

**DRAFT FEDERAL FISCAL YEAR 2024
MONITORING REPORT ON
NEW JERSEY DIVISION OF VOCATIONAL REHABILITATION SERVICES
VOCATIONAL REHABILITATION
AND
SUPPORTED EMPLOYMENT PROGRAMS**

DVRS- Monitoring Report Findings Presentation

February 12, 2025

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Introduction

- Good morning, everyone. We are here to discuss the critical findings and corrective actions related to the Rehabilitation Services Administration (RSA) fiscal year 2024 Monitoring Report of NJ State Vocational Rehabilitation Services and Supported Employment Programs. Our goal is to provide you with a comprehensive overview of the challenges that were identified, the strategic steps we are taking to address them, and the anticipated outcomes of these efforts.
- As we navigate the complexities of federal compliance and financial management, it is imperative that we work collaboratively to enhance the efficiency and effectiveness of our programs. This presentation will highlight our commitment to transparency, accountability, and continuous improvement. We are dedicated to ensuring that our services not only meet regulatory standards but also serve the best interests of our consumers and stakeholders.
- Thank you for your engagement and support as we work together to strengthen our programs and achieve our shared goals. Let's begin.

Overview

Consistent with the requirement in Section 107(a) of the Rehabilitation Act of 1973 (Rehabilitation Act), as amended by Title IV of the Workforce Innovation and Opportunity Act (WIOA), Rehabilitation Services Administration (RSA) conducts annual reviews and periodic on-site monitoring of programs authorized under Title I of the Rehabilitation Act. The objective of monitoring is to support VR agencies and RSA in improving results for individuals with disabilities seeking high-quality competitive integrated employment by responding to the unique needs and challenges of individual agencies and the VR program nationally.

January 29, 2024, through February 2, 2024, RSA conducted a monitoring review of NJ DVRS- General. DVRS received a draft monitor report on December 20, 2024. The draft report included the following:

1. Section 1: The Scope of the Review
2. Section 2: Focus Area-Performance of the State Vocational Services and State Supported Employment Services Programs
3. Section 3: Financial Management of the State Vocational Rehabilitation Services and State Supported Employment Services Programs

Section 1- Scope & Review

In Federal fiscal year (FFY) 2024, RSA conducted an on-site monitoring review of the State Vocational Rehabilitation Services program (VR program) and the State Supported Employment Services program (Supported Employment program) administered by New Jersey Division of Vocational Rehabilitation Services (DVRS). The nature, scope, and focus of this review and the process by which RSA carried out its activities from January 29, 2024, through February 2, 2024, was defined by information regarding the VR agency's use and expenditure of Federal funds, documents, and data submitted by DVRS, taking into account the goals, unique circumstances, and technical assistance needs of the VR agency.

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

- **Finding 2.1: Management Deficiencies in the Federal Award**
- **Corrective Action 2.1: Requirements by RSA for DVRS**
- **2.1.1 Accurate Data Collection and Reporting Methods:** The RSA mandates that the DVRS establish effective methods for the precise collection and reporting of measurable skill gains, credential data, counseling and guidance, as well as information and referral services. These methods should encompass all VR services provided by agency staff and through comparable benefits, ensuring compliance with the standards set forth in 34 C.F.R. § 361.40 and DCL 23-04.
 - **VR Agency Response 2.1.1:** DVRS acknowledges the findings and agrees to implement Corrective Action 2.1.1. DVRS is dedicated to adopting systems and data collection methods that enhance the accuracy of reporting on measurable skill gains, credential data, and the full spectrum of VR services. Updates to policies and the case management system will ensure data precision and adherence to the provisions of 34 C.F.R. § 361.40 and DCL 23-04.
- **2.1.2 Staff Training and Case Reviews:** DVRS is required to conduct staff training on the updated policies related to data collection and reporting of measurable skill gains, credential data, counseling and guidance, and information and referral services. Additionally, regular case reviews must be conducted to ensure accurate data reporting on the RSA-911 form.
 - **VR Agency Response 2.1.2:** DVRS accepts the corrective action outlined in 2.1.2. The agency will provide training for staff on the revised data collection and reporting policies. DVRS is also committed to regularly conducting case reviews to ensure the accuracy of data reported on the RSA-911, in compliance with federal standards.
- **VR Agency Request for Technical Assistance:** DVRS seeks ongoing technical assistance to improve data collection processes and systems. Additionally, DVRS requests support in staff training to enhance their capability in maintaining reporting accuracy, as well as assistance in implementing comprehensive and sustainable case review processes.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS

