

**FISCAL YEAR 2012
MONITORING REPORT
ON THE
MARYLAND DIVISION OF
REHABILITATION SERVICES
STATE INDEPENDENT LIVING SERVICES
AND
OLDER INDIVIDUALS WHO ARE BLIND
PROGRAMS**



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

MAY 24, 2012

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SECTION 1: EXECUTIVE SUMMARY

Background

On March 5, 2012, through March 8, 2012, the Rehabilitation Services Administration (RSA) conducted a monitoring review of Maryland's performance and compliance with statutory and regulatory requirements related to the Division of Rehabilitation Services (DORS) administration of the state independent living programs below authorized by Title VII of the Rehabilitation Act of 1973, as amended (Rehabilitation Act).

State Independent Living Services (SILS), authorized by Title VII, Chapter 1, Part B, of the Rehabilitation Act (IL Part B):

The purpose of the SILS program, as stated in Sec. 34 CFR 364.2, is to promote a philosophy of independent living (IL), including a philosophy of consumer control, peer support, self-help, self-determination, equal access, and individual and system advocacy, to maximize the leadership, empowerment, independence, and productivity of individuals with significant disabilities, and to promote and maximize the integration and full inclusion of individuals with significant disabilities into the mainstream of American society.

Independent Living Services for Older Individuals Who Are Blind (OIB), authorized by Title VII, Chapter 2, of the Rehabilitation Act (Chapter 2):

The purpose of the OIB program is to support projects that provide any of the IL services to older individuals who are blind that are described in Sec. 34 CFR 367.3(b), including the four IL core services; conduct activities that will improve or expand services for these individuals; and conduct activities to help improve public understanding of the problems of these individuals.

Through its monitoring of the state IL programs in Maryland, in fiscal year (FY) 2012, RSA:

- reviewed the state's progress toward implementing recommendations and resolving findings identified during the prior monitoring cycle (FY 2007 through 2010);
- reviewed the state's performance in assisting individuals with significant disabilities to maximize their independent living;
- recommended strategies to improve performance and required corrective actions in response to compliance findings related to the three focus areas, including:
 - organizational structure of the DSU with respect to its required duties for the SILS and OIB programs; Statewide Independent Living Council (SILC) status, placement and composition; performance of SILC duties; and working relationships among the DSU, SILC, IL, and OIB service providers;
 - priority IL and OIB services for the SILS and OIB programs, including IL core services; youth transition and nursing home transition services; population priorities as identified in the State Plan for Independent Living (SPIL), including urban and rural; and strategies, activities and evaluation methods related to IL and

- OIB priority services and populations, including consumer satisfaction evaluations; and
- fiscal integrity of the SILS and OIB program;
- provided technical assistance to the DSU and SILC to enable them to enhance the performance and resolve findings of noncompliance for the SILS and OIB programs.

The nature and scope of this review and the process by which RSA carried out its monitoring activities, including the conduct of the on-site review, are described in detail in RSA's FY 2012 Independent Living Monitoring and Technical Assistance Guide (IL/MTAG) located at: <http://www.ed.gov/rschstat/eval/rehab/monitoring-il.html>.

Summary of Observations

RSA's review of DORS resulted in the observations related to the focus areas identified below. The entire observations and the recommendations made by RSA that the agency can undertake to improve its performance are contained in Section 5 of this report.

Priority IL Services/Populations

SILS Program

- With respect to its monitoring of the implementation of the SPIL, the MSILC needs to collect additional data regarding priority populations identified in the SPIL that are served by CILs.

Summary of Compliance Findings

RSA's review resulted in the identification of compliance findings in the focus areas specified below. The complete findings and the corrective actions that DORS must undertake to bring itself into compliance with pertinent legal requirements are contained in Section 7 of this report.

SILS and OIB Programs

- DORS employees working on more than one federal grant program or cost objective did not complete personnel activity reports or equivalent documentation necessary to support personnel expenditures (SILS and OIB programs).
- DORS does not have internal controls in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes. (SILS program)
- DORS required SILS subgrantees to provide match as a condition for receiving IL Part B funds under the SILS program, which does not meet federal regulations. (SILS program)

Development of the Technical Assistance Plan

RSA will collaborate closely with DORS, the Independent Living Research Utilization Training and Technical Assistance center (ILRU), and the Region III Technical Assistance and Continuing Education (TACE) center, to develop a plan to address the technical assistance needs

identified by DORS in Appendix A of this report. RSA, DORS, ILRU, and the Region III TACE will conduct a teleconference within 30 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, DORS, ILRU, and the Region III 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 David Steele and Tarsha Johnson (Fiscal Unit); Pamela Hodge and Deborah Cotter (Independent Living Unit); Joan Ward (Data Collection and Analysis Unit); Ed West, Zera Hoosier and Sandy DeRobertis (Vocational Rehabilitation Unit) and Joe Doney (Technical Assistance 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.

Acknowledgement

RSA wishes to express appreciation to the representatives of DORS for the cooperation and assistance extended throughout the monitoring process. RSA also appreciates the participation of the MSILC, the CILs, the Client Assistance Program and other stakeholders in the monitoring process.

SECTION 2: DATA ANALYSIS

This section presents data and analyses related to IL and OIB services in Maryland as well as the DORS fiscal administration of IL Part B and Chapter 2 funds. It should not be construed as a definitive or exhaustive review of all available agency program data and thus does not necessarily capture all possible programmatic or fiscal trends. DORS and the SILC may wish to conduct their own analyses incorporating other available data to substantiate, confirm or expand upon any trends identified in RSA's analysis.

IL Services Analysis

Tables 2.1a, 2.1b, and 2.1c present statewide trends regarding IL services provided by DORS, CILs and/or other service providers, as applicable, through IL Part C, IL Part B and other federal/nonfederal funds, under Maryland's approved SPIL.

Table 2.1a
Maryland IL Services Provided Directly or Indirectly (excluding Part C CILs) for
FY 2008 through FY 2011

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
Consumers Served—Overall					
Number of consumers with CSRs opened during the reporting year	36	11	46	34	-5.6%
Number of consumers with CSRs opened during a prior year	153	15	8	33	-78.4%
Total number of consumers served	189	26	54	67	-64.6%
CSRs opened during the reporting year as a percentage of all CSRs	19.0%	42.3%	85.2%	50.7%	31.7*
IL Goals—Overall					
Number of CSRs closed with all goals met	126	4	21	37	-70.6%
CSRs closed with all goals met as a percentage of all CSRs	72.4%	30.8%	100.0%	92.5%	20.1*
Total number of goals set	204	28	76	79	-61.3%
Total number of goals met	188	2	30	25	-86.7%
Goal achievement rate*	92.2%	7.1%	39.5%	31.6%	-60.5*
IL Core Services					
Number of individuals receiving I&R services	0	0	0	0	
Number of consumers receiving IL skills training	0	0	0	0	
Number of consumers receiving peer support services	0	0	0	0	
Number of consumers receiving individual advocacy services	0	0	0	0	

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
Core services total	0	0	0	0	
IL services total	48	19	73	70	45.8%
Core services as a percentage of IL services total	0.0%	0.0%	0.0%	0.0%	0.0*
<i>For IL Core Services excluding I&R</i>					
Core services (excluding I&R)	0	0	0	0	
All IL services total (excluding I&R)	48	19	73	70	45.8%
Core services as a percentage of IL services total (excluding I&R)	0.0%	0.0%	0.0%	0.0%	0.0*
Transition—Youth					
Number of consumers ages 5 to 24	4	2	2	1	-75.0%
Consumers ages 5 - 24 as a percentage of all consumers	2.1%	7.7%	3.7%	1.5%	-0.6*
Number of consumers receiving youth/transition services	0	0	0	0	
Youth/transition as percentage of all services	0.0%	0.0%	0.0%	0.0%	0.0*
Transition—Institution/Nursing Home Relocation					
Number of institution/nursing home relocation goals set	21	2	12	4	-81.0%
Institution/nursing home relocation as percentage of all goals set	10.3%	7.1%	15.8%	5.1%	-5.2*
Goal achievement rate	85.7%	0.0%	75.0%	25.0%	-60.7*
Additional Maryland SPIL-Specific Priority					
Number of Hispanic/Latino Consumers	0	0	0	0	
Hispanics/Latinos as percentage of all consumers	0.0%	0.0%	0.0%	0.0%	0.0*

