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SPEAKER: Welcome to the fourth video in our VR Fiscal Basics series, brought to you by the Vocational Rehabilitation Technical Assistance Center for Quality Management, or commonly referred to as the VR Tech QM. Here's our disclaimer. The contents of this presentation were developed under Grant H264J2000002 from the Department of Education. However, these contents do not necessarily represent the policy of the Department of Education, and you should not assume endorsement by the federal government.

Today's topics include State Single Audit, Time Allocation, the 90/10 Rule, Funds Transfers Between Two Agencies in the Same State, Randolph-Sheppard Set Aside Funds, the Stevens Amendment, and the Build America Buy America Act. All right, we'll start with the Single State Audit.

The Single State Audit Act of 1984, as amended in 1996, ensures that organizations receiving federal grants use the funds in compliance with the federal government's requirements. This means the state legislative auditor is performing this function on behalf of the federal government. You can find more detailed information in 2 CFR Part 200, Subpart F.

So let's talk about the focus areas of the audit. The federal government provides instructions to the state legislative auditor on focus areas and can be found in the 2 CFR Part 200, Appendix XI Compliance Supplement. The focus areas currently include activities allowed or unallowed; allowable costs and cost principles; matching level of effort and earmarking; period of performance; program income; reporting; cash management; equipment and real property management; procurement, suspension, and debarment; subrecipient monitoring; eligibility; special tests and provisions.

Each year, a subset of these focus areas are chosen as the audit focus for the year. It's important to have your financial house in order and have a good understanding of the requirements, and that you are using federal funds according to those requirements. Many times, the state auditors are unfamiliar with your particular program and may come to a different conclusion. For example, they may question the allowability of consumer purchases, such as buying llamas for a self-employment plan.

If you run into issues, and the audit team is not listening to you, we recommend that you have the auditors call RSA and talk to the fiscal team. However, while the compliance supplement is provided for consideration for auditors, there is no requirement for them to use it. State auditors may write audit findings inconsistent with VR requirements or program regulations. But RSA may choose not to sustain those findings.

Let's talk about time allocation or time tracking and reporting requirements. For staff that work on multiple cost objectives, personnel costs must be allocated proportionally between all the different programs administered by the VR agency and other staff, other program staff, work on within the designated state agency, even if it's outside the designated state unit or included in the indirect cost rate or cost plan. You're required to ensure your time and effort record-keeping meets the standards cited in regulation, which is 2 CFR 200.430.

So a cost objective means a program, a function, activity, award, organizational subdivision, contract, or work unit for which cost data are desired and for which provision is made to accumulate and measure the cost of processes, projects, jobs, and capitalized projects, et cetera. For VR, it is important to note that the cost objectives include the Supported Employment Grant, the Older Individuals Who Are Blind Grant, independent living, the VR 110 Basic Grant, and a subset of which is pre-employment transition services separated by required and coordinated and authorized activities.

There are some key VR nuances that you need to be aware of for these cost objectives. First, the directors-- since directors are ultimately responsible for all the various programs under the purview of their control, it's important to understand the regulatory requirements to ensure that you are appropriately allocating time. Directors are fluidly managing activities across cost objectives. Some states have found it easier to handle director salaries within the indirect cost rate. By doing this, agencies minimize the risk of inconsistent cost treatments and ensure compliance with 2 CFR 200.403d, which is factors affecting allowability of costs.

And when we talk about staff working across cost objectives, it's important to give staff clear instructions on when they perform duties that go across cost objectives. For example, a pre-employment transition services counselor will need to track the time they spend providing or arranging for the required pre-employment transition services and carrying out the four coordination activities, which can be reported together.

Time spent on the additional authorized services must be tracked separately from time spent on required and coordination activities, if the agency has determined funds remain. This is especially important, as you will need to report pre-employment transition services provided by the agency on your RSA 17. Also, see the time allocation guide for pre-employment transition services for additional information.

Additionally, this is the same for staff that may work between the OIB program and general VR or supported employment. You want to ensure that they have established payroll codes or tracking that allows for the separation and allocation of this staff effort to the appropriate cost objectives.

And ensure the staff understands that the time allocated and charged to the VR program can only be time spent for the benefit of the VR program. For example, if the staff of the DSU or the VR program is benefiting more than just VR, like if a portion of their time is divided between processing unemployment insurance claims and providing benefits counseling or other services to participants who are not with the VR program, the portion of the staff member's work that is non VR cannot be charged to the VR program.

