

# CAREER EDUCATION-AR REHABILITATION SERVICES

## Enabling Laws

Act 120 of 2016  
A.C.A. §§ 6-52-101- 6-52-105  
A.C.A. § 20-79-101 et seq.

## History and Organization

### **Mission**

The mission of ARS is to provide opportunities for Arkansans with disabilities to work and to lead productive and independent lives.

This mission statement provides the foundation for the many programs and comprehensive services provided by ARS to individuals with disabilities to assist them in preparing for and entering the state's workforce, thus enabling them to become employed tax-paying citizens participating in communities throughout the state. There are approximately 264,465 people with disabilities residing in Arkansas ages 18-64 (Disability Compendium), meaning that Arkansas has one of the highest percentages of working-age adults with disabilities in the nation. The unemployment rate among Arkansans with disabilities is approximately 70.8 percent (Disability Compendium), a figure higher than the national average. The role of ARS is stipulated to increase the number of persons with disabilities returning to the workplace where they become productive and independent taxpayers instead of tax revenue dependent.

### **History**

Vocational Rehabilitation was initiated in the United States with the passage of the Smith-Fess Act in 1920, which permitted individual states to participate by providing federal aid. The act provided funding for medical and surgical treatment and vocational training. Arkansas accepted its first funds for this purpose as the result of state legislation in 1923, with the State Board of Education administering the program. ARS has a record of more than 85 years of exemplary performance as the primary state agency providing education, training, and employment to Arkansans with disabilities. The size of the agency and scope of services have continued to grow and improve over the years. ARS' strong state and federal partnership operations enjoy bipartisan support because of its record as a cost-effective program that produces documented results.

In 1971, Arkansas legislation transferred administration of the state VR program to the Department of Social and Rehabilitative Services (now

the Department of Human Services). During the time it was administered by the Department of Social and Rehabilitative Services, the program was known as the Division of Rehabilitation Services. Act 574 of 1993 changed the name of the division to Arkansas Rehabilitation Services and transferred it back to the Department of Education, where it was placed under the oversight of the State Board of Vocational Education as a division of the Vocational and Technical Education Division (now the Department of Career Education).

Since its inception, the public VR program has continually expanded both in terms of additional federal resources and in the numbers and types of disabilities served. In 1943, the agency's scope of services was expanded to include individuals with mental retardation and mental illness, as well as those with physical disabilities. In 1954, the program was again expanded, this time by the inclusion of private non-profit community-based rehabilitation programs, as well as disability-related research and training centers. In 1961, ARS established the Hot Springs Rehabilitation Center (Now the Arkansas Career Training Institute or ACTI) that continues to operate today as one of eight state-operated comprehensive rehabilitation centers in the nation.

Recent changes in federal legislation continue to increase an emphasis on serving special education students as they transition to the world of work. ARS is actively involved in welfare-to-work and school-to-work initiatives (such as the PROMISE grant) in order to ensure that Arkansans with disabilities participating in these programs are provided opportunities to prepare for and achieve gainful employment. ARS continues its efforts in the area of disability management focusing on assisting employers in developing stay-at-work/return-to-work (SAW/RTW) programs for employees who experience injury or illness that result in disability thereby reducing employer related costs such as workers' compensation. ARS continues to develop its capacity to provide needed assistive technology services and devices in order to enhance training and employment opportunities for individuals who are severely disabled.

In 1990, Congress passed the Americans with Disabilities Act (ADA), the world's first civil rights legislation for people with disabilities. ARS continues to provide guidance and technical assistance to state agencies and to the private sector regarding compliance with the ADA.

The Workforce Innovation and Opportunities Act of 2014 included the reauthorization of the Rehabilitation Act of 1973. It reinforces a state's requirement to establish a seamless service delivery system, a "one-stop shop" approach involving all agencies that serve people who are unemployed, including those with disabilities. As one of the required partners in Arkansas's one-stop system called the Career Development Network (CDN), ARS participates in each of 10 local regions with office space, resources, and personnel. ARS's involvement in the CDN system provides Arkansans with disabilities increased opportunities to achieve gainful employment or independent living.

ARS currently serves approximately 18,000 individuals with disabilities each year in a variety of programs. Federal Fiscal Year (FFY) 2015 results were 3,077 individuals placed in competitive employment at an average cost of \$4,100. Of these individuals, 97.3% are significantly disabled. The placement of these individuals in competitive employment represents a significant investment in the state's economy. For example, in FFY 2015 our clients earned an average of \$150.00 per week, and after vocational rehabilitation services, this increased to \$408.00, a 172% increase in earning power. Additionally, employer provided insurance increased 93% following a successful employment outcome.

The Federal Office of Management and Budget estimates that for every \$1 spent on VR services, \$7 is returned to the economy. This return on investment is realized in the economic benefit to the individual, the taxes paid, and the elimination or reduction of Social Security, welfare, and other public subsidy payments. One of the most important benefits cannot be measured, and that is the creation or return to meaningful personal participation in society along with the personal dignity and independence achieved by those who have been served.

Over the years, ARS has focused on innovative program-modifications that not only comply with new federal and state initiatives but also enhance the quality of services and improve the employment outcomes of individuals with disabilities. As a result, ARS has received strong support from the executive and legislative branches, as well as from customers we serve. However, despite the successes ARS has had in assisting individuals with disabilities, ARS has received only basic cost-of-living increases in state and federal funds over the past several years with no significant increase in state general revenue. These cost-of-living increases have not kept pace with the costs of providing employment-related services. As a result, the demand for services now significantly exceeds the resources available, a trend that will continue if funding increases are limited to cost-of-living adjustments.

## **Structure**

Arkansas Rehabilitation Services is designed to assure a comprehensive, statewide system of service delivery that addresses the diverse needs of Arkansans living with disabilities. (See the accompanying organizational chart). The major service delivery components are: (1) the Field Services Program, which operates offices in 19 locations serving persons with severe disabilities (except individuals whose primary disability is blindness and served through DHS-Division of Services for the Blind) in all seventy-five (75) counties; (2) the Arkansas Career Training Institute, which is a comprehensive vocational rehabilitation center providing education, medical and vocational training for clients throughout the State and region; (3) Access & Accommodations, consisting of several programs that have been aligned to support Arkansas Rehabilitation Services' Vocational Rehabilitation Counselors, clients and employers with a primary focus to provide assistive technology and accommodations to Arkansans with disabilities.

AT@Work, Stay-at-Work/Return-to-Work-provides assistive technology evaluations, ergonomic and other specialized evaluations necessary to identify accommodations for clients through referrals from Arkansas Rehabilitation Services, self-employee referrals, and employer referrals. Providing good assistive technology and accommodation assessments are essential to a successful employment outcome.

Supported Housing/Independent Living - Supported Housing is a resource to ARS clients when obtaining affordable, accessible housing. Services include; information and referral regarding various local, state, and federal affordable housing programs, such as block grants. Independent Living Services are provided that will enhance the ability of an individual with disabilities to live independently and function within the family and community, including appropriate accommodations to and modification of any space to serve individuals with disabilities.

Telecommunications Access Program (TAP) -State enacted legislation and special funding allows TAP to provide telecommunication equipment for any eligible Arkansan in order for them to be able to access the telecommunications network. Eligible disabilities include deaf, hard of hearing, deaf blind, speech impaired, visually impaired, or those with a cognitive or physical impairment.

Alternative Financing Plan -Provides below market interest rates, extended term loans to persons with disabilities for the purchase of assistive technology. The plan was initially funded through a onetime grant.

Increasing Capabilities Access Network - A federal grant housed within Arkansas Rehabilitation Services, the ICAN program receives no state funds. ICAN is beneficial to Arkansas residents helping to identify appropriate assistive technology that would either provide an accommodation at work, school or assist the family or person with disability to remain home and live independently. ICAN includes assistive technology demonstration, training, loans and reuse program.

Arkansas Governor's Commission on People with Disabilities- Enacted by state legislation to advise and assist the Governor in developing programs and policy pertaining to people with disabilities. Projects include The Scholarship Program, Disability Awareness Day, Mentoring Program, and Youth Leadership Forum.

Arkansas Kidney Disease Commission- A state legislatively initiated and funded program established for the care and treatment for persons suffering from chronic renal diseases.

- (4) The Office for the Deaf and Hearing Impaired which serves persons who are deaf or hearing impaired, as well as those who are deaf-blind, with vocational rehabilitation and independent living services; and
- (5) Supporting these service delivery operations are Financial Management, Human Resources Management, Information Systems and Services, and Program Planning, Development and Evaluation sections.

Arkansas Rehabilitation Services is primarily funded through the Department of Education Rehabilitation Services Administration (RSA). For the Vocational Rehabilitation Program, RSA federal funding is 78.7% with a minimum state match of 21.3%.

## **General Field Program**

The Field Program has 93 counselors serving individuals with disabilities in all 75 counties. All applicants are assigned a rehabilitation counselor. The counselor is responsible for interviewing and assessing disability and functional limitations, exploring the background, abilities, interests, and existing and potential barriers to employment. The determination of eligibility normally occurs within 60 days. Working in partnership, the individual and the counselor develop an Individualized Plan for Employment (IPE). This includes the kind of work the client has chosen as a goal, the specific services needed, a realistic time frame for goal accomplishment, and the assignment of responsibilities. Eligible persons may receive one or more of the following services:

**Diagnosis:** Every person applying for traditional rehabilitation services undergoes a general assessment, which may include special examination in cases such as heart, eye, ear, bone or psychiatric disabilities. This will assist the counselor with eligibility determination.