**Represents the 2011 percentage minus the 2008 percentage.*

**Table 2.1b
Maryland IL Services Provided by Part C CILs Only for FY 2008 through FY 2011**

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
Consumers Served—Overall					
Number of consumers with CSRs opened during the reporting year	468	438	638	684	46.2%
Number of consumers with CSRs opened during a prior year	1,252	1,197	1,285	1,280	2.2%
Total number of consumers served	1,720	1,635	1,923	1,964	14.2%

	2008	2009	2010	2011	Percent Change 2008—2011
IL Program Data					
CSRs opened during the reporting year as a percentage of all CSRs	27.2%	26.8%	33.2%	34.8%	7.6*
IL Goals—Overall					
Number of CSRs closed with all goals met	79	149	148	253	220.3%
CSRs closed with all goals met as a percentage of all CSRs	19.5%	37.5%	22.8%	33.9%	14.4*
Total number of goals set	6,014	5,554	6,114	4,822	-19.8%
Total number of goals met	2,916	2,900	3,414	2,295	-21.3%
Goal achievement rate*	48.5%	52.2%	55.8%	47.6%	-0.9*
IL Core Services					
Number of individuals receiving I&R services	7,953	7,358	4,416	4,977	-37.4%
Number of consumers receiving IL skills training	1,047	901	922	711	-32.1%
Number of consumers receiving peer support services	964	970	1,594	1,576	63.5%
Number of consumers receiving individual advocacy services	1,033	863	926	912	-11.7%
Core services total	10,997	10,092	7,858	8,176	-25.7%
IL services total	15,599	14,875	13,224	12,545	-19.6%
Core services as a percentage of IL services total	70.5%	67.8%	59.4%	65.2%	-5.3*
<i>For IL Core Services excluding I&R</i>					
Core services (excluding I&R)	3,044	2,734	3,442	3,199	5.1%
All IL services total (excluding I&R)	7,646	7,517	8,808	7,568	-1.0%
Core services as a percentage of IL services total (excluding I&R)	39.8%	36.4%	39.1%	42.3%	2.5*
Transition—Youth					
Number of consumers ages 5 to 24	185	159	231	255	37.8%
Consumers ages 5 - 24 as a percentage of all consumers	10.8%	9.7%	11.6%	13.0%	2.2*
Number of consumers receiving youth/transition services	154	159	142	102	-33.8%
Youth/transition as percentage of all services	1.0%	1.1%	1.1%	0.8%	-0.2*
Transition—Institution/Nursing Home Relocation					
Number of institution/nursing home relocation goals set	107	108	147	135	26.2%
Institution/nursing home relocation as percentage of all goals set	1.8%	1.9%	2.4%	2.8%	1.0*
Goal achievement rate	46.7%	30.6%	34.7%	55.6%	8.8*

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
Additional Maryland SPIL-Specific Priority					
Number of Hispanic/Latino Consumers	59	83	103	114	93.2%
Hispanics/Latinos as percentage of all consumers	3.5%	5.2%	5.5%	5.9%	2.4*

*Represents the 2011 percentage minus the 2008 percentage.

Table 2.1c
Maryland IL Services Provided by DORS Directly or Indirectly (including Part C CILs)
for FY 2008 through FY 2011

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
Consumers Served—Overall					
Number of consumers with CSRs opened during the reporting year	504	449	684	718	42.5%
Number of consumers with CSRs opened during a prior year	1,405	1,212	1,293	1,313	-6.5%
Total number of consumers served	1,909	1,661	1,977	2,031	6.4%
CSRs opened during the reporting year as a percentage of all CSRs	26.4%	27.0%	34.6%	35.4%	9.0*
IL Goals—Overall					
Number of CSRs closed with all goals met	205	153	169	290	41.5%
CSRs closed with all goals met as a percentage of all CSRs	35.3%	37.3%	25.2%	36.8%	1.5*
Total number of goals set	6,218	5,582	6,190	4,901	-21.2%
Total number of goals met	3,104	2,902	3,444	2,320	-25.3%
Goal achievement rate*	49.9%	52.0%	55.6%	47.3%	-2.6*
IL Core Services					
Number of individuals receiving I&R services	7,953	7,358	4,416	4,977	-37.4%
Number of consumers receiving IL skills training	1,047	901	922	711	-32.1%
Number of consumers receiving peer support services	964	970	1,594	1,576	63.5%
Number of consumers receiving individual advocacy services	1,033	863	926	912	-11.7%
Core services total	10,997	10,092	7,858	8,176	-25.7%
IL services total	15,647	14,894	13,297	12,615	-19.4%
Core services as a percentage of IL services total	70.3%	67.8%	59.1%	64.8%	-5.5*

IL Program Data	2008	2009	2010	2011	Percent Change 2008—2011
<i>For IL Core Services excluding I&R</i>					
Core services (excluding I&R)	3,044	2,734	3,442	3,199	5.1%
All IL services total (excluding I&R)	7,694	7,536	8,881	7,638	-0.7%
Core services as a percentage of IL services total (excluding I&R)	39.6%	36.3%	38.8%	41.9%	2.3*
Transition—Youth					
Number of consumers ages 5 to 24	189	161	233	256	35.4%
Consumers ages 5 - 24 as a percentage of all consumers	9.9%	9.7%	11.4%	12.6%	2.7*
Transition—Institution/Nursing Home Relocation					
Number of consumers receiving youth/transition services	154	159	142	102	-33.8%
Youth/transition as percentage of all services	1.0%	1.1%	1.1%	0.8%	-0.2*
Transition—Institution/Nursing Home Relocation					
Number of institution/nursing home relocation goals set	128	110	159	139	8.6%
Institution/nursing home relocation as percentage of all goals set	2.1%	2.0%	2.6%	2.8%	0.8*
Goal achievement rate	53.1%	30.0%	37.7%	54.7%	1.6*
Additional Maryland SPIL-Specific Priority					
Number of Hispanic/Latino Consumers	59	83	103	114	93.2%
Hispanics/Latinos as percentage of all consumers	3.1%	5.1%	5.3%	5.7%	2.6*

**Represents the 2011 percentage minus the 2008 percentage.*

IL Performance Trends

Refer to Table 2.1c, Maryland IL Services Provided by DORS Directly or Indirectly (including Part C CILs) for FY 2008 through FY 2011, for the data analysis below.

Positive Trends

A positive trend identified in Maryland's IL performance includes a 45.5 percent increase in the total number of consumer service records (CSRs) opened during the reporting years from FY 2008 to FY 2011 (504 in FY 2008 to 718 in FY 2011). Likewise, the total number of consumers served also increased by 6.4 percent (1,909 in FY 2008 to 2,031 in FY 2011). Another positive trend is the 41.5 percent increase in the total number of consumers closed with all goals met (205 consumers in FY 2008 to 290 consumers in FY 2011). Additionally, there has been a 1.5 percent increase in the number of consumers closed with all goals met (from 35.3 percent in FY 2008 to 36.8 percent in FY 2011).

There has been a 5.1 percent increase in the number of consumers who were provided the core services (excluding information and referral) between FY 2008 (3,044 consumers) and FY 2011 (3,199 consumers). This resulted in a 2.3 percent increase (from 39.6 percent in FY 2008 to 41.9 percent in FY 2011) in the percentage of core services provided (excluding information and referral) as a percentage of the total number of IL services provided to consumers between FY 2008 and FY 2011.

Another positive trend was an increase of 8.6 percent in the number of institution/nursing home relocation goals set between FY 2008 and FY 2011 (128 goals set in FY 2008 to 139 goals set in FY 2011). Additionally the goal achievement rate also increased during this same period from 53.1 percent in FY 2008 to 54.7 percent in FY 2011. This population was identified in the SPIL as a priority population. Another population identified in the SPIL as a priority population, the Hispanic/Latino population, has shown a 93.2 percent increase in the number of consumers served by Maryland from FY 2008 to FY 2011 (59 consumers in FY 2008 to 114 in FY 2011). Maryland's SPIL also identifies youth with disabilities as another priority population. There has been an increase of 35.4 percent from FY 2008 to FY 2011 in the number of consumers who were between the ages of 5 and 24 (189 in FY 2008 to 256 in FY 2011).

