Management and Budget (OMB) cost principles. VR program regulations specify that the DSU must participate in the One-Stop system by carrying out certain functions consistent with the Rehabilitation Act, WIA, and other applicable regulations. Furthermore, WIA regulations at 20 CFR 662.270 state that each partner must contribute a fair share of the operating costs of the One-Stop delivery system proportionate to the use of that system by individuals attributable to the partner's program. The resources of each partner may only be used to provide services that are authorized and provided under the partner's program to individuals who are eligible to receive such services under the program.

VR program regulations at 34 CFR 361.13(c)(1) also require the DSU to be responsible for, in addition to other program functions, the allocation and expenditure of program funds, while, according to OMB Circular A-87, costs must be necessary, reasonable, and allocable in accordance with relative benefits received by the program for it to be allowable under that program. In addition, cost allocation methodologies chosen must result in an equitable distribution of the shared costs, correspond to the costs being allocated, be efficient to use and consistently applied, and allocated costs must be supported by actual cost data rather than budgeted costs.

RSA's FY 2002 review of KDVR's financial participation in the One-Stop system consisted of an examination of cost sharing policies established at the State and Local Board levels for compliance with Federal requirements, a review of DSU support of the operating costs of State and Local Boards, and the internal controls implemented by the DSU for review and approval of cost sharing agreements at the local level. To date, neither the State Board nor any Local Boards has established policies that affect the VR program regarding cost-sharing at the One-Stop centers in Kentucky. Based on the information provided, RSA determined that KDVR does not directly contribute to the support of the operating costs of the State Board or any of the Local Boards in Kentucky. However, it participates indirectly through staff travel and other incidental costs associated with carrying out partner responsibilities. Regarding the internal controls implemented by the agency, KDVR has established internal policies and guidance for local districts to follow regarding the allocation of costs at the One-Stop centers. These policies and procedures require approval at the State office level of each agreement before it is executed. Those cost-sharing policies and guidelines are in conformance with requirements in the Rehabilitation Act, VR program regulations and with OMB cost principles.

Another section of the review focused on the allowability of costs associated with the One-Stop centers where VR staff are not located, an examination of cost-sharing agreements to determine the extent of each partner's financial participation in allocated common costs, the methodologies utilized to allocate costs, and the resources expended by the DSU to support all or part of its allocated costs. During FY 2001, KDVR did not provide direct monetary support for costs of One-Stop centers in which no VR staff were co-located. As of the site visit, KDVR had allocated common costs in the 17 One-Stop centers. The agreements addressed the partner's financial participation in these costs. The agreements addressed each of the partner's financial participation in common allocated costs. The methodologies used in the preparation of the cost-sharing agreement were in conformance with requirements in the Rehabilitation Act, GAAP, and OMB cost principles and administrative requirements. The cost-sharing agreement was based on reasonable, supportable and valid assumptions. Budgets included in the agreements were reviewed at least quarterly and actual costs were adjusted monthly. A total of \$4,695,439 is budgeted for VR's share of these agreements.

RSA's review did not disclose any instances in which improper bases were used to allocate costs. Finally, KDVR determined that cost-sharing plans would meet requirements in Kentucky's A-133 audit process. As a result of this review, RSA determined that KDVR receives fair value for the resources expended to support all or part of the allocated one-stop center costs and has initiated proper policies and procedures to comply with the cost allocation requirements outlined in VR program requirements and OMB circulars.

## **SELECTED FISCAL PROVISIONS**

In addition to the focus areas, RSA conducted a review of selected fiscal provisions using the State Agency Financial and Administrative Review Instrument (SAFARI), and the results of past monitoring activities to set the parameters. The review focused on the following:

- Maintenance of Effort
- Match (Non-Federal Expenditures)
- Carryover
- Program Income
- Financial Reports

The results of RSA's review of each area are summarized below.

### **Maintenance of Effort**

The 1992 amendments revised the requirements in Section 111(a)(2)(B)(ii) of the Rehabilitation Act with respect to maintenance of effort provisions. Effective Federal FY 1993 and each Federal fiscal year thereafter, the maintenance of effort (MOE) level is based on the State expenditures under the Title I State Plan from the non-Federal sources for the Federal fiscal year two years earlier. To comply with this requirement for the fiscal year under review KDVR's total FY 2001 non-Federal expenditures must meet or exceed the agency's non-Federal expenditure level reported for FY 1999. Since the total non-Federal expenditures of \$11,875,606 for FY 2001 is greater than the FY 1999 level of \$10,918,284, the agency has complied with this requirement.

### **Non-Federal Match**

With the passage of the 1992 Amendments to the Rehabilitation Act, the non-Federal share of expenditures in the Basic Support Program, other than for the construction of a facility related to a community rehabilitation program, was established at 21.3 percent. Non-Federal expenditures from allowable sources, as defined in program and administrative regulations governing the Basic Support Program (34 CFR 80.24), and meet the requirements set forth in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, may be used for satisfying the matching requirement.

A review of non-Federal expenditures, reported on the September 30, 2001, Financial Status Report (SF-269), verified the previously reported expenditures of \$11,875,606. The Federal allotment for KDVR in FY 2001 was \$38,856,277, which required a minimum State match of \$10,516,476. Since the total FY 2001 non-Federal expenditures exceeded the minimum requirement, KDVR has met the Basic Support Program matching requirement for this year.