**Counseling and Guidance:** Trained personnel make a thorough study of each applicant's abilities, needs, and challenges. Intelligence along with vocational interest tests are administered to identify strengths and limitations of the individual in order to assist in determining options for pursuing competitive employment. Jointly the person with a disability and his/her counselor develop an individualized plan for employment (IPE) which establishes an employment goal and the necessary action steps, time frames and estimated costs to achieve the employment goal. Ongoing vocational counseling is a critical element in the success of the customers with whom we work.

**Physical Restoration:** The aim of physical restoration services is to remove, or substantially reduce, the individual's disability as an impediment to employment. Services may include medical and surgical treatment, hospitalization, personal care assistance services, physical and occupational therapy, and restorative appliances such as: artificial limbs, braces, glasses, wheelchairs, vehicle adaptations, assistive technology such as voice activated computers and speech synthesizers.

**Other Services:** Financial assistance that enables the client to purchase tools for self-employment, licensure and business enterprise supplies may also be available. Employment, housing and transportation information and assistance is available. Additionally, wheelchair repairs, peer counseling, and other related services are also available.

**Job Placement:** ARS cooperates with training agencies, employment agencies, and employers in an effort to secure suitable employment for eligible individuals with disabilities. ARS has placement specialists in all general field offices across the State. Job placement counselors assist our clients with job applications, interviews, and eventual employment in the workplace.

**Education and Training:** Financial assistance may be applied to a recognized public or private trade or business school, college, or university. Training in various skills also is available at the ACTI, including auto mechanics, body and fender repair, business education, cosmetology, custodial, laundry, printing, sales clerk, sewing, small engine repair, auto parts technician, welding, data processing, food service and others.

**Rehabilitation Engineering:** Any person, employer, agency, or organization needing help in planning and designing ADA compliant access to the home or work place may secure such assistance from the ARS. The same provision applies to modifications of tools and equipment to make them more adaptive by persons with disabilities.

**Supported Employment (Title VI):** With the collaboration of the Division of Developmental Disabilities and the Division of Behavioral Mental Health of the Department of Human Services, along with the support of community organizations, ARS provides supported services to the most severely disabled individuals, those who cannot function in the work place without ongoing assistance. Job coaches are assigned to

the clients to help them adapt more readily to employment. These services provide meaningful employment to people who have historically been excluded from the workforce and placed in institutions or in segregated programs. During Federal Fiscal Year 2007, 131 individuals received vocational & occupational skills assistance from the Supported Employment program.

Independent Living Services (IL): IL services may be provided to any severely disabled person found eligible and may include counseling (psychological, psychotherapeutic, and guidance), physical restoration services, e.g. (braces, housing modifications, wheelchair, prosthesis, etc., and transportation). This program also provides support to independent living centers such as Mainstream Living, SPA Area Independent Living, Delta Resource Center for Independence, and Sources for Community Living. During Federal Fiscal Year 2007, 61 individuals received assistance from the Independent Living program.

If the individual is in need of comprehensive rehabilitation facility services, the counselor may refer the client to the Arkansas Career Training Institute ACTI.

### **Arkansas Career Training Institute**

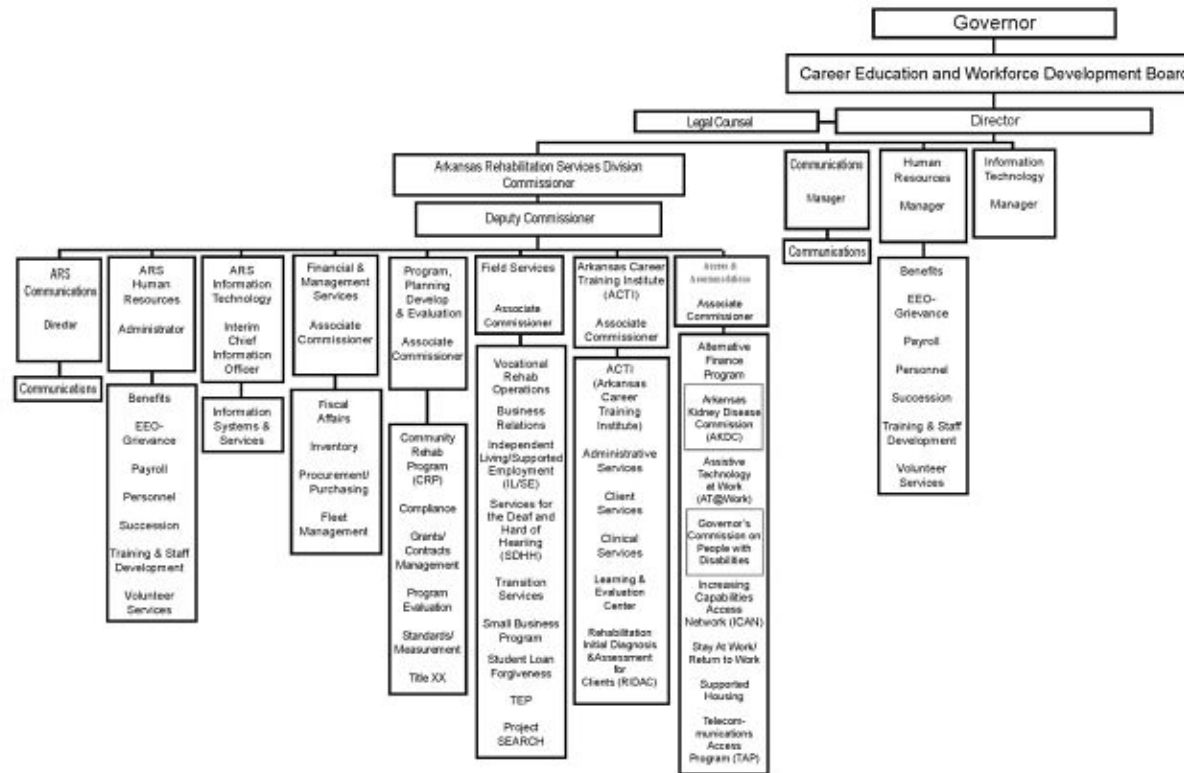
The Arkansas Career Training Institute (ACTI) is a comprehensive rehabilitation program. It offers both residential and non-resident medical and vocational services to approximately 450 Arkansas citizens with disabilities each year at the Hot Springs Campus, serving a population average of 270 at any one time. ACTI is a 24-hour a day facility focused on preparing people with disabilities for careers. The Administrator of the ACTI has responsibility for the management of the facility and reports to the Commission of Arkansas Rehabilitation Services Commissioner. The Center employs 210 people.

In addition to the services provided at the Hot Springs Campus, ACTI also coordinates a comprehensive vocational/psychological evaluation network through its Rehabilitation Initial Diagnosis and Assessment for Clients (RIDAC) program. In addition, the Learning and Evaluation Center (LEC) provides specialized evaluation services for persons who have been diagnosed with mental health and learning disabilities. RIDAC and the LEC provide services to over 5000 per year.

ACTI provides a wide variety of services to prepare clients of ARS to become employed. Services include counseling, case management, vocational evaluation, vocational training, employment readiness, recreation, student living, medical services (clinic, occupational therapy, physical therapy, speech therapy, lab, pharmacy, and psychological services), behavioral enhancement, and job placement.

Vocational Training is provided in nine (9) different programs which are accredited by the Council on Occupational Education, with many programs offering multiple courses of study which can be tailored to meet the learning style and rehabilitation needs of the client/student. ACTI also offers short-term (less than 30 days) training that allow students to earn industry recognized certificates and limit their time away from home.

After hours Recreation Services are provided to help the student adjust to the Center's living environment through wholesome activities to pass the time when the student is not actively engaged in other rehabilitation activities. The Recreation program utilizes 6 staff to plan and supervise the recreational activities, which can range from sedentary activities such as board and video games to vigorous exercise programs. A weight-management program is also supervised in coordination with dietary services in this section.



## Agency Commentary

### Vocational Rehabilitation Services

The Workforce Innovation and Opportunities Act of 2014, which included reauthorization of the Rehabilitation Act of 1973, requires state rehabilitation agencies to provide a coordinated set of activities designed to help persons with physical or mental impairments prepare for and achieve gainful employment. These activities are designed to meet Rehabilitation Services Administration (RSA) standards and indicators of achievement and are outcome-oriented in collaboration with other agencies such as the Arkansas Departments of Education and Higher Education, local workforce centers, and local school districts. These activities can consist of postsecondary education, vocational training, integrated employment, continuing employment, continuing and adult education, adult services, and independent living.

Arkansas Rehabilitation Services (ARS) receives a federal grant from the RSA to operate a comprehensive, coordinated, effective, efficient and accountable program designed to assess, plan, develop, and provide vocational rehabilitation services for individuals with disabilities, consistent with their priorities, abilities, through informed choice, in order to engage in gainful employment.

### **General Field Program**

There are currently 93 Vocational Rehabilitation (VR) counselors in the general field program servicing 16,000 - 18,000 clients annually in all 75 counties. The Field Program is divided into 10 districts with a manager assigned to each district. There are 19 offices located throughout the state. The Chief of Field Services oversees the program with the guidance and approval of the Commissioner. The Vocational Rehabilitation Program is eligibility based and all applicants are assigned a rehabilitation counselor after the referral process. The counselor is responsible for interviewing and assessing disabilities as they relate to functional limitations. The determination of eligibility by field counselors is required by federal law within 60 days. Working in partnership, the individual and the counselor develop an Individualized Plan for Employment (IPE). This includes the kind of work the client has chosen as a goal, the specific services needed, and a realistic time frame for goal accomplishment. Once the client has completed all assigned tasks, goals and objectives, the client is placed with an employment provider and after 90 days of employment the case will be closed as rehabilitated. This is considered a successful closure.