Trends Indicating Potential Risk to the Performance of the IL Program

The overall goal achievement rate has decreased by 2.6 percentage points from FY 2008 to FY 2011. In FY 2008, 49.9 percent of the consumers achieved all of the goals they had set, while in FY 2011, 47.3 had achieved all of their goals. The total number of consumers who have received services has decreased by 19.4 percent from 15,647 in FY 2008 to 12,615 in FY 2011.

Also, although there has been an increase in the number of consumers between the ages of 5 and 24, the number of consumers receiving youth/transition services has decreased by 33.8 percent (154 consumers in FY 2008 to 102 consumers in FY 2011). Additionally, the percentage of consumers who received youth/transition services as a percentage of all services has remained constant at approximately one percent for the same period.

OIB Services Analysis

Table 2.1d presents statewide trends regarding OIB services provided by the DORS and/or other service providers, as applicable, through Title VII, Chapter 2 funds and/or other federal and nonfederal funds, based on the 7-OB Report.

Table 2.1d
OIB Services—FY 2008 through FY 2011

OIB Program Data	2008	2009	2010	2011	% Change 2008—2011
Expenditures					
Total amount of funds awarded	542,771	574,677	573,665	574,648	5.9%
Total amount of funds expended	1,035,290	972,535	1,003,713	858,211	-17.1%

OIB Program Data	2008	2009	2010	2011	% Change 2008—2011
Staffing					
Total number of FTEs (agency, contractors & volunteers)	17.83	23.64	23.64	21.64	21.4%
Consumers					
Total number of consumers carried over from prior year	316	241	313	311	-1.6%
Total number of new consumers served	548	615	661	544	-0.7%
Total number of consumers served	864	856	974	855	-1.0%
Race and Ethnicity					
American Indian/Alaska Native	0	14	1	3	
Asian	5	0	14	14	180.0%
Black or African American	230	11	360	295	28.3%
Native Hawaiian or Other Pacific Islander	0	261	1	1	
White	609	0	507	476	-21.8%
Hispanic/Latino of any race or Hispanic/Latino only	7	472	14	17	142.9%
Two or more races	7	6	8	12	71.4%
Race and ethnicity unknown	6	92	69	37	516.7%
Total	864	856	974	855	-1.0%
Degree of Visual Impairment					
Totally Blind	341	351	381	408	19.6%
Legally Blind	96	90	200	179	86.5%
Severely Visually Impaired	427	415	393	268	-37.2%
Total	864	856	974	855	-1.0%
Specific MD OIB Services Provided					
Vision screening/vision examination/low vision evaluation	341	296	169	102	-70.1%
Surgical or therapeutic treatment	0	206	251	310	
Provision of assistive technology devices and aids	389	280	249	413	6.2%
Provision of assistive technology services	230	187	284	233	1.3%
Independent living and adjustment skills training	386	364	417		
Orientation and mobility training	244	175	266	262	7.4%
Communication skills	141	108	148	104	-26.2%
Daily living skills	156	147	218	192	23.1%
Supportive services	113	106	54	50	-55.8%

OIB Program Data	2008	2009	2010	2011	% Change 2008—2011
Advocacy training and support networks	171	109	146	106	-38.0%
Counseling	121	99	230	91	-24.8%
Information referral and community integration	145	335	1,140	1,159	699.3%
Other IL services	141	127	88	111	-21.3%

OIB Performance Trends

Positive Trends

From FY 2008 to FY 2011, there has been a 5.9 percent increase in the total amount of funds awarded to the DORS OIB program (\$542,771 in FY 2008 to \$574,648 in FY 2011). Staffing has increased by over 21.4 percent for the same period (17.8 FTEs in FY 2008 to 21.6 FTEs in FY 2011). In addition, there was a 12.7 percent increase in the number of individuals who were served by the DORS OIB program between FY 2008 and FY 2010 (864 individuals in FY 2008 to 974 individuals in FY 2010).

In FY 2011, the DORS OIB program provided more information referral and community integration services, daily living skills, orientation and mobility training, provision of assistive technology devices and aids, and provision of assistive technology services to its consumers than it provided in FY 2008. Additionally, there has been an increase in the number of minority populations served by the OIB program between FY 2008 and FY 2011. The number of black and African American consumers has increased by 28 percent (230 consumers in FY 2008 to 295 consumers in FY 2011). The percentage of consumers who were Hispanic/Latino of any race or Hispanic/Latino increased by 143 percent between FY 2008 and FY 2011 (7 consumers in FY 2008 to 17 in FY 2011). In contrast, the number of white consumers has decreased 22 percent (609 consumers in FY 2008 to 476 consumers in FY 2011).

Trends Indicating Potential Risk to the Performance of the OIB Program

Although there was a six percent increase in the total amount of funds awarded to the DORS OIB program from FY 2008 to FY 2011, there was a decrease of 17.1 percent in total funds expended (\$1,035,290 in FY 2008 and \$858,211 in FY 2011). As noted above, there was a 12.7 percent increase in the number of individuals who were served by the DORS OIB program between FY 2008 and FY 2010. However, between FY 2010 and FY 2011, there was a decrease of 13.9 percent (974 consumers in FY 2010 to 855 consumers in FY 2011). Additionally, the number of individuals who received services has remained relatively constant from FY 2008 to FY 2011 and decreased by one percent (864 in FY 2008 and 855 in FY 2011).

There was a decrease in the number of individuals who received vision screening/vision examination/low vision evaluation, orientation and mobility training, communication skills, supportive services, advocacy training and support networks, and counseling between FY 2008 and FY 2011. Although the percentage of consumers who were Hispanic/Latino of any race or

Hispanic/Latino increased by 143 percent between FY 2008 and FY 2011, this population represented only two percent of the total population served in FY 2011.

While accurate data is critical to an agency’s understanding of its performance and plays an integral part in program decisions that benefit its consumers, there are possible coding errors in the data reported for the OIB program in the race/ethnicity data reported for FY 2009, independent living and adjustment skills training data reported for FY 2011, and surgical or therapeutic treatment data reported for FY 2008.

SILS Fiscal Analysis

Table 2.2a
SILS Fiscal Data—FY 2007 through FY 2011

IL Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Grant amount per MIS	4 th	314,178	306,118	321,437	319,901	320,006
	Latest/ Final*	314,178	306,118	321,437	319,901	
Total outlays	4 th	1,230,423	1,102,907	733,859	1,029,462	1,034,996
	Latest/ Final*	1,230,423	1,169,074	897,287	1,029,462	
Total unliquidated obligations	4 th	0	66,167	98,267	97,789	100,911
	Latest/ Final*	0	0	0	0	
Federal share of total outlays	4 th	314,178	239,951	158,009	222,112	219,095
	Latest/ Final*	314,178	306,118	321,437	319,901	
Federal share of unliquidated obligations	4 th	0	66,167	98,267	97,789	100,911
	Latest/ Final*	0	0	0	0	
Total federal share	4 th	314,178	306,118	256,276	319,901	320,006
	Latest/ Final*	314,178	306,118	321,437	319,901	
Recipient funds	4 th	916,245	862,956	575,850	709,561	714,990
	Latest/ Final*	916,245	862,956	575,850	709,561	
Recipient share of unliquidated obligations	4 th	0	0	0	0	0
	Latest/ Final*	0	0	0	0	
Agency actual match (total recipient share)	4 th	916,245	862,956	575,850	709,561	714,990
	Latest/ Final*	916,245	862,956	575,850	709,561	
Agency required match	4 th	34,909	34,013	35,715	35,545	35,556
	Latest/ Final*	34,909	34,013	35,715	35,545	
Over/under match	4 th	881,336	828,943	540,135	674,016	679,434
	Latest/ Final*	881,336	828,943	540,135	674,016	
Unobligated funds qualifying for carryover	4 th	0	0	65,161	0	0

IL Fiscal Profile	Quarter	2007	2008	2009	2010	2011
	Latest/ Final*	0	0	0	0	
Total program income realized	4 th	0	0	0	0	0
	Latest/ Final*	0	0	0	0	
Total indirect costs	4 th	0	0	3,352	8,591	10,879
	Latest/ Final*	0	0	4,662	9,420	

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

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

A review of the SILS fiscal performance data from FYs 2007 through 2011 yielded several trends. The agency was efficient in liquidating both non-federal and federal funds, with only one year having 4th quarter unliquidated obligations in either category from FY 2006 through the fourth quarter of FY 2011. State-appropriated funds comprised the total non-federal share over the five-year span. As a result, the agency successfully met its match requirement in all five years.