### **Carryover**

Federal funds appropriated for a fiscal year, including reallocated funds, that are not obligated and expended during the appropriation year remain available for obligation and expenditure during

the succeeding fiscal year only to the extent that the VR agency met the matching requirement for those Federal funds by September 30 of the year of appropriation (34 CFR 361.64(b)). This requirement can be met by either expending or obligating the non-Federal share of program expenditures.

The review of the year-end, September 30, 2001, Financial Status Report (SF-269) revealed that KDVR had \$1,148,919 of unobligated Federal funds. The State match was \$11,875,606, which was more than sufficient to carry over any unexpended/unobligated Federal funds.

### **Program Income**

Program income means gross income received by the State that is directly generated by an activity supported under a Federal grant program. Sources of Basic Support Program income include, but are not limited to, payments from the Social Security Administration for rehabilitating Social Security beneficiaries, payments received from workers' compensation funds, fees for services to defray part or all of the costs of services provided to particular individuals, and income generated by a State-operated community rehabilitation program. In reporting program income, Basic Support Program regulations (34 CFR 361.63) permit State agencies to use the deduction alternative which reduces total allowable program costs, or the addition alternative, which allows grantees to use the income for additional allowable program costs. Program income earned (received) in one fiscal year can be carried over and obligated in the following fiscal year regardless of whether the agency carries over Federal grant funds. Grantees may also transfer program income received from the Social Security Administration for rehabilitating Social Security beneficiaries to other programs funded under the Rehabilitation Act to expand services under these programs.

A review of program income received by KDVR during FY 2001 disclosed that the program income consisted of \$1,455,818 from Social Security reimbursements, \$144,127 from service fees from the McDowell Rehabilitation Center and \$89,505 from miscellaneous sales to general public, for a total of \$1,689,450. A total of \$1,636,129, was disbursed during the fiscal year, with the remaining balance \$53,321 to be carried over for obligation or expenditure in FY 2002.

### **Program and Fiscal Reports**

The Rehabilitation Act in Sections 13, 14 and 101(a)(10) and the State Vocational Rehabilitation Program Regulations in 34 CFR 361.40 require State VR agencies to submit timely and accurate program and fiscal reports. In determining compliance with these requirements, an examination of work papers and supporting documentation was completed during the on-site review to substantiate the financial and statistical information submitted in those reports. Discussion about the preparation of the reports and technical assistance was provided to agency staff. Below is a summary of the reports reviewed.

1. RSA-2, Annual Vocational Rehabilitation Program/Cost Report  
The RSA-2 report for FY 2001 was submitted timely and appeared accurate. The report was supported by accounting data, computerized

printouts and manual spreadsheets. The agency continues to show considerable improvement in the accuracy and timeliness of this report. There were no areas identified for technical assistance.

2. SF-269, Financial Status Report

The SF-269's, Financial Status Reports for FY 2001, quarter ended September 30, 2001, and for FY 2002, quarters ended December 31, 2001, March 31, 2002, and June 30, 2002, were submitted timely and appeared accurate. However, a review of supporting documentation while on-site, revealed that the Federal authorized amount was in error for the year-end FY 2001 report. The SF-269's were subsequently corrected and filed with RSA on July 31, 2002. There were no other discrepancies or errors noted.

3. RSA-113, Quarterly Cumulative Caseload Report

The RSA-113's for FY 2001, quarter ended September 30, 2001, and for FY 2001, quarters ended December 31, 2000, March 31, 2001 and June 30, 2001 were submitted timely and appeared accurate.

Based on the review, RSA determined that the agency was in compliance with Federal requirements in the selected fiscal areas. No findings, problems or issues were identified.

## **SUMMARY/CONCLUSION**

KDVR has implemented the provisions of the 1998 Amendments to the Rehabilitation Act. The CSR showed documentation that eligibility determinations are completed within the 60-day time limit and individuals that receive SSI and SSDI are presumed eligible for services.


The agency does not have standards that are consistent with the requirements found in 34 CFR 361.41 and 361.46 which require the State agency to develop time standards for making the initial contact with the individual after referral and for developing the Individual Plan for Employment (IPE) after eligibility determination. The agency agreed to established time standards for contacting a referral, the development of an IPE and the provision of services on an IPE. The agency will emphasize the 60-day eligibility criteria and the appropriate use of the timeline waiver. The review documented the efforts to provide timely and substantial services towards successful employment outcomes. The coordination of transition between the agency and State DOE services were documented in the case service records.

The Standards and Indicators exceed the requirements and reflect the effort of the agency to provide quality employment outcomes. The review of the transition program of KDVR showed documentation of appropriate interagency cooperation with the DOE. The CBWTP is a collaborative effort between local school districts, the Department for the Blind and the agency. The transition program is effective in the areas of the State where the program is available. No compliance issues were identified in the review of cost allocation under WIA or the selected fiscal requirements.

Mr. Crump  
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We want to thank you and your staff for your assistance and cooperation during the review activities. If you have any questions, please contact Mr. Koldenhoven at 404-562-6331.

Sincerely,

  
*for* Ralph N. Pacinelli  
Regional Commissioner

cc: Ms. Pam Hancock, SRC Chair