- **Finding 3.1: Inadequate Policies and Procedures and Non-Compliance with Period of Performance Requirements**
- **Corrective Actions 3.1: Requirements by RSA for DVRS**
- **3.1.1 Financial Data Collection and Analysis Revisions:** The RSA mandates that DVRS revise its financial data collection and analysis process, including necessary system updates, to ensure compliance. This involves:
 - Assigning specific fund sources to individual direct purchase obligations within the case management and State accounting systems. This ensures that liquidations are charged to the appropriate fund sources at the time of obligation, allowing for accurate accounting, tracking, and reporting of all non-Federal funds, program income, as well as Federal Fiscal Year (FFY) appropriation and carryover year award obligations and expenditures, in line with period of performance requirements.
 - Producing reports that show which obligation and expenditure transactions are linked to specific fund sources, such as non-Federal and distinct Federal sources (FAINs). This supports the tracing of expenditures to a level consistent with the terms and conditions of the VR award, allowing accurate reporting of non-Federal and Federal liquidations on the RSA-17 reports for the specified period of performance for Federal awards (FAINs).
 - **VR Agency Response 3.1.1:** DVRS acknowledges the findings, and the requirements outlined in Corrective Action 3.1.1. DVRS is committed to aligning its financial management and reporting processes with federal requirements and state laws. The agency will ensure that all obligations and expenditures are accurately recorded in the case management and State accounting systems, in accordance with the guidelines from the Education Department General Administrative Regulations (EDGAR) 200.403.
 - DVRS will ensure that individual direct purchase obligations are accurately charged to the fund sources assigned at the time of obligation. This will facilitate precise accounting, tracking, and reporting of all non-Federal funds, program income, and FFY of appropriation and carryover year award obligations and expenditures, in compliance with period of performance requirements.
 - DVRS will submit federal reports and ensure accurate tracking and reporting that identifies the assignment of obligation and expenditure transactions to fund sources. The reporting process will comply with the terms and conditions of the VR award and accurately reflect non-Federal and Federal liquidations on the RSA-17 reports for the relevant period of performance for specific Federal awards.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS cont.

- **3.1.2 Update and Implement Period of Performance Policies:**
- Building on the actions outlined in 3.1.1, DVRS is required to update and implement policies and procedures related to the period of performance. These updates will ensure accurate accounting and reporting of all obligations and expenditures for the cost categories identified in 34 C.F.R. § 76.707, assigning them to specific fund sources (such as FAIN) and the corresponding Federal Fiscal Year (FFY) award period of performance. The policies must cover:
 - The assignment of non-Federal and Federal obligations to the correct and specific fund sources within their designated periods of performance, and the liquidation of these funds based on the assigned obligations.
 - The accurate reporting of unliquidated obligations, expenditures, and unobligated Federal and non-Federal funds on the quarterly RSA-17 reports, based on the fund source assigned at the time of obligation.
- **VR Agency Response 3.1.2:**
 - DVRS acknowledges the findings and agrees with the proposed Corrective Action 3.1.2. The agency will update and implement period of performance policies and procedures to ensure precise accounting and reporting of all obligations and expenditures for the cost categories specified in 34 C.F.R. § 76.707, linked to specific fund sources and the corresponding FFY award period. DVRS will ensure that these policies address the assignment of non-Federal and Federal obligations to appropriate fund sources within their defined periods of performance. Additionally, DVRS will establish procedures to ensure the liquidation of funds based on these obligations. The agency will confirm accurate reporting of unliquidated obligations, expenditures, and unobligated Federal and non-Federal funds when submitting the RSA-17 reports.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS cont.

- **3.1.3 Develop and Implement Internal Control Process:**
- To ensure ongoing compliance with federal requirements as outlined in corrective actions 3.1.1 and 3.1.2, DVRS will develop and implement a comprehensive written internal control process, including a monitoring component.
 - **VR Agency Response 3.1.3:**
 - DVRS acknowledges the corrective action requirements in 3.1.3 and is committed to enhancing its financial management systems and internal controls. This initiative aims to improve compliance, accuracy, and efficiency in fund reporting and management. DVRS will undertake a detailed revision of the internal controls manual to encompass all fiscal processes, including those related to federal and non-federal obligations, expenditures, periods of performance, fund liquidations, and federal reporting submissions. The agency will also ensure precise tracking and reporting of unliquidated obligations, expenditures, and unobligated funds in the RSA-17 reports using existing software tools.
 - **VR Agency Request for Technical Assistance:** DVRS requests ongoing technical assistance to support the revision of its internal controls manual, enhance data management, and ensure accurate tracking and reporting.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS cont.

- **Finding 3.2: Federal Financial Reporting Deficiencies**
- **Corrective Action 3.2: Requirements by RSA for DVRS**
- **3.2.1 Development and Implementation of Reporting Policies:**
 - In the first quarterly update following the approval of the Corrective Action Plan, DVRS must develop and implement comprehensive written policies and procedures for Federal financial reporting. These policies should detail the specific processes DVRS will use to:
 - Collect data from the case management system, State accounting system, and personnel system.
 - Analyze, synthesize, and map program and fiscal data to the data elements required on Federal Financial and performance reports, specifically including the RSA-17 and SF-425 reports.
 - Develop, monitor for accuracy, and submit Federal reports.
 - **VR Agency Response 3.2.1:** DVRS acknowledges the findings, and the requirements specified in Corrective Action 3.2.1. The agency is committed to enhancing its written policies for Federal financial reporting by providing detailed descriptions of how data is collected from the program case management, State accounting, and personnel systems. DVRS will also describe how program and fiscal data are analyzed, reviewed, and mapped to the data elements on the RSA-17, SF-425, and other required Federal Financial and performance reports. The agency will ensure the development, monitoring for accuracy, and submission of Federal reports. By implementing these measures in the first quarterly update after the Corrective Action Plan's approval, DVRS aims to improve its financial reporting processes and ensure compliance with federal requirements.
 - **VR Agency Request for Technical Assistance:** DVRS requests ongoing technical assistance to further refine and enhance its written policies and procedures related to Federal financial reporting.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS cont.