OIB Fiscal Analysis

Table 2.2b
OIB Fiscal—FY 2007 through FY 2011

OIB Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Grant amount per MIS	4 th	558,434	542,771	574,677	573,665	574,648
	Latest/ Final*	558,434	542,771	574,677	573,665	
Total outlays	4 th	590,901	582,046	586,645	434,823	646,557
	Latest/ Final*	620,482	603,079	638,530	637,406	
Total unliquidated obligations	4 th	29,581	21,033	36,362	187,427	130,369
	Latest/ Final*	0	0	0	18,797	
Federal share of total outlays	4 th	528,853	521,738	522,792	183,655	364,434
	Latest/ Final*	558,434	542,771	574,677	554,868	
Federal share of unliquidated obligations	4 th	29,581	21,033	36,362	187,427	130,369
	Latest/ Final*	0	0	0	18,797	
Total federal share	4 th	558,434	542,771	559,154	371,082	494,803
	Latest/ Final*	558,434	542,771	574,677	573,665	
Recipient funds	4 th	62,048	60,308	63,853	63,741	151,754
	Latest/ Final*	62,048	60,308	63,853	63,741	
Recipient share of unliquidated obligations	4 th	0	0	0	0	0
	Latest/ Final*	0	0	0	0	
Agency actual match (total recipient share)	4 th	62,048	60,308	63,853	63,741	151,754
	Latest/ Final*	62,048	60,308	63,853	63,741	

OIB Fiscal Profile	Quarter	2007	2008	2009	2010	2011
Agency required match	4 th	62,048	60,308	63,853	63,741	63,850
	Latest/ Final*	62,048	60,308	63,853	63,741	
Over/under match	4 th	0	0	0	0	87,904
	Latest/ Final*	0	0	0	0	
Unobligated funds qualifying for carryover	4 th	0	0	15,523	202,583	79,845
	Latest/ Final*	0	0	0	0	
Total program income realized	4 th	0	0	0	0	0
	Latest/ Final*	0	0	0	0	
Total indirect costs	4 th	0	646	1,111	3	50
	Latest/ Final*	12	767	824	88	

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

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

A review of the OIB fiscal performance data from FYs 2007 through 2011 indicates the agency was efficient in liquidating non-federal funds by the end of the grant award period. State appropriated funds comprised the total non-federal share over the five-year span. Data indicates that the state's funding for OIB services increased by \$87,904 in FY 2011. The agency successfully met its match requirement in all five years. The FY 2009 4th quarter indirect cost charges appear to have been reported incorrectly. The data shows a decrease in the indirect costs charged between the 4th quarter and the final report.

SECTION 3: RESULTS OF PRIOR MONITORING ACTIVITIES

During its review of the SILS and OIB programs in FY 2012, RSA assessed progress toward the implementation of recommendations that DORS agreed to address during the prior monitoring cycle in FY 2007 and the resolution of findings from that review.

Recommendations

In response to RSA's monitoring report dated September 7, 2007, MD agreed to implement the recommendations below. A summary of the agency's progress toward implementation of each recommendation appears below.

SILS program

Goal: To promote and enhance quality independent living outcomes for individuals with disabilities in Maryland through independent living programs, including the older blind program.

IL Objective 1: To maintain a legally constituted and fully functioning SILC in Maryland at all times.

Develop and implement a SILC capacity-building plan focused on fulfillment of SILC duties, responsibilities, and other requirements:

Status: MSILC has reviewed its bylaws, policies and procedures and promotional materials. While there are no fiscal policies and procedures for the SILC to conduct its business, the DSU is serving as the MSILC's fiscal agent. As such, MSILC is required to follow existing state fiscal and procurement policies and procedures. The MSILC meets every two months and attends national and regional conferences. MSILC promotes systems advocacy related to major initiatives across the country.

DORS hired an Administrative Officer for the MSILC. The Administrative Officer works as a contract state employee and the job description outlines job duties and responsibilities. DORS and the MSILC supervise and evaluate the contract employee on an annual basis.

The MSILC has established a grid that outlines each category for SILC membership in order to meet the federal requirements for composition. As members' terms expire, the grid is evaluated to determine what categories need to be filled.

The MSILC has developed a process for nominating potential members to the SILC. Potential members are asked to complete an application and attend a SILC meeting. The SILC moves the applicant forward if the person qualifies as a potential candidate to the Governor's office for appointment.

This objective has been achieved because the MSILC is fully constituted.

IL Objective 2: DORS, the Maryland SILC, and the Maryland centers for independent living, will enhance and strengthen collaboration in the development and evaluation of the Maryland state plan for independent living.

Status: DORS, the SILC and the CILs have established an IL Partners meeting that occurs quarterly to evaluate progress on SPIL goals. A spreadsheet has been developed to track SPIL goal progress. The spreadsheet does not reflect progress on IL service priorities such as, returning veterans, youths with disabilities and consumers with limited English proficiency.

This objective has been partially achieved. The SILC is unable to track IL priority services and does not have access to accurate and consistent data.

IL Objective 3: Enhance employment, independence and self-sufficiency of individuals with significant disabilities in Maryland by facilitating collaboration between Centers for Independent Living and the Division of Rehabilitation Services.

Status: DORS and the CILs conduct cross referrals for IL and VR services.

There are a total of eight CILs that comprise the CIL network in Maryland. CIL representatives are selected to conduct presentations about CILs and CIL services during new counselor training.

DORS has enhanced information about CILs by providing a link on their website. Some of the CILs have included links on their websites to DORS.

This objective has been partially achieved. Other strategies not achieved included: development of a work group to explore new collaborative efforts for cross training and strengthening IL and VR services for transitioning youth; preparing a paper for a breakout session at the annual DORS conference; and, conducting an annual CIL conference.

IL Objective 4: The MD IL partners will collaborate to develop and implement a Quality Assurance (QA) System for the IL program.

Status: No progress has been achieved for this objective.

OIB Program

OIB Objective 1: Identify and implement strategies for managing the costs of expensive assistive technology in the OIB program.

Status: DORS has provided Assistive Technology (AT) training to CIL staff and VR counselors regarding low tech alternatives, AT resources and cost-management practices. DORS, the SILC and CILS, and the Maryland-TAP collaborated to identify, share and distribute community resources for assistive technology, such as businesses that donate computers, materials for ramps and labor to complete home modifications.

Technical Assistance

During the course of its FY 2012 monitoring activities, RSA provided technical assistance to enable Maryland to implement recommendations identified through the FY 2007 review.

SILS Program

During the review, RSA provided technical assistance on collaboration of the development and evaluation of the Maryland SPIL. RSA, DORS, the MSILC, and the CILs explored strategies on collecting accurate and consistent data and tracking IL core services and IL priority services/populations.

SECTION 4: SILS AND OIB ORGANIZATIONAL STRUCTURE

The purpose of this focus area was to assess the compliance of the DORS with the federal requirements related to the organization and administration of the SILS and OIB programs with respect to performance of the DSU's required duties; SILC status, placement and composition; performance of SILC duties; and working relationships among the DSU, SILC, IL, and OIB service providers. Specifically, RSA engaged in a review of the following documents:

- DSU's policies and procedures related to IL services and service providers, including DSU contracts with service providers, requests for proposals, MOUs, monitoring tools and reports;
- DSU organizational chart indicating all staff responsible for the SILS and OIB programs;
- documents related to the SILC's legal status in the state as applicable, including executive order establishing SILC bylaws; SILC membership roster designating appointment categories and terms; DSU agreements with SILC; SILC resource plan;
- most recent 704 Part I and II performance reports and 7-OB report; and
- current State Plan for Independent Living.

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

- DSU director and SILS and OIB program staff;
- DSU staff responsible for the fiscal management of the SILS and OIB programs; and
- MSILC chairperson, members, and staff.

SILS Program

The Maryland State Department of Education (MSDE) is the designated state agency for the Division of Rehabilitation Services (DORS), which is the designated state unit (DSU) for the SILS program in Maryland.

DORS provides IL services indirectly through subgrants to six CILs. In FY 2011, DORS utilized a combination of IL Part B funds (\$320,006) and state funds (\$714,990), totaling \$1,034,996 to operate the SILS program. DORS also allocated IL Part B and state funds to the MSILC, totaling \$89,494 in FY 2011 to carry out its resource plan.