### **Partnerships**

ARS is involved in developing and maintaining partnerships with other agencies and organizations to increase our service to people with disabilities. The Agency's Business Relations section has recently collaborated with Sources for Community Independent Living to help establish a Business Leadership Network (BLN) affiliate in Northwest Arkansas. BLN is a national nonprofit organization that helps business drive performance by leveraging disability inclusion in the workplace. ARS continues to partner on a project with Public Employee Claims Division called Stay-at-Work/Return-to-Work. Efforts are focused on assisting state employees that experience work-related injury or illness that results in disability in remaining at work or returning to work as soon as it medically feasible. Services provided to the employee include assessment, counseling as it relates to the adjustment of a disability and recommendations regarding specific workplace accommodation needs. The benefit to state agencies is retaining productive workers by having access to technical expertise to determine specific individual



accommodation needs as well as reducing and/or eliminating recruiting costs. ARS is also partnering with the DHS divisions of Developmental Disabilities and Behavioral Health and a variety of community providers attempting to transform provider services from a facility-based model to a community-based model. The Agency supports the development and implementation of comprehensive and sustainable individual and employer-centered systems to support and promote access, success, and career entry for individuals with the most significant disabilities into high growth industries. ARS continues to partner with the Access Group in Little Rock and other community partners to introduce Project Search sites across the State. The success of the sites at UAMS and Children's Hospital cannot be understated.

### **ARS FY2016 Minority State Contracts Issued**

ARS did not issue any minority state contracts over \$50,000 during FY 2016.

### **ARS Rehab Services - Operations Appropriation Request**

Proposed appropriation increase request: \$300,000 for FY 2017-2018; \$300,000 for FY 2018-2019. This reallocation of resources to Operations from the Cash in Treasury appropriation counterpart (902) is to consolidate agency marketing and communications; and support the overall agency communications plan under direct supervision of the agency Communications Director. These changes will allow more efficient use of agency funds and better support agency operational goals.

### **ARS Rehab Services - Cash in Treasury Appropriation Request**

Proposed appropriation reduction request: \$300,000 for FY 2017-2018; \$300,000 for FY 2018-2019. This reallocation of resources from the Cash in Treasury appropriation counterpart to the Operations appropriation is to consolidate agency marketing and communications for support of the overall agency communications plan. This appropriation is used exclusively for Vocational Rehabilitation (VR) grant program expenditures. There were no expenditures in FY 2016 because of the reduction in overall VR expenditures. This was due mainly to a lack of available counselors to process VR services and expenditures. Subsequent hiring of qualified counselors has restored the level of services on behalf of our clients. The agency expects more extensive use of this fund in FY 2017 and the 2017-2019 Biennium.

### **ARS Arkansas PROMISE Appropriation Request**

Proposed Appropriation Increase Request: \$13,000 for FY 2017-2018; \$13,000 for FY 2018-2019. Arkansas PROMISE (Promoting the Readiness of Minors in Supplemental Security Income) Grant - This appropriation will continue a previously approved Miscellaneous Federal Grant request for an overall program travel cost increase and associated travel with an additional personnel position. Funding for this program is 100% federal.

### **Position Request**

## Arkansas Promise

This position request will continue a previously approved 8<sup>th</sup> personnel position to support Arkansas PROMISE program delivery. This position is funded from 100% federal funds.

## Audit Findings

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Findings

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Based on information obtained, ALA reviewed expenditures to 5Linx Enterprises, Inc., a multi-level marketing company, through fiscal year 2015. The Agency made payments totaling \$13,302 to 5Linx, based on what appear to be falsified invoices submitted on behalf of three clients. According to the Chief of Field Services, these clients were referred to the Agency by the Director of the Department of Career Education - Arkansas Rehabilitation Services (ARS), who retired January 21, 2015, and was also a 5Linx sales representative. The retired Director indicated he was not directly involved in the referral process for these three clients. The clients were all approved by the Small Business Consultant to start their own 5Linx businesses without being required to formally document the feasibility of the business plan or submit the mandatory 10% financial participation. The documentation in the respective case files was very similar, if not identical, for these three clients. We were unable to determine the origin of the apparently falsified invoices.

The Agency used atypical procedures to pay these invoices. According to the Chief of Field Services, he was directed by the retired Director to pick up the two warrants written to 5Linx (one for \$8,868 issued on October 22, 2014, and cashed on January 22, 2015; and one for \$4,434 issued on November 2, 2014, and voided on August 20, 2015) directly from the Finance office; typically, these warrants would have been mailed, and the Chief of Field Services would have never had custody of them. The retired Director indicated he did not issue this directive. The Chief of Field Services directed that the \$8,868 warrant be sent overnight via FedEx to the attention of a specific 5Linx employee.

Although 5Linx personnel stated to auditors that they did not create the invoices, the vendor did receive the \$8,868 warrant prior to any order being placed. According to the Vice President of Product Development & Marketing for 5Linx, he received the warrant and subsequently negotiated directly with the retired Director about what the warrant would be used to purchase. The retired Director indicated he was not involved in any conversations

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Recommendations

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We recommend the Agency management set a tone reflecting a commitment to integrity and ethical values. We also recommend the Agency strengthen controls and procedures to ensure that employees are properly trained on the policies and procedures related to the small business program. In addition, we recommend the Agency strengthen segregation of duties and minimize instances in which field services personnel have access to warrants authorized under their purview.

**Agency Response:**

ARS acknowledges that the Small Business Consultant did not seek approval from Chief of Field Services to grant an exception for the 10% participation requirement.

The Small Business Consultant was disciplined for the violation of policy and procedures with a counseling statement following the Agency's policy of progressive discipline. The Agency has completed training with the Small Business Consultant. The training specifically focused on documentation for the required 10% commitment to all business plans for clients. Additionally, we have updated internal policies by requiring the approval of the Chief of Field Services to sign off on waivers for the 10% commitment to business plan. Furthermore, the Agency has updated the procedures to policy by prohibiting multilevel marketing ventures. Lastly, the Agency has provided training on documentation of case management and securing adequate invoices for processing payment. Additional training will be provided to field staff regarding the provision of authorization of services to vendors and follow up to verify goods and services have been rendered before final payment.

The Agency has instituted written policies for check pickup, with approvals required by the senior management and Commissioner.

Agency management has reemphasized the ethical and moral standards required of all

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with 5Linx personnel about the warrant. According to 5Linx personnel, the warrant was used to pay for services and products for two of the aforementioned clients, but 5Linx was not able to provide a detailed list of these services and products. 5Linx personnel confirmed that the retired Director would have received compensation from 5Linx if these clients had been successful in the business.

As of November 4, 2015, case files reflected the following:

- Client 1 had received products but had not done anything with them. The counselor and client had not had contact since May 18, 2015.
- Client 2 had not received any products. The counselor and client had not had contact since February 3, 2015.
- Client 3 had not received any products. The warrant for \$4,434, which was cancelled, had not been reissued. The client stated on July 6, 2015, that he no longer wished to work with 5Linx.

Ark. Code Ann. § 19-11-705(a) states the following:

(a)(1) Conflict of interest. It shall be a breach of ethical standards for any employee to participate directly or indirectly in any proceeding or application, in any request for ruling or other determination, in any claim or controversy, or in any other particular matter pertaining to any contract, or subcontract, and any solicitation or proposal therefore, in which to the employee's knowledge:

- (A) The employee or any member of the employee's immediate family has a financial interest;
- (B) A business or organization has a financial interest, in which business or organization the employee, or any other member of the employee's immediate family, has financial interest; or
- (C) Any other person, business, or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is a party.

Recommendations

employees. Senior managers and staff were also reminded of the personnel assurances they are required to make each year through completing and signing of the Agency's Anti-Fraud and Code of Ethics policy statement and the importance it carries throughout the execution of their duties.

The initial investigation of this finding was conducted by DF&A Office of Internal Audit and the results were forwarded to the investigative authorities.

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(2) "Direct or indirect participation" shall include, but not be limited to, involvement through decision, approval, disapproval, recommendation, preparation of any part of a procurement request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

By recommending these clients to his Agency, being involved in getting payments to 5Linx, and potentially benefitting from clients' sales, the retired Director indirectly participated in a contract in which he had a financial interest. In addition, the Agency entered into voice over internet protocol (VOIP) phone contracts for several field offices with Globalinx, a subsidiary of 5Linx. Payments to 5Linx for the Globalinx product totaled \$13,343. Although immaterial, it appears the retired Director indirectly benefited from these transactions.

Ark. Code Ann. § 21-8-304(a) states the following:

(a) No public servant shall use or attempt to use his or her official position to secure special privileges or exemptions for himself or herself or his or her spouse, child, parents, or other persons standing in the first degree of relationship, or for those with whom he or she has a substantial financial relationship that are not available to others except as may be otherwise provided by law.

The retired Director used his official position to influence the Agency to assist these clients, knowing he could potentially benefit (a "special privilege") when the clients made sales.

Review of out-of-state travel for 67 conferences attended between July 1, 2013 and June 30, 2015, revealed the Agency failed to follow state travel regulations in the following instances:

- Commercial airline tickets should be purchased at least 14 days prior to travel if possible. Airline tickets purchased with less than a 14-day advance shall be explained in writing to the head of the agency and approved by him/her in writing prior to purchase. Airline tickets were purchased for employees in 48 instances among 16 conferences within the 14 days prior to travel with no letters of approval.
- Lodging costs that exceed the rates listed in the Federal Travel Directory, administered by the Government Services Administration (GSA), by more than room tax may not be paid without a letter of authorization by the travel administrator

Recommendations

We recommend the Agency strengthen internal controls related to travel expenditures. Agency personnel should also be trained in state travel regulations, and management should establish procedures to ensure compliance with state laws and regulations.