And finally, another nuance is the allocation of leave time. Leave must be allocated in proportion to the amount of time worked on the program, including estimations, if that's utilized as a method. For staff working across multiple cost objectives, agencies must have policies or procedures that detail how leave time is allocated. The basis upon which the allocation occurs should be larger than a single pay period. You need more than a time period that's two weeks long to calculate this. This is necessary because there can be anomalies in the effort that fluctuate throughout the year. If you randomly allocate all the vacation leave taken in a two-week payroll period to the cost objective most worked that pay period, the allocation will not be based on a true picture of staff effort. Additionally, since staff may not work on all programs or cost objectives during pay periods that they take leave, allocation of leave on a larger time sample helps ensure all benefiting programs are charged a fair share of their leave costs.

If an estimation is utilized, it's imperative to build in a process for reviewing actual time spent after the fact. A reconciliation process must be applied for consideration of adjustments necessary to represent a proper and reasonable allocation to the award.
Along those lines, it's important to have a policy and procedure that outlines the agency's practices for reporting time and effort. This procedure should also include addressing the nuances in the last slide, a process on how staff time is verified, internal controls, how and when training will be conducted for all employees to ensure the proper allocation of time.
When writing or reviewing this procedure, you may want to ensure clarity and consistency. Some payroll systems have an acknowledgment that staff clipped to the state, the time reported is true and correct. They typically also have a supervisory level of review and approval prior to submission for payment. This decreases the likelihood of time and effort being reported erroneously.
When thinking about internal controls, you can ask yourself, how is time reconciled? Estimates alone do not suffice. What is the process for correcting inaccurate time reporting? What is the process for splitting time as the federal fiscal year changes to ensure it's in the correct period of performance? And finally, you want to identify how and when training will be conducted for the employees.
This slide has some additional resources to help further your understanding of time allocation as it pertains to the VR program. You can use these links to read further into how this should be working.
Let's talk about the 90/10 rule. And what does the law say? The DSU, or your Designated State Unit, where one exists, must have a staff employed on the rehabilitation work of the organizational unit, all or substantially all of whom are employed full time on such work. This is according to section 101 of the Rehab Act.
VR program regulations, clarify the meaning of "substantially all" by requiring that the DSU have "a staff, at least 90% of whom are employed full time on the rehabilitation work of the organizational unit." This is laid out in 34 CFR 361.13. So 90% of what?
The federal requirement refers to 90% of the staff, not 90% of the staff's work hours, that must be devoted to the performance of matters related to VR or the other rehabilitation work of the DSU. This distinction is important when considering DSU staff who expend any time working on the provision of service or activities that do not constitute VR or other rehabilitation, such as universal and core service activities within workforce centers.
The DSU must maintain careful time distribution records for any staff, again, no more than 10% who spend any time working on matters that are not related to the VR or other rehabilitation work of the DSU. These time records are essential to ensure that this requirement is satisfied, as well as compliance with the cost allocation requirements under the federal cost principles found at Appendix V to part 200.
So calculating the percentage, RSA only considers staff who are actively employed at a specific point during the review, and does not consider vacant positions or FTEs assigned to the DSU, as those positions are not actively contributing to the provision of VR or other rehabilitation services within the DSU. This does not apply only to those employees full time versus part time, rather 90% of all staff employed by the DSU.
Contract employees are not included in your filled FTE positions to calculate your 90%. Vacant positions are not included in the calculation. And since this fluctuates throughout the year, it's important to review this periodically during each year.

For example, if the staff of the DSU spend time at an American Job Center providing universal services, this individual would not be included in the 90%. Therefore, it is necessary to be careful about the number of staff assigned to other responsibilities and the number of staff employed by the DSU and currently employed, and not to factor in vacancies. Here are some resources that will help with a little additional understanding of this. RSA has a technical Assistance circular 1203 that talks about the organizational structure, has some information in there about the 90/10 rule and the link to 34 CFR 361.13, that talks a little bit more about that as well.

Transfer of funds-- here's a question. True or false-- In states where there is both a Blind and a General agency, a state may opt to transfer funds between the two agencies using internal accounting adjustments. Is that true or is that false? The answer is False.