The MSILC has been in existence since 1988 and initially served an advisory capacity to DORS until 1993 when the MSILC was officially established under Executive Order 01.01.1993.24. The MSILC is comprised of 12 members appointed by the governor, ten of whom are individuals with disabilities and two of whom represent minority populations.

DORS oversees the MSILC's fiscal and operational functions. The Administrative Officer for the MSILC is a contract employee through the state, is housed at one of the CILs, and provides support to the MSILC. In FY 2008, the MSILC was being provided administrative support through a non-profit organization. As a result of DORS' monitoring of the non-profit, it was

determined that there were not suitable management controls of the funds and a lack of appropriate administrative support. Consequently, DORS terminated its agreement with the non-profit to provide administrative support for MSILC. DORS and the MSILC have experienced challenges during the last three years to reorganize the MSILC infrastructure.

The MSILC is active with the DSU and CILs in developing and monitoring the implementation of the SPIL, coordinating with the State Rehabilitation Council and other IL partners, and advocating for consumers in Maryland. Working relationships between the DSU, SILC and IL/OIB service providers have improved since the FY 2007 monitoring review.

OIB Program

DORS also serves as the DSU for OIB program and provides IL services to older individuals who are blind in Maryland directly through its Office for Blindness and Vision Services (OBVS) and through two sub-contractors: Columbia Lighthouse for the Blind and Blind Industries and Services of Maryland. DORS' OIB funding in FY 2011 was \$574,648.

RSA's review of the SILS and OIB organizational structures did not result in the identification of observations and recommendations.

Technical Assistance

RSA provided the technical assistance described below to DORS related to this focus area during the course of its monitoring activities.

The DSU and MSILC expressed interest in returning the MSILC to its nonprofit status with its own staff and budget. As a result, RSA discussed options for reorganizing the MSILC to ensure that the organizational structure would be consistent with federal requirements in Section 705 of the Rehabilitation Act and its implementing regulations at 34 CFR 361.21. Additionally, RSA staff will participate in an upcoming MSILC quarterly meeting to offer technical assistance as the MSILC considers its plans to move forward to be more involved in the development of its budget and supervision of its staff. ILRU will also provide technical assistance on SILC re-organization.

SECTION 5: PRIORITY IL AND OIB SERVICES

The purpose of this focus area was to assess the DORS performance related to the provision of services for the SILS and OIB programs, including IL core services; youth transition and nursing home transition services; population priorities identified in the Maryland State Plan for Independent Living, including urban and rural; and strategies, activities and evaluation methods related to SILS and OIB priority services and populations, including consumer satisfaction evaluations.

To implement this focus area, RSA reviewed:

- Maryland State Plan for Independent Living (SPIL);
- 704 Parts I and II Performance Reports and 7-OB Performance Report;
- Evaluation methods and reports addressing SPIL priorities and activities;
- Contracts and agreements with IL and OIB service providers.

In support of its monitoring activities, RSA met with the following to discuss the provision of priority services for the SILS and OIB programs:

- DSU director;
- DSU staff responsible for the SILS and OIB programs;
- DSU staff responsible for the fiscal management of the SILS and OIB programs;
- SILC chairperson, members and staff; and
- SILS and OIB service providers.

SILS Programs

The SPIL identified the following priority populations: people who have limited English proficiency, with particular emphasis placed on the Hispanic populations; people in institutions, such as nursing homes state residential centers and rehabilitation facilities; youth with disabilities; and returning veterans with disabilities.

OIB Program

The SPIL does not identify priority populations specifically for the OIB Program.

RSA's review of IL and OIB priorities resulted in the identification of the following observations and recommendations. The technical assistance requested by DORS to enable it to carry out these recommendations is contained in Appendix A of this report titled "Agency Response."

Observations and Recommendations

A. SILS Program

5.A.1 MSILC Evaluation of the Implementation of the Maryland SPIL

The MSILC has met the basic requirement of establishing a method for the periodic evaluation of the effectiveness of the SPIL in meeting the objectives identified in the SPIL, including evaluation of satisfaction by individuals with significant disabilities who have participated in the program. However, the MSILC does not request or receive consumer satisfaction surveys from IL service providers nor does the MSILC have sufficient data from IL providers to monitor the implementation of SPIL priority populations.

- The MSILC maintains a spreadsheet to track SPIL goals and objectives. The MSILC receives only the annual RSA 704 Part II report from the CILs, without data collected on priority populations such as individuals with limited English proficiency, youth with disabilities, and disabled veterans.
- The CILs confirmed that only RSA 704 reports are shared with the MSILC because the MSILC has not requested any additional data.
- In order to update the SPIL evaluation spreadsheet, the MSILC and CILs reported that the MSILC obtains verbal information from the CILs at quarterly IL partnership meetings.

Recommendation 5.A.1: RSA recommends that:

- 5.A.1.1 CILs share consumer satisfaction survey results with the MSILC in a timely manner that protects the confidentiality of IL consumers;
- 5.A.1.2 CILs provide written information to the MSILC that includes data on priority populations; and
- 5.A.1.3 the DSU and CILs share data and performance evaluations with the MSILC in order that the MSILC may monitor the implementation of the SPIL based on data specific to SPIL priority populations.

Technical Assistance

During the review, RSA provided technical assistance to DORS in the areas of the separate and distinct roles and responsibilities of the DSU, MSILC, and CILs in accounting for federal funds, monitoring the implementation of the SPIL, and providing and tracking IL services provided to individuals with disabilities. Additionally, RSA provided technical assistance on consumer satisfaction survey results and data management.

RSA provided technical assistance to CIL executive directors on data collection methods, including the RSA 704 Part II report. RSA staff provided technical assistance to CILs and the MSILC about collecting and sharing data and information with the MSILC so that the MSILC may measure outcomes of SPIL goals and objectives.

SECTION 6: SILS AND OIB FISCAL INTEGRITY

The purpose of this focus area was to assess fiscal performance related to the SILS and OIB programs and to determine compliance with pertinent federal statutory and regulatory requirements, including OMB circulars. For purposes of the SILS and OIB programs, fiscal integrity is broadly defined as the proper and effective management of IL Part B and Chapter 2 funds to ensure that they are spent solely on allowable expenditures and activities.

RSA reviewed a variety of resources and documents in the course of this monitoring, including data maintained on RSA's MIS generated from reports submitted by the DSU, e.g., Financial Status Report (SF-269/SF-425).

Specifically, RSA engaged in the review of the following:

- IL Part B and OIB grant awards and program income documentation;
- IL Part B and OIB allotments/budget documents and fiscal reports;
- DSU contracts and agreements with SILS and OIB service providers;
- DSU monitoring tools and reports; and
- DSU policies, procedures and forms, e.g., personnel certifications and personnel activity reports, for the SILS and OIB programs.

RSA's review of the fiscal integrity of the SILS and OIB Program administered by DORS 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 7 of this report.

Technical Assistance

A. SILS Program

RSA reviewed the role of the DSU in accounting for IL Part B funds by monitoring CIL contracts and the role of the MSILC in monitoring the implementation of the SPIL. Additionally, RSA staff discussed enhancing accountability of IL Part B contracts by adding measurable deliverables in contracts and corrective action plans and making implementation of any corrective action plan a condition of IL Part B contracts.

B. OIB Program

RSA provided technical assistance to DORS regarding the benefits of structuring the OIB contract to focus on direct payment for contract deliverables versus the use of budgeted categories.

SECTION 7: COMPLIANCE FINDINGS AND CORRECTIVE ACTIONS

RSA identified the following compliance findings and corrective actions that DORS is required to undertake. The technical assistance requested by the agency to enable it to carry out the corrective actions is contained in Appendix A to this report titled “Agency Response.” The full text of the legal requirements pertaining to each finding is contained in Appendix B.

DORS 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 within 45 days from the issuance of this report and RSA is available to provide technical assistance to assist DORS to develop the plan and undertake the corrective actions.

RSA reserves the right to pursue enforcement action related to this/these findings as it deems appropriate, including the recovery of funds, pursuant to 34 CFR 80.43 and 34 CFR part 81 of EDGAR.

SILS and OIB Programs

1. Personnel Activity Reporting—Staff Working on Multiple Programs

Legal Requirements:

- EDGAR: 34 CFR 80.20(a)
- OMB Circulars: 2 CFR part 225, Appendix B, paragraphs 8.h.4 and 8.h.5

Finding: DORS is not in compliance with 34 CFR 80.20 and 2 CFR part 225, Appendix B, paragraphs 8.h.4 and 8.h.5, because personnel costs for administering the SILS and OIB programs are not supported by personnel activity reports or equivalent documentation which meet the standards in subsection 8.h.5.