**Agency Response:**

- A. The Agency will strictly enforce the state regulation that no commercial airline tickets will be booked within the 14-day purchase window without prior written approval from the Agency head. Travel approval deadlines for submission of training requests have been moved to allow adequate time to book flights. Purchasing agents booking travel and travel supervisors have been made aware of the restriction, and procedures are in place to eliminate travel booked within 14 days

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of the agency and must include a justification as to why it was in the best interest of the State to exceed the standard reimbursement rate. For each occurrence, such letters of authorization must be maintained by the agency with the travel payment document for the trip. Forty-five employees attended 15 conferences in which lodging costs either exceeded the GSA per diem rate without justification, there was no waiver to exceed the per diem amount, or the approved waiver indicated a specific amount to exceed and the actual hotel rate exceeded that higher approved amount. Amounts paid in excess of the approved waivers were \$1,735 and \$4,538 in fiscal years 2014 and 2015, respectively.

- The administrative head or travel administrator shall authorize, in writing, the use of a rental vehicle only when it is more economical than the use of a taxi, airport shuttle, etc. One employee rented a vehicle on two different occasions, totaling \$187, without prior written approval. Subsequent to audit field work, the Agency requested and received reimbursement from the employee for these charges.
- Travel expenses for lodging, commercial transportation, and conference registration fees may be billed directly to the State using an Arkansas Sponsored Business Travel Card. The agency/institution is responsible for payment of this account. Our review noted 23 instances among 14 conferences in which the Agency made payments for conference fees and airfare on behalf of employees; however, the employees did not attend the conference, and the Agency was not reimbursed by the vendor. Amounts paid for unused airfare and conference fees totaled \$6,260 and \$2,015 in fiscal years 2014 and 2015, respectively.
- State employees loaned from one state agency to another may be reimbursed for travel expenses by the agency benefiting from the travel. An employee of ARS attended a conference to assist Department of Career Education staff at an event related to that Agency. Even though ARS did not pay for the lodging or flight, it did reimburse the employee \$366 for expenses not related to ARS activity, including meals, baggage, and parking.
- The following travel reimbursements appeared to be overpayments:
  - One employee was reimbursed \$119 for an additional night of meals and lodging for personal reasons, in conjunction with conference attendance.

Recommendations

without prior approval.

- B. The Agency procedure for processing Waiver of State Per Diem forms has been revised to reflect that, upon review by the purchasing agent, if the requested waiver amount will be exceeded when hotel room is reserved, the waiver is returned to the Agency head for correction and re-approval. When the travel reimbursement is submitted to Accounts Payable for processing, fiscal personnel will review the reimbursement packet to verify the presence of the waiver and its accuracy.
- C. ARS is strictly enforcing the regulation regarding prior written approval by the Agency head for the use of rental vehicles. Purchasing agents will verify prior to reservation that the use of a rental vehicle would be more economical for the State and verify the presence of written approval.
- D. The Agency has implemented an Agency-wide out-of-state travel planning tool to forecast travel expenditures and to help prevent scheduling conflicts. Agency leadership has reemphasized senior managers' responsibility to oversee all travel under their control and to minimize short-notice cancellations that prevent recoupment of funds.
- E. Fiscal personnel will be more aware of conferences or training that benefits another agency when reviewing travel reimbursement claims by the employee. If another agency benefits, the reimbursement form will be sent back to the traveler unpaid, with instructions to submit to the proper agency.
- F. Fiscal personnel will be more diligent in reviewing travel reimbursement forms to prevent the overpayment of travel expenses. The forms and backing documents (receipts, approval forms, and justifications) will be thoroughly reviewed by the payment processor and fiscal supervisor to determine allowable costs and accurate calculation of expenses. Processes have been put into place to share direct billing information between Procurement and Accounts Payable to prevent double payment of expenses previously charged on the Agency travel card.
- G. Again, the Agency has implemented an Agency-wide out-of-state travel planning tool to forecast travel expenditures and to help prevent scheduling conflicts.

Agency employees tasked with travel arrangements have been cautioned to book flight arrangements at the cost most economical to the State. If higher-than-normal rates are

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- One employee's reimbursement for the cheaper of airfare or mileage was doubled for the price of the airline ticket, causing an overpayment of \$277.
- One employee received reimbursement of \$38 for an airport shuttle, yet the state travel card was also used to pay this expense.
- Two employees received the maximum reimbursement for meals, totaling \$448, although meals were provided to the employees as part of the conference.

Subsequent to audit field work, the Agency requested and received reimbursement from these employees for these overpayments.

In addition to the above instances of noncompliance with travel regulations, it was Agency practice to pay for employees' fees related to "choice seating," extra leg room, and changes in return flight departure times. In 23 instances among 9 conferences, employees' extra fees were paid by the Agency, totaling \$1,576 and \$2,138 in fiscal years 2014 and 2015, respectively. Two of these instances were also included above, regarding flights paid for by the Agency although the traveler did not attend the conference.

Recommendations

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required to meet the travel needs, additional comments should be included with the travel documents to provide explanation.

Both managers and procurement staff have been reminded that only medically-documented requirements will be considered for special consideration during travel arrangement. Approval for these type of accommodations is restricted to the Agency head level only.

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<p><b>Finding Number:</b> 2015-003</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A150003</p> <p><b>Federal Award Year(s):</b> 2015</p> <p><b>Compliance Requirement(s) Affected:</b> Allowable Costs/Cost Principles</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> Section II-5 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual requires counselors to disclose any possible conflict of interest, or appearance of conflict of interest, and documentation of the action taken by the District Manager in the electronic case file. Proper segregation of duties, addressed by Section VI-3 of the manual, requires that authorizations exceeding \$5,000 be approved by both the Counselor and the District Manager. In instances where the District Manager is acting as the Counselor, the Chief of Field Services would also need to approve the authorization. Section VI-29 states that maintenance (rent) payments are to be made at the end of a stated period after verification that the individual received the services. This process effectively prohibits prepaid rent.</p> <p><b>Condition and Context:</b> A District Manager acted as a Counselor for a relative without properly disclosing the possible conflict of interest in the case file. The District Manager authorized a payment, totaling \$7,378, for 12 months of prepaid rent for the client by acting in the capacity of both Counselor and District Manager. The Chief of Field Services' approval was not obtained, which was in direct violation of the Agency's segregation of duties rule for payments over \$5,000, as well as in violation of the rule requiring evidence of service prior to the issuance of maintenance payments.</p>	<p>ALA staff recommend the Agency train its employees on policies and procedures related to conflicts of interest, segregation of duties, and maintenance payments. ALA staff also recommend the role-mapping in System 7 be reviewed to ensure payment authorization roles are consistent with segregation of duties requirements and the ARS Policy and Procedures Manual.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> ARS field program during this time endured a high number of counselor vacancies statewide which caused many of our district managers to work dual roles. This situation circumvented our approval process internally.</p> <p><b><u>ARS Action Taken</u></b> The District Manager was disciplined for the violation of policy and procedure with a counseling statement following the agency's policy of progressive discipline. The agency has completed training with the district managers on the area of maintenance payments (particularly prepaid rent) and its relation to conflicts of interest and the segregation of duties. This training was completed on February 18, 2016. In addition, the managers will also train their field staff in this area as well at their next monthly staff meeting. System 7 has been re-mapped to implement a trigger for managers acting as counselors (because of our vacancies) to ask for the Chief of Field Services signature to authorize payments. This will make the agency roles consistent with the segregation of duties requirement and the ARS Policy and Procedure Manual.</p> <p><b>Anticipated Completion Date:</b> February 2016</p> <p><b>Contact Person:</b> Carl Daughtery Chief of Field Services Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1610 <a href="mailto:carl.daughtery@arkansas.gov">carl.daughtery@arkansas.gov</a></p>

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**Questioned Costs:**

\$7,378

**Cause:**

The District Manager was not adequately trained on the proper application of the ARS Policy and Procedures Manual with respect to conflicts of interest, segregation of duties, and maintenance payments. In addition, the Agency's case management system (System 7) allowed the same person to authorize a payment as both Counselor and District Manager.

**Effect:**

Failure to adhere to the ARS Policy and Procedures Manual and control the roles of payment authorization in System 7 could allow inappropriate payments to be made without detection.



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<p><b>Finding Number:</b> 2015-004</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A140003</p> <p><b>Federal Award Year(s):</b> 2014</p> <p><b>Compliance Requirement(s) Affected:</b> Allowable Cost/Cost Principles</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> Section VI-29 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual states that after job placement, maintenance payments will only be paid until the client receives his or her first paycheck. In addition, procedures require documentation verifying that the individual received the services.</p> <p><b>Condition and Context:</b> A client received the following maintenance payments that were not in accordance with the ARS Policy and Procedures Manual:</p> <ul style="list-style-type: none"> <li>• Two months' rent, totaling \$980, after the client had received the first paycheck.</li> <li>• Vehicle repairs, totaling \$2,492, for repair work performed on a vehicle not owned by the client and after the client received the first paycheck.</li> </ul> <p><b>Questioned Costs:</b> \$3,472</p> <p><b>Cause:</b> The Counselor for the client was not adequately trained on the proper application of the ARS Policy and Procedures Manual regarding maintenance payments.</p>	<p>ALA staff recommend the Agency strengthen controls and procedures to ensure employees are properly trained on policies and procedures regarding maintenance payments.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> ARS acknowledges that there is an error in the agency's policy section VI-29, which states after job placement; maintenance will only be paid until the individual receives their first pay check. The Chief of Field Services issued an agency directive to the policy for section VI-29 that permits maintenance after the first paycheck. The agency will update the policy manual with the correct language during the next promulgation process. In reference to vehicle repairs, ARS acknowledges that paying for a vehicle repair that is not owned by the client is not a best practice in procedures. However, the vehicle in question was the client's primary source of transportation to attend school.</p> <p><b><u>ARS Action Taken</u></b> The counselor, referenced in the finding, will be required to get manager's signature on all authorization for a 6 month period. In addition, the managers are to be trained by the Chief of Field Services on the best practices for transportation needs and the managers will in turn train the vocation rehabilitation counselors who report to them in the respective district offices of Arkansas Rehabilitation Services those same skills. Furthermore, the agency will ensure all employees are aware of the policy directive regarding maintenance payments.</p> <p><b>Anticipated Completion Date:</b> February 2016</p> <p><b>Contact Person:</b> Carl Daughtery Chief of Field Services Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1610 <a href="mailto:carl.daughtery@arkansas.gov">carl.daughtery@arkansas.gov</a></p>

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**Effect:**

Failure to adhere to the Policy and Procedures Manual could allow inappropriate payments to be made.