When there are separate Blind and General agencies, each VR agency may only use VR funds to serve its respective population in accordance with the approved VR portion of the unified or combined state plan. For example, a Blind agency can't use its funds to serve pre-ets students that would otherwise be served by the General agency. In addition, states with separate agencies should have an agreement in place for the specific amount of funds that will be split between the two agencies.

Remember, the Federal Award is one total amount for each state. It is dependent on each state to determine a reasonable and proportional share of the Federal Award for each specific agency. So how does this work? How can you transfer funds between agencies in your state?

First, RSA must officially transfer the funds between the General and Blind agency awards. Second, RSA processes the transfer by reducing the federal funds allotted to one agency and then transfers that to the other agency. Third, you need to ensure that sufficient non-federal share can be met in the year of appropriation for the transferred funds. Fourth, the whole process can take up to 30 calendar days to complete.

And fifth, if you are in this situation, you will want to contact your RSA fiscal management specialist for details on how to submit this request. So it can be done. You need to reach out and get some help from RSA.

Next subject, Randolph-Sheppard Act, this act authorizes the Vending Facility Program, which provides persons who are blind with remunerative employment and self-support through the operation of vending facilities on federal and other properties. Funds which accrue to a state licensing agency from an assessment against the net proceeds of each vending facility in a state's vending facility program and any income from vending machines on federal property which accrues to the state licensing agency, those are state-- or excuse me, set-aside funds.

So those set aside funds in certain categories are considered as non-federal expenditures in support of the federal VR program. These expenditures must be reported as non-federal expenditures on the RSA-17, or the Federal Financial Report, for the purposes of determining match and maintenance of effort. So these categories, which are considered set-aside funds that must be reported, are acquisition of new and replacement equipment, maintenance and repair of equipment, and management services and supervision.

In recent monitorings, RSA has determined that not all agencies were reporting these non-federal expenditures as match. Make sure your agency is reporting set-aside funds on the RSA-17 if your state operates a Randolph-Sheppard program.

Here are some additional guidance that RSA has published, several Technical Assistance Circulars, or TACs, that are specific to the Randolph-Sheppard program. Links are provided here for your reference. They are definitely worth reading, If. Your agency has a Randolph-Sheppard program, along with some of the additional guidance that's out there from RSA on this topic.

Let's talk about the Stevens Amendment. This is Public Law 101-166, Section 511. It's referred to as the Stevens Amendment. This requires you to disclose the percentage of cost financed with federal funds, the federal dollar amount, and the percentage in dollar amount financed by non-federal, non-governmental funds. This requirement is intended to give the federal government public credit for federally funding programs and projects.

So where must this be included? When issuing statements, press releases, request for proposals, bid solicitations, and other documents describing programs or projects funded in whole or in part with federal money. Here's an example of how this might look.

This project/publicat ion/program/website, et cetera, is X% funded by the US Department of Education Rehabilitation Services Administration as part of an award totaling-- insert the award amount here-- with X% financed from non-governmental sources. So you must detail out all the requirements that are shown here.

Here's a couple of resources for you to find more information about the Stevens Amendment, both in public law and our VRTAC-QM website. We have some information on there about this.

The Build America Buy America Act-- so the US Department of Education provides a really good 30-minute training video. And it's linked here in this slide. The act focuses on using goods, products, services, and materials produced and offered in the United States when receiving federal financial assistance for infrastructure, including construction, remodeling, and broadband infrastructure projects. This was effective beginning October 1, 2022. Grantees must maintain financial records, supporting documents, and other records for three years after the date of submission of the final expenditure report.

Here are the following items that are covered under this act-- iron and steel used in an infrastructure project in the United States, all manufactured products used in an infrastructure project in the United States, all construction materials used in an infrastructure project that are manufactured in the United States.

So goods that do not fit in the definition of manufactured products or construction materials are not subject to the BABAA domestic sourcing requirements. These requirements do apply to the VR program, as explained in the March 19, 2024 RSA updated guidance, that is linked here on this slide. The Department of Education has developed training and information that can help grantees implement these requirements.

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That concludes today's fourth training of VR Basics. Thank you for listening. Additional information can be found on our website at VRTAC-QM.org. Or you can send an email directly to the fiscal team. The email is listed on this slide. For any additional help, please feel free to reach out to us or your RSA financial management specialist. Thank you.