As a recipient of IL Part B funds under the SILS program and Chapter 2 funds under the OIB program, DORS is required to administer the program properly and efficiently (34 CFR 80.20(a)). It must ensure that IL Part B and OIB funds are properly accounted for and that accurate data are collected and reported. In ensuring the proper administration of the SILS and OIB programs, DORS must be able to document the time its staff spend on the programs. Federal cost principles set forth requirements for ensuring the proper accounting of staff time for staff splitting their time on multiple programs. In particular, 2 CFR part 225, Appendix B, paragraph 8.h.4 and 8.h.5, requires DORS employees who work on more than one federal grant program or cost objective to complete personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.5.

While onsite, RSA found that for FYs 2007 through 2011, DORS employees working on more than one federal grant program or cost objective did not complete personnel activity reports or equivalent documentation necessary to support personnel expenditures. For example, staff administering the SILS and OIB programs worked on multiple programs and did not complete personnel activity reports or equivalent documentation. In FY 2011, DORS developed a pilot process to obtain the required documentation. DORS is phasing-in the new process during FY 2012.

Corrective Action 1: DORS must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 80.20(a), and 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5; and
- 1.2 submit documentation demonstrating full implementation of personnel activity report requirements for DORS employees who work on more than one federal grant program or cost objective.

2. Internal Control

Legal Requirements:

- Program Regulations: 34 CFR 364.34
- EDGAR: 34 CFR 80.20(a)(2), 34 CFR 80.40(a)

Finding: DORS provides IL Part B funds under the SILS program to centers for independent living (CILs) for their general operation through grant agreements. DORS is not in compliance with 34 CFR 364.34 and 34 CFR 80.20(a)(2), because the budgets contained in the subgrants do not contain enough specificity for DORS to ensure that expenditures paid under the subgrant are allowable and allocable to the SILS program. Subgrantees submit invoices to DORS that contain only an amount of funds requested for each budget category. While the level of supporting documentation is not specified in federal law, the subgrantees do not provide sufficient information in either the budget or the invoices for DORS to ensure that IL Part funds under the SILS program are being spent in accordance with federal requirements. For example, the FY 2011 subgrant with Independence Now, Inc., includes, in part, the following budget information:

FY 2011 Independence Now Subgrant Budget Expenses

Budget Category	Amount
Accounting Fees	\$2,170.80
Rent	\$15,382.50
Telephone	\$3,775.22
Payroll	\$46,034.54

The subgrant did not include the specific costs that comprise the larger budget categories. For example, the budget included anticipated payroll expenses of \$46,034. However, there was no indication of how many positions were being funded or the position qualifications. The FY 2011 subgrant budget for Freedom Center, Inc. contained an “Other” budget category for \$23,950.

There was no additional information as to what costs were to be paid under this category. Without a description of the specific costs that comprise the larger budgeted categories, DORS is unable to determine if the costs are allowable and allocable to the SILS program. Additionally, the subgrant budgets did not include a description of how overall center costs were to be allocated proportionately to a center's various funding sources.

DORS requires subgrantees to submit Quarterly Report Forms as evidence of benefit to the SILS program and documentation of services provided. The Fiscal Management section (2) states that the grantee should "indicate the balance for each category on a quarterly basis and total each quarter. Enter as many categories as necessary." The financial information reported is in a table format and contains only budget categories, the budget amount, and the amount expended by quarter. The regular monthly invoices submitted by the subgrantees contain the same basic fiscal information except the expenditure data is for a one month period. The quarterly reports and monthly invoices do not provide sufficient documentation to demonstrate that costs incurred under the subgrants were allowable, allocable and necessary for the provision of SILS services.

DORS conducts annual monitoring of the CIL subgrants using an established protocol. The monitoring process reviews the overall center functions and general fiscal operation. However, monitoring reports did not demonstrate that DORS reviewed the specific subgrant budget categories against CIL expenditures as is necessary to 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 in accordance with 34 CFR 80.20(a)(2). The budget categories were not compared directly against CIL expenditures to verify the funds were used only for allowable and allocable IL Part B expenditures under the SILS program. Given that many of the CILs also had other sources of funding and no approved cost allocation plan, it is unclear how DORS could ensure what part of the budgeted funds for rent, utilities, repairs, etc., were allocable to the SILS program.

Additionally, DORS awards two OIB subgrants for the provision of retreats and workshops to teach consumers new skills of blindness and increase their personal independence and sense of well-being. While the subgrants are for specific training activities, the invoices for one of the subgrants listed "Expanding Community Capacities for IL services for the Older Blind Population" as the service description. The amount paid was \$12,500. It was unclear how the amount billed was directly related to the provision of the services specified in the subgrant. DORS does not conduct onsite monitoring of the OIB subgrants to ensure that the invoiced funds were allowable and allocable to the OIB program.

DORS must have the fiscal controls and fund accounting procedures necessary to ensure the proper disbursement of and accounting for IL Part B funds under the SILS program and Chapter 2 funds under the OIB program (34 CFR 364.34). These fiscal controls must enable it to expend and account for the IL Part B funds under the SILS program and Chapter 2 funds under the OIB program to such a degree that it can trace the funds for each activity to ensure the funds were expended in accordance with federal requirements (34 CFR 80.20(a)). DORS does not require sufficient information in its subgrantee budgets or invoices to enable it to monitor overall subgrant expenditures to a level that ensures federal funds were not used inappropriately, as required by 34 CFR 80.40(a).

Corrective Action 2: DORS must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the SILS program as required by 34 CFR 364.34 and, 34 CFR 80.20(a)(2), and that DORS will monitor all grant-supported activities, as required by 34 CFR 80.40(a), to ensure that DORS uses IL Part B funds under the SILS program and OIB funds to pay only those expenditures that are allowable under and allocable to the programs; and
- 2.2 develop and implement policies/procedures to ensure that:
 - A. fiscal controls permit the tracking of expenditures necessary to ensure that the funds are not used in violation of restrictions and prohibitions of applicable statutes;
 - B. internal controls are in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes; and
 - C. DORS monitors all grant-supported activities, as required by 34 CFR 80.40(a).

3. Solicitation of Matching Funds from Subgrantees Providing SILS

Legal Requirements:

- Rehabilitation Act: Section 712(b)(1)
- Program Regulations: 34 CFR 365.14(a)

Finding: DORS is not in compliance with 34 CFR 365.14(a) because the agency required SILS subgrantees to provide match as a condition for receiving IL Part B funds under the SILS program. DORS is responsible for providing a 10 percent match to drawdown and utilize federal funds received for the SILS program (Sec. 712(b)(1)). Federal regulations allow this match to be made in cash or with in-kind contributions.

Program regulations at 34 CFR 365.14(a) state that an agency may not condition the award of a grant, sub grant, or contract under section 713 of the Rehabilitation Act or a grant, subgrant, or assistance contract under section 723 of the Rehabilitation Act on the requirement that the applicant for the grant or subgrant make a cash or in-kind contribution of any particular amount or value to the state.

DORS uses federal and state funds under the SILS program to support Independent Living Assistive Technology (IL-AT) subgrants with CILs. These subgrants require the grantee to contribute an additional 20 percent of the total contract amount as match (in-kind, cash, or discounts) toward the program. Under the SILS program regulations, subgrantees may not be required to make cash or in-kind contributions to the state.

Corrective Action 3: DORS must:

- 3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 365.14 and cease funding the IL-AT contracts with IL Part B funds under the SILS program or remove any contract language that requires or solicits match from SILS subgrantees.

APPENDIX A: AGENCY RESPONSE

Section 5: SILS and OIB Priority Services

A. SILS Program

5.A.1 SILC Evaluation of the implementation of the MD SPIL

Recommendation 5.A.1: RSA recommends that:

- 5.A.1.1 CILs share consumer satisfaction survey results with the MSILC in a timely manner that protects the confidentiality of IL consumers;
- 5.A.1.2 CILs provide written information to the MSILC that includes data on priority populations; and
- 5.A.1.3 the DSU and CILs share data and performance evaluations with the MSILC so that the MSILC may monitor the implementation of the SPIL based on data specific to SPIL priority populations.