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<p><b>Finding Number:</b> 2015-005</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A140003</p> <p><b>Federal Award Year(s):</b> 2014</p> <p><b>Compliance Requirement(s) Affected:</b> Allowable Costs/Cost Principles</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> Three specific sections of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual were used as guidance for testing in this section:</p> <ul style="list-style-type: none"> <li>• Section VI-3 mandates that payments are not to be approved without documentation that the service has been received.</li> <li>• Section B-24 requires the Small Business Consultant to formalize the feasibility of a business idea through a written business plan or feasibility assessment documenting the following:             <ul style="list-style-type: none"> <li>a) Concept Feasibility: Clear description of the business idea; client's background related to the business concept, including education, training, direct experience, and transferable skill sets; a summary statement identifying issues of common concern regarding the feasibility of the concept; and a recommendation as to whether the business concept is feasible.</li> <li>b) Market Feasibility: Geographic description of market area; description of competitors working in or marketing to potential customers in geographic area; definition of target markets, including size and scope of each market; and zoning issues/requirements for establishing a business at intended location.</li> <li>c) Financial Feasibility: Capitalization requirements (start up funding may not</li> </ul> </li> </ul>	<p>ALA staff recommend Agency management set a tone reflecting a commitment to integrity and ethical values. ALA staff also recommend the Agency strengthen controls and procedures to ensure that employees are properly trained on the policies and procedures related to the small business program. In addition, we recommend the Agency consider segregation of duties and minimize instances in which field services personnel have access to warrants authorized under their purview.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> ARS acknowledges that the Small Business Consultant did not seek approval from Chief of Field Services to grant an exception for the 10% participation requirement.</p> <p><b><u>ARS Action Taken</u></b> The Small Business Consultant was disciplined for the violation of policy and procedures with a counseling statement following the agency's policy of progressive discipline. The agency has completed training with the Small Business Consultant. The training specifically focused on documentation of the required 10% commitment to all business plans for clients. Additionally, we have updated internal controls by requiring the approval of the Chief of Field Services to sign off on waivers for the 10% commitment to business plan. Furthermore, the agency has updated the procedures to policy by prohibiting multilevel marketing ventures. Lastly, the agency has provided training on documentation of case management, and securing adequate invoices for processing payment. Additional training will be provided to field staff regarding the provision of authorization of services to vendors and follow up to verify goods and services have been rendered before final payment.</p> <p>The agency has instituted written policies for check pickup, with approvals required by the senior manager and Commissioner.</p> <p>Agency management has reemphasized the ethical and moral standards required of all employees. Senior managers and staff were also reminded of the personal assurances they are required to make each year through completion and signing of the agency's Anti-Fraud and Code of Ethics policy statement and the importance it carries throughout the execution of their duties.</p> <p>The initial investigation of this finding was conducted by DF&amp;A Office of Internal Audit and the results were forwarded to the state's Attorney General office and Arkansas State Police.</p>

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<p>exceed six months) consistent with the client's business concept; identification of resources for startup funding and ongoing capitalization. Twelve months of projected sales/expenses may be included, when appropriate. A monthly update will be required upon authorization.</p> <ul style="list-style-type: none"><li>Section B-27 of the ARS Policy and Procedures Manual requires financial participation of 10% by the client unless an exception to the financial participation policy has been granted by the Chief of Field Services and/or ARS Commissioner.</li></ul> <p>In addition, specific guidance is provided relative to improper payments as outlined in the Improper Payments Information Act of 2002, as amended by Publ. L. No. 111-2014; the Improper Payments Elimination and Recovery Act, Executive Order 13520 on reducing improper payments; and the June 18, 2010, Presidential memorandum to enhance payment accuracy. The term <i>improper payment</i> refers to the following:</p> <ul style="list-style-type: none"><li>Any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally-applicable requirements.</li><li>Incorrect amounts, which include overpayments or underpayments made to eligible recipients (including appropriate denials of payments or service, any payment that does not account for credit for applicable discounts, payments that are for the incorrect amount, and duplicate payments).</li><li>Any payment made to an ineligible recipient or for an ineligible good or service or payments for goods or services not received (except for such payments where authorized by law).</li><li>Any payment that an agency cannot determine was appropriate because of insufficient or lack of documentation.</li></ul> <p>Also, as stated in OMB Circular A-133 § 300(b), the auditee shall maintain internal control over federal programs that provides a reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on each of its federal programs. This includes establishing internal controls to properly segregate duties so that no person or group should have the ability to approve purchases and obtain custody of warrants.</p> <p>In addition to the specific federal criteria outlined previously, the following state criteria are</p>	<p><b>Anticipated Completion Date:</b> January 2016</p> <p><b>Contact Person:</b> Carl Daughtery Chief of Field Services Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1610 <a href="mailto:carl.daughtery@arkansas.gov">carl.daughtery@arkansas.gov</a></p>

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also applicable:

- Ark. Code Ann. § 19-11-705(a):

(a)(1) Conflict of Interest. It shall be a breach of ethical standards for any employee to participate directly or indirectly in any proceeding or application, in any request for ruling or other determination, in any claim or controversy, or in any other particular matter pertaining to any contract or subcontract, and any solicitation or proposal therefore, in which to the employee's knowledge:

(A) The employee or any member of the employee's immediate family has a financial interest;

(B) A business or organization has a financial interest, in which business or organization the employee, or any member of the employee's immediate family, has a financial interest; or

(C) Any other person, business, or organization with whom the employee or any member of the employee's immediate family is negotiating or has an arrangement concerning prospective employment is a party.

(2) "Direct or indirect participation" shall include, but not be limited to, involvement through decision, approval, disapproval, recommendation, preparation of any part of a procurement request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

- Ark. Code Ann. § 21-8-304(a):

(a) No public servant shall use or attempt to use his or her official position to secure special privileges or exemptions for himself or herself or his or her spouse, child, parents, or other persons standing in the first degree of relationship, or for those with whom he or she has a substantial financial relationship that are not available to others except as may be otherwise provided by law.

**Condition and Context:**

The Agency made payments totaling \$13,302 to 5Linx Enterprises, Inc., a multi-level marketing company, based on what appear to be falsified invoices submitted on behalf of three clients. According to the Chief of Field Services, these clients were referred to the Agency by the Director of the Arkansas Department of Career Education - Arkansas

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Rehabilitation Services, who retired January 21, 2015, and was also a 5Linx sales representative. The retired Director indicated he was not directly involved in the referral process for these three clients. The clients were all approved by the Small Business Consultant to start their own 5Linx businesses without formally documenting the feasibility of the business plan or requiring the mandatory 10% financial participation from the client. The documentation in the respective case files was very similar, if not identical, for these three clients. ALA staff were unable to determine the origin of the apparently falsified invoices.

The Agency used atypical procedures to pay these invoices. According to the Chief of Field Services, he was directed by the retired Director to pick up the two warrants written to 5Linx (one for \$8,868 issued on October 22, 2014 and cashed on January 22, 2015 and one for \$4,434 that was issued on November 2, 2014 and voided on August 20, 2015) directly from the Finance office; typically, these warrants would have been mailed, and the Chief of Field Services would have never had custody of them. The retired Director indicated he did not issue this directive. The Chief of Field Services directed that the \$8,868 warrant be sent overnight via FedEx to the attention of a specific 5Linx employee.

Although 5Linx personnel stated to auditors that they did not create the invoices, the vendor did receive the \$8,868 warrant prior to any order being placed. According to the Vice President of Product Development & Marketing for 5Linx, they received the warrant and subsequently negotiated directly with the retired Director about what the warrant would be used to purchase. The retired Director indicated he was not involved in any conversations with 5Linx about the warrant. According to 5Linx personnel, the warrant was used to pay for services and products for two of the aforementioned clients, but 5Linx was not able to provide a detailed list of these services and products. 5Linx personnel confirmed that the retired Director would have received compensation from 5Linx if these clients had been successful in the business.

As of November 4, 2015, case files reflected the following:

- Client 1 had received products but had not done anything with them. The counselor and client had not had contact since May 18, 2015.
- Client 2 had not received any products. The counselor and client had not had contact since February 3, 2015.
- Client 3 had not received any products. The warrant for \$4,434, which was cancelled, had not been reissued. The client stated on July 16, 2015, that he no

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longer wished to work with 5Linx.

Ark. Code Ann. § 19-11-705(a) - By recommending these clients to his Agency, being involved in getting payments to 5Linx, and potentially benefitting from clients' sales, the retired Director indirectly participated in a contract in which he had a financial interest.

Ark. Code Ann. § 21-8-304(a) - The retired Director used his official position to influence the Agency to assist these clients, knowing he could potentially benefit (a "special privilege") when the clients made sales.