- **Finding 3.3: Unallowable Costs**
- **Corrective Actions 3.3: Requirements by RSA for DVRS**
- **3.3.1 Cease Unallowable Payments:**
 - DVRS must stop paying any form of honorarium or stipends to students with disabilities for participating in and completing pre-employment transition services.
 - **VR Agency Response 3.3.1:** DVRS acknowledges the findings and requirements outlined in Corrective Action 3.3.1. The agency is taking immediate steps to address and halt these unallowable payments to students.
- **3.3.2 Develop Internal Controls:**
 - DVRS is required to develop and implement internal controls to ensure that contract language accurately reflects allowable costs and excludes unallowable ones.
 - **VR Agency Response 3.3.2:** DVRS accepts the findings and requirements outlined in Corrective Action 3.3.2. The agency will implement internal controls to ensure that contract language does not include unallowable costs. DVRS will ensure that all staff members are informed of and comply with federal and state regulations regarding allowable and unallowable costs.
- **3.3.3 Revise Internship Contracts:**
 - DVRS must terminate or revise existing pre-employment transition service internship contracts to remove unallowable costs and ensure proper payment for services.
 - **VR Agency Response 3.3.3:** DVRS acknowledges the findings and requirements outlined in Corrective Action 3.3.3. The agency will revise all current pre-employment contracts to eliminate any language related to unallowable costs and ensure that all parties involved understand which expenses are permissible.
 - **VR Agency Request for Technical Assistance:** DVRS requests ongoing technical assistance to improve understanding of allowable and unallowable costs, the factors affecting cost allowability, and to provide training opportunities for staff.

SECTION 3: FOCUS AREA – FINANCIAL MANAGEMENT OF THE STATE VOCATIONAL REHABILITATION SERVICES AND STATE SUPPORTED EMPLOYMENT SERVICES PROGRAMS cont.

- **Corrective Actions 3.4: Requirements by RSA for DVRS**
- **3.4.1 Development of Policies for Expenditures:**
- Within two quarters following the final monitoring report, DVRS must develop and implement policies and procedures, including a monitoring component, to ensure that only allowable non-Federal and Federal Supported Employment expenditures are charged to the SE-A and SE-B awards, in accordance with 2 C.F.R. § 200.328(a).
 - **VR Agency Response 3.4.1:** DVRS acknowledges the findings and requirements in Corrective Action 3.4.1. The agency will develop and implement comprehensive policies and procedures with a monitoring component to ensure that only allowable expenditures are charged to the SE-A and SE-B awards, in compliance with 2 C.F.R. § 200.328(a). These measures will be in place within two quarters following the issuance of the final monitoring report.
- **3.4.2 Accurate Reporting on SF-425 Reports:**
- Within two quarters of the final monitoring report, DVRS must develop and implement policies and procedures to ensure that only allowable Supported Employment expenditures, including the non-Federal share, are accurately reported on the SF-425 reports for the SE-A and SE-B awards. This includes a detailed process for extracting, synthesizing, mapping, and reporting fiscal data accurately in the SF-425 data elements for each report.
 - **VR Agency Response 3.4.2:** DVRS accepts the findings and requirements in Corrective Action 3.4.2. The agency will ensure that the data used in the SF-425 report is accurate and complies with federal standards, ensuring only allowable Supported Employment expenditures, including the non-Federal share, are accurately reported for the SE-A and SE-B awards. The procedures will detail how fiscal data is extracted, synthesized, mapped, and accurately reported for each data element in the SF-425 report, within the first two quarters after the final monitoring report is issued.
 - **VR Agency Request for Technical Assistance:** DVRS requests ongoing technical assistance to aid in the development of these policies and procedures, given the complexity and funding structure differences between Supported Employment (A) and Supported Employment (B) awards.

Conclusion

In conclusion, our presentation today outlined the critical findings and necessary corrective actions needed to enhance the operational and financial management of our State Vocational Rehabilitation Services and Supported Employment Programs. Through diligent implementation of these corrective measures, we aim to ensure compliance with federal requirements, improve the accuracy of our financial reporting, and optimize the delivery of services to our constituents. We are committed to transparency, accountability, and continuous improvement in our processes. As we move forward, we welcome ongoing collaboration and technical assistance to support our efforts in meeting these objectives effectively. Thank you for your attention and commitment to fostering a more efficient and compliant program.