Agency Response: DORS requests clarification of Recommendation 5.A.1.3, specifically, does this mean that DORS should forward to the MSILC copies of final reports of DORS annual on-site reviews of Centers for Independent Living and should forward copies of final reports of RSA monitoring reviews of Centers for Independent Living?

RSA Response: In an effort to ensure that the MSILC can fulfill its duties to evaluate the implementation of the SPIL goals and objectives, RSA strongly encourages the sharing of information between the DSU the CILs and the MSILC, the degree of which should be determined between the DSU and the MSILC. For example, the DSU may share only those parts of annual on-site monitoring reports and performance reports that would be relevant to the SILC for purposes of monitoring the implementation of the SPIL, particularly any information related to the priority populations identified in the SPIL.

Technical Assistance: DORS requests technical assistance, specifically on the most appropriate means to encourage the CILs to submit the information referenced in 5.A.1.1. and 5.A.1.2.

Section 7: Compliance Findings and Corrective Actions

SILS and OIB Programs

1. Personnel Activity Reporting—Staff Working on Multiple Programs

Corrective Action 2: DORS must:

- 1.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 80.20(a), and 2 CFR part 225, Appendix B, 8.h.4 and 8.h.5; and

- 1.2 submit documentation demonstrating full implementation of personnel activity report requirements for DORS employees who work on more than one federal grant program or cost objective.

Agency Response:

1.1 DORS staff who are working on both the VR and IL or ILOB grants are now filling out Personal Activity Reports. In the future DORS will be following the approved time keeping plan from the U.S. Department of Education with DORS' parent agency, the Maryland State Department of Education.

1.2 DORS will modify time keeping policy to bring DORS into compliance.

Technical Assistance: DORS does not request technical assistance.

2. Internal Controls

Corrective Action 3: DORS must:

- 2.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will implement internal controls sufficient to ensure the validity of expenditures under the SILS program as required by 34 CFR 364.34 and, 34 CFR 80.20(a)(2), and that DORS will monitor all grant-supported activities, as required by 34 CFR 80.40(a), to ensure that DORS uses SILS and OIB funds to pay only those expenditures that are allowable under and allocable to the programs; and
- 2.2 develop and implement policies/procedures to ensure that:
 - A. fiscal controls permit the tracking of expenditures necessary to ensure that the funds are not used in violation of restrictions and prohibitions of applicable statutes;
 - B. internal controls are in place to ensure that all program assets are maintained and accounted for, and used solely for authorized purposes; and
 - C. DORS monitors all grant-supported activities, as required by 34 CFR 80.40(a).

Agency Response: DORS accepts this finding and requests technical assistance as described below.

Technical Assistance: DORS requests technical assistance. Specifically we request that RSA draft amendments and additions to the DORS MOU template used for annual agreements with Maryland Centers for Independent Living. We request this concrete form of technical assistance so that we know for sure what RSA would find acceptable in addressing this finding and we will have assurance that appropriate, required controls are in place.

RSA Response: RSA has made available resources through the TACE and ILRU including examples and models to assist the agency in contract development. While the responsibility for

contract development is that of the state agency, RSA will review draft contract language and provide input.

3. Solicitation of Matching Funds from Subgrantees Providing SILS

Corrective Action 3: DORS must:

- 3.1 submit a written assurance to RSA within 10 days of receipt of the final monitoring report that it will comply with 34 CFR 365.14 and cease funding the IL-AT contracts with IL Part B funds under the SILS program or remove any contract language that requires or solicits match from SILS subgrantees.

Agency Response:

- 3.1 The State of Maryland provides approximately \$780,000 to provide IL services in the state. This is approximately \$745,000 above DORS' required match. Therefore, DORS does not solicit matching funds from the CILs to meet DORS' federal financial requirement for match.

DORS does have a match requirement of the CILs in the form of either funding from other third party sources or in-kind contributions for the State dollars that are used to provide the DORS' IL Assistive Technology grants. These grants are used to provide either assistive technology or home modifications so Maryland citizens can continue to live independently in their homes. With new AT grant agreements, DORS will not use IL Part B funding or the state funding needed for the required federal match to support DORS IL AT initiative and will only use State dollars going forward.

RSA Response: While the agency receives more IL funds from the state than is necessary to meet the match requirement, at the time of this monitoring, the agency was not tracking the state funds in a manner that would permit differentiation between the state funds used as match and those IL funds that were not used for the purpose of match. Additionally, the contract language does not stipulate that those state funds not used as match must be the source of contract payments.

Technical Assistance: DORS does not request technical assistance.

APPENDIX B: LEGAL REQUIREMENTS

Rehabilitation Act of 1973, as amended

Part B--Independent Living Services

Sec. 712. Payments to States from Allotments

(a) Payments

From the allotment of each State for a fiscal year under section 711, the State shall be paid the Federal share of the expenditures incurred during such year under its State plan approved under section 706. Such payments may be made (after necessary adjustments on account of previously made overpayments or underpayments) in advance or by way of reimbursement, and in such installments and on such conditions as the Commissioner may determine.

(b) Federal Share

(1) In general

The Federal share with respect to any State for any fiscal year shall be 90 percent of the expenditures incurred by the State during such year under its State plan approved under section 706.

IL and OIB program regulations

PART 364—STATE INDEPENDENT LIVING SERVICES PROGRAM AND CENTERS FOR INDEPENDENT LIVING PROGRAM: GENERAL PROVISIONS

34 CFR 364.21 What are the requirements for the Statewide Independent Living Council (SILC)?

(a) *Establishment.* (1) To be eligible to receive assistance under chapter 1 of title VII of the Act, each State shall establish a SILC that meets the requirements of section 705 of the Act. (2) The SILC may not be established as an entity within a State agency, including the designated State agency or DSU. The SILC shall be independent of the DSU and all other State agencies.

(b) *Appointment and composition—*

(1) *Appointment.* Members of the SILC must be appointed by the Governor or the appropriate entity within the State responsible, in accordance with State law, for making appointments.

(2) *Composition.*

(i) The SILC must include—

- (A) At least one director of a center chosen by the directors of centers within the State; and
- (B) As ex officio, nonvoting members, a representative from the DSU and representatives from other State agencies that provide services to individuals with disabilities.

(ii) The SILC may include—

- (A) Other representatives from centers;
 - (B) Parents and legal guardians of individuals with disabilities;
 - (C) Advocates of and for individuals with disabilities;
 - (D) Representatives from private businesses;
 - (E) Representatives from organizations that provide services for individuals with disabilities;
- and
- (F) Other appropriate individuals.

(iii) A majority of the members of the SILC must be individuals with disabilities, as defined in § 364.4(b), and not employed by any State agency or center.

(c) *Qualifications.* The SILC must be composed of members—

- (1) Who provide statewide representation;
- (2) Who represent a broad range of individuals with disabilities; and
- (3) Who are knowledgeable about centers and IL services.

(d) *Voting members.* A majority of the voting members of the SILC must be individuals with disabilities, as defined in § 364.4(b), and not employed by any State agency or center.

(e) *Chairperson—*(1) *In general.* Except as provided in paragraph (e)(2) of this section, the SILC shall select a chairperson from among the voting membership of the SILC.

(2) *Designation by Governor.* In States in which the Governor does not have veto power pursuant to State law, the Governor shall designate a voting member of the SILC to serve as the chairperson of the SILC or shall require the SILC to so designate a voting member.

(f) *Terms of appointment.* Each member of the SILC shall serve for term of three years, except that—

- (1) A member appointed to fill a vacancy occurring prior to the expiration of the term for which a predecessor was appointed must be appointed for the remainder of that term;
- (2) The terms of service of the members initially appointed must be (as specified by the appointing authority) for the fewer number of years as will provide for the expiration of terms on a staggered basis; and
- (3) No member of the SILC may serve for more than two consecutive full terms.

(g) *Duties.* The SILC shall—

- (1) Jointly develop and sign (in conjunction with the DSU) the State plan required by section 704 of the Act and § 364.20;
- (2) Monitor, review, and evaluate the implementation of the State plan;
- (3) Coordinate activities with the State Rehabilitation Advisory Council established under section 105 of the Act and councils that address the needs of specific disability populations and issues under other Federal law;

- (4) Ensure that all regularly scheduled meetings of the SILC are open to the public and sufficient advance notice is provided; and
- (5) Submit to the Secretary all periodic reports as the Secretary may reasonably request and keep all records, and afford access to all records, as the Secretary finds necessary to verify the periodic reports.