**Questioned Costs:**

\$8,868

**Cause:**

Management is responsible for adopting sound policies and establishing and maintaining internal control that will ensure the achievement of the entity's objectives. The control environment sets the tone of an organization, which influences control consciousness of its employees, and is the foundation for all other components of internal control, providing discipline and structure. The transactions and events reviewed above suggest compromise of the Agency's commitment to integrity and ethical values.

**Effect:**

Failure to establish an appropriate control environment could allow for inappropriate payments to be made using grant funds and subsequently jeopardize future awards.

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<p><b>Finding Number:</b> 2015-006</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A140003</p> <p><b>Federal Award Year(s):</b> 2014</p> <p><b>Compliance Requirement(s) Affected:</b> Allowable Costs/Cost Principles</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> Section VI-3 of the Arkansas Rehabilitation Services (ARS) Policy and Procedures Manual mandates that payments are not to be approved without documentation that the service has been received. Section VI-4 requires the Counselor to verify the individual received the service whenever a billing statement is received.</p> <p><b>Condition and Context:</b> The job placement program at ARS pays job placement vendors \$1,000 for each client they assist in successfully completing 90 days at a job. ALA staff noted one instance in which the job placement vendor was paid \$1,000 for this service after a client complained to the VR Counselor regarding the lack of job placement services from the vendor. In addition, case file narratives document the vendor asking the client to lie to the VR Counselor about being employed. The case file does not reflect efforts to investigate the client's assertions or communicate the disagreement to Agency employees responsible for the job placement program.</p> <p><b>Questioned Costs:</b> \$1,000</p> <p><b>Cause:</b></p>	<p>ALA staff recommend the Agency strengthen controls and procedures to ensure employees are properly trained on the policies and procedures regarding job placement payments and the appropriate recourse for instances of disagreement between the client and job placement vendor.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> The District Manager did follow-up on the client's assertion about being told to lie. The District Manager investigated the services provided and approved the job placement payment. However, there was no documentation in the case narrative by District Manager or Counselor prior to the payment. The agency will continue to provide ongoing training and emphasize the importance of detailed caseload documentation.</p> <p><b><u>ARS Action Taken</u></b> The Manager and Field Counselor were disciplined for the violation of policy and procedures with a counseling statement following the agency's policy of progressive discipline. The agency has completed training with the district managers on the area of provision and authorization of services and its relation to providing detailed documentation in case files. The training was provided February 18, 2016. In addition, the manager has provided training and guidance to the field staff in this district. The training specifically focused on professional communication to clients, responding in timely fashion with complaints and including detailed documentation in case narratives that support the provision of services provided before final payment.</p> <p><b>Anticipated Completion Date:</b> February 2016</p> <p><b>Contact Person:</b> Carl Daughtery Chief of Field Services Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1610 <a href="mailto:carl.daughtery@arkansas.gov">carl.daughtery@arkansas.gov</a></p>



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The Counselor was not properly trained on the requirements necessary to process a request for payment and the proper course of action to take when clients' assertions disagree with vendor invoices.

**Effect:**

Failure to determine that the services were performed prior to processing a payment request could result in vendors receiving payments for services they did not provide. Failure to alert job placement program officials of disagreements between clients and vendors could prevent the identification of unscrupulous job placement vendors.

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<p><b>Finding Number:</b> 2015-007</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A150003</p> <p><b>Federal Award Year(s):</b> 2015</p> <p><b>Compliance Requirement(s) Affected:</b> Allowable Costs/Cost Principles; Reporting</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> In accordance with 2 CFR §215.21, a federal awarding agency requires an agency financial management system to provide accurate, current, and complete disclosure of the financial results of each federally-sponsored program. Rehabilitation Services Administration (RSA) Policy Directive PD15-05 requires the Agency to submit SF-425 reports semi-annually for reporting periods ending March 31 and September 30. Correspondence from the federal sponsor on June 30, 2014, strongly discouraged the establishment of a public safety department at Arkansas Career Training Institute (ACTI), a state-owned and operated community rehabilitation program (CRP). The Agency implemented procedures to track the expenditures of the public safety department at ACTI so that they could be removed from the calculation of grant expenditures.</p> <p><b>Condition and Context:</b> ALA staff review of three reports revealed the Agency did not have adequate internal controls in place to ensure accurate and complete financial information was submitted within the criteria established by the federal awarding agency.</p> <p>The Agency's lack of adequate internal controls over reporting resulted in a net overstatement of expenditures, totaling \$1,041,654, on the 2015 Grant SF-425 for the period ended March 31, 2015. The net overstatement is a cumulative effect of the following errors:</p>	<p>ALA staff recommend the Agency correct the SF-425 to reflect the correct expenditures. In addition, ALA staff recommend the Agency strengthen controls and procedures to ensure SF-425 financial reports are submitted accurately.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> The agency acknowledges both the net overstatement of expenditures and the unallowable expenditures reported through the agency SF-425 submissions.</p> <p><b><u>ARS Action Taken</u></b> The unallowable expenditures have been corrected with updated SF-425 submissions. Corrections to the overstated expenditures will be made to the affected SF-425 reports and will conclude with the final reports for applicable grants.</p> <p>SF-425 calculation procedures and training have been updated to account for unliquidated obligations and to exclude unallowable costs. The CFO will continue to monitor the SF-425 calculation process. The CFO will continue to verify and approve the accuracy of the SF-425 reports prior to submission.</p> <p><b>Anticipated Completion Date:</b> March 2016</p> <p><b>Contact Person:</b> Joseph Baxter Chief Fiscal Officer Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1614 <a href="mailto:joseph.baxter@arkansas.gov">joseph.baxter@arkansas.gov</a></p>

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- Expenditures, totaling \$823,884, were reported but not incurred because of calculation errors in the spreadsheets supporting the SF-425.
- Unallowable expenditures regarding the armed public safety department of ACTI, totaling \$217,770, were reported as grant expenditures.

**Questioned Costs:**

\$1,041,654

**Cause:**

Agency employees responsible for preparing the reports were not adequately trained regarding reporting requirements, and the Agency did not have procedures in place to ensure that reports were properly reviewed for accuracy and completeness.

**Effect:**

Reporting overstated and/or unallowable costs could create a liability and require a refund to the federal awarding agency, in addition to jeopardizing future awards.

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<p><b>Finding Number:</b> 2015-008</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A150003</p> <p><b>Federal Award Year(s):</b> 2015</p> <p><b>Compliance Requirement(s) Affected:</b> Matching, Level of Effort, Earmarking</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b> Section 110(d) of the Rehabilitation Act of 1973, effective July 22, 2014, requires a state to reserve at least 15% of its allotment under a grant for the provision of pre-employment transition services, which are described in Section 113 of the Act.</p> <p><b>Condition and Context:</b> As of March 31, 2015, the pre-employment transition services requirement for the Agency was \$1,939,081. ALA staff reviewed the Agency's SF-425 report for the 2015 grant, along with the documentation supporting the \$2,878,376 reported for pre-employment transition services, to determine reasonableness. The review revealed the Agency did not maintain sufficient, appropriate evidence for the amount reported, and only \$385,927 was for services that could reasonably meet the definition of pre-employment transition services. As a result, there is a potential deficit in pre-employment transition services totaling \$1,553,154 (\$1,939,081 - \$385,927).</p> <p><b>Questioned Costs:</b> None</p> <p><b>Cause:</b> The Agency did not have adequate internal control procedures in place to ensure the</p>	<p>ALA staff recommend the Agency strengthen controls and procedures to ensure earmarking requirements are properly met and reported.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b> Vocational rehabilitation regulations that govern implementation of The Workforce Innovation and Opportunity Act signed in to law July 22, 2014 have yet to be issued by Rehabilitation Services Administration (RSA). Agencies have been instructed by RSA to develop services and processes individually in order to comply with the requirements outlined in the law until comprehensive federal regulations are released. The agency reported expenditures under the pre-employment transition services requirement were in support of this direction.</p> <p><b><u>ARS Action Taken</u></b> Current agency activities listed under pre-employment transition services are under review by Field Service senior management. Specific services are being developed to address these new requirements, and for tracking and reporting purposes. Additional procurement methods are being explored and initiated in order to better meet the provisions outlined in the law.</p> <p><b>Anticipated Completion Date:</b> June 2016</p> <p><b>Contact Person:</b> Carl Daughtery Chief of Field Services Arkansas Rehabilitation Services 525 W. Capital Ave Little Rock, AR 72201 501-296-1610 <a href="mailto:carl.daughtery@arkansas.gov">carl.daughtery@arkansas.gov</a></p>

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
DEPARTMENT OF CAREER EDUCATION – ARKANSAS REHABILITATION SERVICES  
FOR THE YEAR ENDED JUNE 30, 2015

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Findings

Recommendations

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earmarking requirements were properly met and reported.

**Effect:**

Failure to meet earmarking requirements could jeopardize future awards.

DIVISION OF LEGISLATIVE AUDIT  
 AUDIT OF :  
 DEPARTMENT OF CAREER EDUCATION – ARKANSAS REHABILITATION SERVICES  
 FOR THE YEAR ENDED JUNE 30, 2015

Findings	Recommendations
<p><b>Finding Number:</b> 2015-009</p> <p><b>State/Educational Agency(s):</b> Arkansas Department of Career Education - Arkansas Rehabilitation Services</p> <p><b>CFDA Number(s) and Program Title(s):</b> 84.126 - Rehabilitation Services_Vocational Rehabilitation Grants to States</p> <p><b>Federal Award Number(s):</b> H126A140003; H126A150003</p> <p><b>Federal Award Year(s):</b> 2014 and 2015</p> <p><b>Compliance Requirement(s) Affected:</b> Matching, Level of Effort, Earmarking; Reporting</p> <p><b>Type of Finding:</b> Noncompliance and Significant Deficiency</p> <p><b>Repeat Finding:</b> Not applicable</p> <p><b>Criteria:</b>            29 USC 731(a)(2)(B) states the amount payable to a state for a fiscal year shall be reduced by the amount by which expenditures from non-federal sources for any previous fiscal year are less than the total expenditures for the second fiscal year preceding the previous fiscal year. For example, for fiscal year 2014, a state's maintenance of effort (MOE) level is based on the amount of its expenditures from non-federal sources for fiscal year 2012. However, the amount of non-federal expenditures spent on the construction of facilities for community rehabilitation program purposes are not applicable toward the MOE requirement per 34 CFR § 361.62. In addition, Rehabilitation Services Administration Policy Directive 15-05 requires the non-federal expenditures spent on the construction of facilities for community rehabilitation purposes to be reported on line 12a of the SF-425 so that non-federal expenditures applicable toward MOE can be accurately calculated.</p> <p><b>Condition and Context:</b>            In order to meet its MOE requirement, the Agency was required to spend, from non-federal sources, \$11,218,138 and \$10,744,850 in 2014 and 2015, respectively. MOE expenditures are calculated on the SF-425 report by subtracting line 12a, the non-federal share of expenditures for the establishment or construction of facilities for community rehabilitation program purposes, from line 10j, the recipient share of expenditures. The Agency failed to</p>	<p>ALA staff recommend the Agency strengthen controls and procedures to ensure that non-federal expenditures for the construction of facilities for community rehabilitation program purposes are properly reported and that MOE requirements are properly monitored.</p> <p><b><u>Views of Responsible Officials and Planned Corrective Action:</u></b></p> <p><b><u>ARS Discussion</u></b>            The agency acknowledges the MOE requirement shortfall.</p> <p><b><u>ARS Action Taken</u></b>            The applicable SF-425 reports have been corrected.</p> <p>SF-425 calculation and grant draw procedures have been updated to account for grant expenditures not applicable to MOE calculations. The CFO will continue to monitor the SF-425 and grant draw calculation process. The CFO will continue to verify and approve the accuracy of the grant draws and SF-425 reports prior to submission.</p> <p><b>Anticipated Completion Date:</b> January 2016</p> <p><b>Contact Person:</b> Joseph Baxter            Chief Fiscal Officer            Arkansas Rehabilitation Services            525 W. Capital Ave            Little Rock, AR 72201            501-296-1614  <a href="mailto:joseph.baxter@arkansas.gov">joseph.baxter@arkansas.gov</a></p>

DIVISION OF LEGISLATIVE AUDIT  
AUDIT OF :  
DEPARTMENT OF CAREER EDUCATION – ARKANSAS REHABILITATION SERVICES  
FOR THE YEAR ENDED JUNE 30, 2015

Findings

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meet its MOE requirement for the 2014 grant because it only spent \$10,318,815, which is \$899,323 less than required. While the Agency still has time to meet MOE requirements for the 2015 grant, line 12a of the 2015 SF-425 report reflects \$0 expenditures, instead of \$928,640, the actual expenditures calculated by the Agency. If not corrected, the Agency could also fail to meet its MOE requirement for the 2015 grant.

**Questioned Costs:**

None

**Cause:**

The Agency did not have procedures or controls in place to properly calculate and report the amount of non-federal expenditures spent for the construction of facilities for community rehabilitation program purposes.

**Effect:**

The federal awarding agency could reduce the State's allotment of future grant funds by the MOE deficit.

Recommendations

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**State Contracts Over \$50,000 Awarded To Minority Owned Businesses Fiscal Year 2016**

None

## Employment Summary

	Male	Female	Total	%
White Employees	95	181	276	64 %
Black Employees	34	116	150	35 %
Other Racial Minorities	2	2	4	1 %
Total Minorities			154	36 %
Total Employees			430	100 %

## Publications

### A.C.A. 25-1-201 et seq.

Name	Statutory Authorization	Required for		# of Copies	Reason(s) for Continued Publication and Distribution	Unbound Black & White Copies Produced During the Last Two Years	Cost of Unbound Copies Produced During the Last Two Years
		Governor	General Assembly				
AKDC Annual Report	Act 450 of 1971	Y	Y	75	Annual report providing results of Arkansas Kidney Disease services.	0	0.00
Counselor	None	N	N	2,000	Agency newsletter providing information to the public regarding rehabilitation services and activities.	0	0.00



# Department Appropriation Summary

## Historical Data

## Agency Request and Executive Recommendation

Appropriation	2015-2016		2016-2017		2016-2017		2017-2018					2018-2019						
	Actual	Pos	Budget	Pos	Authorized	Pos	Base Level	Pos	Agency	Pos	Executive	Pos	Base Level	Pos	Agency	Pos	Executive	Pos
128 Rehab Services - Operations	51,119,543	488	62,648,596	527	63,461,259	527	61,569,266	527	61,869,266	527	60,748,638	500	61,584,411	527	61,884,411	527	60,763,659	500
1VB Increase Capabilities Access Network	955	0	298,690	0	298,690	0	298,690	0	298,690	0	298,690	0	298,690	0	298,690	0	298,690	0
374 Statewide Disability Telecomm	447,206	3	528,598	3	530,019	3	528,598	3	528,598	3	496,510	2	528,723	3	528,723	3	496,635	2
743 People w/Disabilities	9,500	0	45,000	0	45,000	0	45,000	0	45,000	0	45,000	0	45,000	0	45,000	0	45,000	0
902 Tech Equipment - Treasury	558,001	0	1,580,000	0	1,580,000	0	1,580,000	0	1,580,000	0	1,580,000	0	1,580,000	0	1,580,000	0	1,580,000	0
903 Rehab Services - Treasury Pay	0	0	863,400	0	863,400	0	863,400	0	563,400	0	563,400	0	863,400	0	563,400	0	563,400	0
M89 Promise Grant	410,247	8	453,086	8	380,680	7	390,829	7	454,045	8	454,045	8	391,573	7	454,789	8	454,789	8
<b>Total</b>	<b>52,545,452</b>	<b>499</b>	<b>66,417,370</b>	<b>538</b>	<b>67,159,048</b>	<b>537</b>	<b>65,275,783</b>	<b>537</b>	<b>65,338,999</b>	<b>538</b>	<b>64,186,283</b>	<b>510</b>	<b>65,291,797</b>	<b>537</b>	<b>65,355,013</b>	<b>538</b>	<b>64,202,173</b>	<b>510</b>

Funding Sources		%		%		%		%		%		%		%		%		%
Fund Balance	4000005	1,583,738	2.9	1,223,246	1.8		1,603,801	2.3	1,603,801	2.3	1,603,801	2.4	3,704,769	5.2	4,003,464	5.6	4,035,552	5.7
General Revenue	4000010	13,126,651	24.4	13,126,651	19.3		13,126,651	19.0	13,126,651	18.9	12,897,526	18.9	13,126,651	18.5	13,126,651	18.3	12,897,500	18.3
Federal Revenue	4000020	38,298,636	71.2	51,608,057	75.9		51,545,800	74.7	51,909,016	74.9	51,017,513	74.8	51,546,544	72.5	51,909,760	72.4	51,018,159	72.2
Special Revenue	4000030	458,710	0.9	328,979	0.5		330,000	0.5	330,000	0.5	330,000	0.5	330,000	0.5	330,000	0.5	330,000	0.5
Cash Fund	4000045	385,484	0.7	1,734,238	2.5		2,360,000	3.4	2,360,000	3.4	2,360,000	3.5	2,360,000	3.3	2,360,000	3.3	2,360,000	3.3
DFA Motor Vehicle Acquisition	4000184	(89,066)	(0.2)	0	0.0		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
M & R Sales	4000340	4,545	0.0	0	0.0		0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Funds</b>		<b>53,768,698</b>	<b>100.0</b>	<b>68,021,171</b>	<b>100.0</b>		<b>68,966,252</b>	<b>100.0</b>	<b>69,329,468</b>	<b>100.0</b>	<b>68,208,840</b>	<b>100.0</b>	<b>71,067,964</b>	<b>100.0</b>	<b>71,729,875</b>	<b>100.0</b>	<b>70,641,211</b>	<b>100.0</b>
Excess Appropriation/(Funding)		(1,223,246)		(1,603,801)			(3,690,469)		(3,990,469)		(4,022,557)		(5,776,167)		(6,374,862)		(6,439,038)	
<b>Grand Total</b>		<b>52,545,452</b>		<b>66,417,370</b>			<b>65,275,783</b>		<b>65,338,999</b>		<b>64,186,283</b>		<b>65,291,797</b>		<b>65,355,013</b>		<b>64,202,173</b>	

FY17 Budget exceeds authorized appropriation in the Promise Grant (M89) due to a transfer from the Miscellaneous Federal Grant Holding Account.  
 FY17 Budget number of positions may exceed the Authorized Number in the Promise Grant (M89) due to transfers from the Miscellaneous Federal Grant Holding Account.  
 Variance in fund balance due to unfunded appropriation in People w/Disabilities (743) and Rehab Services-Treasury Pay (903).