(h) *Hearings.* The SILC is authorized to hold any hearings and forums that the SILC determines to be necessary to carry out its duties.

(i) *Resource plan.* (1) The SILC shall prepare, in conjunction with the DSU, a resource plan for the provision of resources, including staff and personnel, made available under parts B and C of chapter 1 of title VII of the Act, part C of title I of the Act, and from other public and private sources that may be necessary to carry out the functions of the SILC under this part.

(2) The SILC's resource plan must, to the maximum extent possible, rely on the use of resources in existence during the period of implementation of the State plan.

(3) No conditions or requirements may be included in the SILC's resource plan that may compromise the independence of the SILC.

(4) The SILC is responsible for the proper expenditure of funds and use of resources that it receives under the resource plan.

(5) A description of the SILC's resource plan required by paragraph (i)(1) of this section must be included in the State plan.

(j) *Staff.* (1) The SILC shall, consistent with State law, supervise and evaluate its staff and other personnel as may be necessary to carry out its functions under this section.

(2) While assisting the SILC in carrying out its duties, staff and other personnel made available to the SILC by the DSU may not be assigned duties by the designated State agency or DSU, or any other agency or office of the State, that would create a conflict of interest.

(k) *Reimbursement and compensation.* The SILC may use the resources described in paragraph (i) of this section to reimburse members of the SILC for reasonable and necessary expenses of attending SILC meetings and performing SILC duties (including child care and personal assistance services) and to pay compensation to a member of the SILC, if the member is not employed or must forfeit wages from other employment, for each day the member is engaged in performing SILC duties.

(l) *Conflict of interest.* The code of conduct provisions in 34 CFR 74.162 and the conflict of interest provisions in 34 CFR 75.524 and 75.525 apply to members of the SILC. For purposes of this paragraph and 34 CFR 74.162, 75.524, and 75.525, a SILC is not considered a government, governmental entity, or governmental recipient.

(Approved by the Office of Management and Budget under control number 1820-0527)(Authority: 29 U.S.C. 796d)

34 CFR 364.34 What are the fiscal and accounting requirements?

In addition to complying with applicable EDGAR fiscal and accounting requirements, the State plan must include satisfactory assurances that all recipients of financial assistance under parts B and C of chapter 1 of title VII of the Act will adopt those fiscal control and fund accounting procedures as may be necessary to ensure the proper disbursement of and accounting for those funds.

(Approved by the Office of Management and Budget under control number 1820–0527)
(Authority: 29 U.S.C. 796c(m)(3))

PART 365—STATE INDEPENDENT LIVING SERVICES

34 CFR 365.14 What conditions relating to cash or in-kind contributions apply to awards to grantees, subgrantees, or contractors?

- (a) A State may not condition the award of a grant, subgrant, or contract under section 713 of the Act or a grant, subgrant, or assistance contract under section 723 of the Act on the requirement that the applicant for the grant or subgrant make a cash or in-kind contribution of any particular amount or value to the State.

Education Department General Administrative Regulations (EDGAR)

34 CFR 80.20 Standards for financial management systems.

- (a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:
 - (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
 - (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

34 CFR 80.40 Monitoring and reporting program performance.

- (a) *Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity.

OMB circulars as cited in the CFR

2 CFR 225

Appendix B to Part 225--Selected Items of Cost

8. *Compensation for personal services.*

- a. General. Compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225, and that the total compensation for individual employees:
 - (1) Is reasonable for the services rendered and conforms to the established policy of the governmental unit consistently applied to both Federal and non-Federal activities;
 - (2) Follows an appointment made in accordance with a governmental unit's laws and rules and meets merit system or other requirements required by Federal law, where applicable; and
 - (3) Is determined and supported as provided in subsection h.
- b. Reasonableness. Compensation for employees engaged in work on Federal awards will be considered reasonable to the extent that it is consistent with that paid for similar work in other activities of the governmental unit. In cases where the kinds of employees required for Federal awards are not found in the other activities of the governmental unit, compensation will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor market in which the employing government competes for the kind of employees involved. Compensation surveys providing data representative of the labor market involved will be an acceptable basis for evaluating reasonableness.
- c. Unallowable costs. Costs which are unallowable under other sections of these principles shall not be allowable under this section solely on the basis that they constitute personnel compensation.
- d. Fringe benefits.
 - (1) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans. Except as provided elsewhere in these principles, the costs of fringe benefits are allowable to the extent that the benefits are reasonable and are required by law, governmental unit-employee agreement, or an established policy of the governmental unit.
 - (2) The cost of fringe benefits in the form of regular compensation paid to employees during periods of authorized absences from the job, such as for annual leave, sick leave, holidays, court leave, military leave, and other similar benefits, are allowable if: They are provided under established written leave policies; the costs are equitably allocated to all related activities, including Federal awards; and, the accounting basis (cash or accrual) selected for costing each type of leave is consistently followed by the governmental unit.

(3) When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

(4) The accrual basis may be only used for those types of leave for which a liability as defined by Generally Accepted Accounting Principles (GAAP) exists when the leave is earned. When a governmental unit uses the accrual basis of accounting, in accordance with GAAP, allowable leave costs are the lesser of the amount accrued or funded.

(5) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in section 22, Insurance and indemnification); pension plan costs (see subsection e.); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, whether treated as indirect costs or as direct costs, shall be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities.

e. Pension plan costs. Pension plan costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For pension plans financed on a pay-as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) Pension costs calculated using an actuarial cost-based method recognized by GAAP are allowable for a given fiscal year if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursement and the governmental unit's contribution to the pension fund.

Adjustments may be made by cash refund or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the pension fund.

(3) Amounts funded by the governmental unit in excess of the actuarially determined amount for a fiscal year may be used as the governmental unit's contribution in future periods.

(4) When a governmental unit converts to an acceptable actuarial cost method, as defined by GAAP, and funds pension costs in accordance with this method, the unfunded liability at the time of conversion shall be allowable if amortized over a period of years in accordance with GAAP.

(5) The Federal Government shall receive an equitable share of any previously allowed pension costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

f. Post-retirement health benefits. Post-retirement health benefits (PRHB) refers to costs of health insurance or health services not included in a pension plan covered by subsection 8.e. of this appendix for retirees and their spouses, dependents, and survivors. PRHB

costs may be computed using a pay-as-you-go method or an acceptable actuarial cost method in accordance with established written policies of the governmental unit.

(1) For PRHB financed on a pay as-you-go method, allowable costs will be limited to those representing actual payments to retirees or their beneficiaries.

(2) PRHB costs calculated using an actuarial cost method recognized by GAAP are allowable if they are funded for that year within six months after the end of that year. Costs funded after the six month period (or a later period agreed to by the cognizant agency) are allowable in the year funded. The cognizant agency may agree to an extension of the six month period if an appropriate adjustment is made to compensate for the timing of the charges to the Federal Government and related Federal reimbursements and the governmental unit's contributions to the PRHB fund. Adjustments may be made by cash refund, reduction in current year's PRHB costs, or other equitable procedures to compensate the Federal Government for the time value of Federal reimbursements in excess of contributions to the PRHB fund.

(3) Amounts funded in excess of the actuarially determined amount for a fiscal year may be used as the government's contribution in a future period.

(4) When a governmental unit converts to an acceptable actuarial cost method and funds PRHB costs in accordance with this method, the initial unfunded liability attributable to prior years shall be allowable if amortized over a period of years in accordance with GAAP, or, if no such GAAP period exists, over a period negotiated with the cognizant agency.

(5) To be allowable in the current year, the PRHB costs must be paid either to:

- (a) An insurer or other benefit provider as current year costs or premiums, or
- (b) An insurer or trustee to maintain a trust fund or reserve for the sole purpose of providing post-retirement benefits to retirees and other beneficiaries.

(6) The Federal Government shall receive an equitable share of any amounts of previously allowed post-retirement benefit costs (including earnings thereon) which revert or inure to the governmental unit in the form of a refund, withdrawal, or other credit.

g. Severance pay.

(1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by law, employer-employee agreement, or established written policy.

(2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.

(3) Abnormal or mass severance pay will be considered on a case-by-case basis and is allowable only if approved by the cognizant Federal agency.

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity...

(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.