## Agency Position Usage Report

FY2014 - 2015						FY2015 - 2016						FY2016 - 2017					
Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused	Authorized in Act	Budgeted			Unbudgeted	% of Authorized Unused
	Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total			Filled	Unfilled	Total	Total	
530	460	70	530	0	13.21 %	537	437	93	530	7	18.62 %	537	437	100	537	0	18.62 %

## **Analysis of Budget Request**

**Appropriation:** 128 - Rehab Services - Operations

**Funding Sources:** PER - Educational Rehabilitation Pay - Admin

The Office of Rehabilitation Services (ARS) carries out its responsibilities through a field program that reaches all 75 counties from 19 field offices across the state. They also operate the Hot Springs Rehabilitation Center (HSRC), a comprehensive, state-owned rehabilitation facility - one of only nine in the country and the only one in the country west of the Mississippi River. The center is comprised of a medical unit providing traumatic care and comprehensive physical and occupational therapy. ARS also includes the Arkansas Career Training Institute (ACTI), which provides vocational training and support in a number of training programs. Funding for this appropriation is a combination of general revenue and federal funding. Federal funds account for approximately 80% of the total funding.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching also includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases. The Base Level salary of unclassified positions reflects the FY17 line item maximum plus the previously authorized 2016 1% Cost of Living Adjustment authorized by Act 1007 (3 (B)) of 2015.

The Base Level Request is \$61,569,266 for FY18 and \$61,584,411 for FY19.

The Agency Request is a Change Level increase of \$300,000 for each year as follows:

- Operating Expenses increase of \$300,000 through a reallocation of resources from Rehab Services - Cash in Treasury (903) to consolidate agency marketing and communications in support of the overall agency communications plan. This will allow more efficient use of agency funds and better support agency goals.

The Executive Recommendation provides for the Agency Request; and subsequent to the Agency's Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects a reduction of twenty-seven (27) positions based on the personnel evaluations.

# Appropriation Summary

**Appropriation:** 128 - Rehab Services - Operations  
**Funding Sources:** PER - Educational Rehabilitation Pay - Admin

## Historical Data

## Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	16,595,470	19,199,459	19,729,585	19,215,617	19,215,617	18,421,114	19,227,317	19,227,317	18,432,714
<b>#Positions</b>		<b>488</b>	<b>527</b>	<b>527</b>	<b>527</b>	<b>527</b>	<b>500</b>	<b>527</b>	<b>527</b>	<b>500</b>
Extra Help	5010001	206,339	252,000	252,000	252,000	252,000	252,000	252,000	252,000	252,000
<b>#Extra Help</b>		<b>18</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>19</b>
Personal Services Matching	5010003	6,471,044	7,268,229	7,550,766	7,272,741	7,272,741	6,946,616	7,276,186	7,276,186	6,950,037
Extra Salaries	5010008	0	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Operating Expenses	5020002	7,439,692	8,691,380	8,691,380	8,691,380	8,991,380	8,991,380	8,691,380	8,991,380	8,991,380
Conference & Travel Expenses	5050009	124,589	155,506	155,506	155,506	155,506	155,506	155,506	155,506	155,506
Professional Fees	5060010	311,764	882,029	882,029	882,029	882,029	882,029	882,029	882,029	882,029
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	1,388,421	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
Capital Outlay	5120011	346,655	1,100,000	1,100,000	0	0	0	0	0	0
Contract Services	5900043	17,608,894	20,941,993	20,941,993	20,941,993	20,941,993	20,941,993	20,941,993	20,941,993	20,941,993
Data Processing Services	5900044	0	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Arkansas Kidney Disease Commis	5900046	626,675	950,000	950,000	950,000	950,000	950,000	950,000	950,000	950,000
Project Search	5900047	0	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
<b>Total</b>		<b>51,119,543</b>	<b>62,648,596</b>	<b>63,461,259</b>	<b>61,569,266</b>	<b>61,869,266</b>	<b>60,748,638</b>	<b>61,584,411</b>	<b>61,884,411</b>	<b>60,763,659</b>
<b>Funding Sources</b>										
Fund Balance	4000005	216,446	26,467		1,278,803	1,278,803	1,278,803	3,610,469	3,610,469	3,610,469
General Revenue	4000010	13,126,651	13,126,651		13,126,651	13,126,651	12,897,526	13,126,651	13,126,651	12,897,500
Federal Revenue	4000020	37,887,434	50,774,281		50,774,281	51,074,281	50,182,778	50,774,281	51,074,281	50,182,680
DFA Motor Vehicle Acquisition	4000184	(89,066)	0		0	0	0	0	0	0
M & R Sales	4000340	4,545	0		0	0	0	0	0	0
<b>Total Funding</b>		<b>51,146,010</b>	<b>63,927,399</b>		<b>65,179,735</b>	<b>65,479,735</b>	<b>64,359,107</b>	<b>67,511,401</b>	<b>67,811,401</b>	<b>66,690,649</b>
Excess Appropriation/(Funding)		(26,467)	(1,278,803)		(3,610,469)	(3,610,469)	(3,610,469)	(5,926,990)	(5,926,990)	(5,926,990)
<b>Grand Total</b>		<b>51,119,543</b>	<b>62,648,596</b>		<b>61,569,266</b>	<b>61,869,266</b>	<b>60,748,638</b>	<b>61,584,411</b>	<b>61,884,411</b>	<b>60,763,659</b>

## Change Level by Appropriation

**Appropriation:** 128 - Rehab Services - Operations  
**Funding Sources:** PER - Educational Rehabilitation Pay - Admin

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>61,569,266</b>	<b>527</b>	<b>61,569,266</b>	<b>100.0</b>	<b>61,584,411</b>	<b>527</b>	<b>61,584,411</b>	<b>100.0</b>
C04	Reallocation	300,000	0	61,869,266	100.5	300,000	0	61,884,411	100.5

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>61,569,266</b>	<b>527</b>	<b>61,569,266</b>	<b>100.0</b>	<b>61,584,411</b>	<b>527</b>	<b>61,584,411</b>	<b>100.0</b>
C04	Reallocation	300,000	0	61,869,266	100.5	300,000	0	61,884,411	100.5
C13	Not Recommended	(326,125)	0	61,543,141	100.0	(326,149)	0	61,558,262	100.0
C19	Executive Changes	(794,503)	(27)	60,748,638	98.7	(794,603)	(27)	60,763,659	98.7

### Justification

C04	The Agency requests a \$300,000 reallocation of resources to Operating Expenses from Rehab Services – Cash in Treasury (903) Operating Expenses. This will allow consolidation of agency marketing and communications in support of the overall agency communications plan. The Communications Director will have direct supervision of this area. This change will allow more efficient use of agency funds and better support agency operational goals
C19	Subsequent to Agency's Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation.

## **Analysis of Budget Request**

**Appropriation:** 1VB - Increase Capabilities Access Network

**Funding Sources:** PER - Educational Rehabilitation Pay - Admin

Increasing Capabilities Access Network, a federally funded program of Arkansas Rehabilitation Services, is designed to make technology available and accessible for all who need it. ICAN is a funding information resource and provides information on new and existing technology free to any person regardless of age or disability.

ICAN supports several service programs under one umbrella that target different areas of need for assistive technology. These specific strategies assist individuals in locating and/or receiving assistive devices or services. ICAN maintains an equipment AT4ALL database which list hundreds of items available for loan, demonstration, or giveaway.

ICAN sponsors many training events, conferences and networking events year-round. ICAN is committed to researching all funding sources and to overcoming obstacles that prevent people from getting the technology they need. ICAN keeps up to date on the newest advances in technology and provides information to anyone requesting assistance.

The Agency Request is for Base Level of \$298,690 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 1VB - Increase Capabilities Access Network  
**Funding Sources:** PER - Educational Rehabilitation Pay - Admin

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses 5020002	955	291,500	291,500	291,500	291,500	291,500	291,500	291,500	291,500
Conference & Travel Expenses 5050009	0	7,190	7,190	7,190	7,190	7,190	7,190	7,190	7,190
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>955</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	955	298,690		298,690	298,690	298,690	298,690	298,690	298,690
<b>Total Funding</b>	<b>955</b>	<b>298,690</b>		<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>955</b>	<b>298,690</b>		<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>	<b>298,690</b>

## **Analysis of Budget Request**

**Appropriation:** 374 - Statewide Disability Telecomm

**Funding Sources:** STC - Telecommunications Equipment Fund

The Statewide Disability Telecommunications Equipment Program is authorized to provide telecommunication devices for persons who are deaf, hard of hearing, blind, or speech impaired. Funding for this appropriation is provided through the Arkansas Public Service Commission, pursuant to A.C.A. § 23-17-119, which authorizes a surcharge of \$0.02 per subject access line per month and \$0.02 per working subject telephone number per month.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries and matching do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Agency Request is for Base Level of \$528,598 for FY18 and \$528,723 for FY19.

The Executive Recommendation provides for the Agency Request; and subsequent to the Agency's Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects one (1) position reduction based on the personnel evaluations.



## Appropriation Summary

**Appropriation:** 374 - Statewide Disability Telecomm  
**Funding Sources:** STC - Telecommunications Equipment Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries	5010000	82,766	102,065	102,549	102,065	102,065	80,238	102,165	102,165	80,338
<b>#Positions</b>		<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>3</b>	<b>2</b>
Personal Services Matching	5010003	28,790	39,533	40,470	39,533	39,533	29,272	39,558	39,558	29,297
Operating Expenses	5020002	30,585	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Conference & Travel Expenses	5050009	3,386	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Professional Fees	5060010	46,681	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Grants and Aid	5100004	254,998	305,000	305,000	305,000	305,000	305,000	305,000	305,000	305,000
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>447,206</b>	<b>528,598</b>	<b>530,019</b>	<b>528,598</b>	<b>528,598</b>	<b>496,510</b>	<b>528,723</b>	<b>528,723</b>	<b>496,635</b>
<b>Funding Sources</b>										
Fund Balance	4000005	551,497	551,496		322,898	322,898	322,898	94,300	94,300	126,388
Special Revenue	4000030	447,205	300,000		300,000	300,000	300,000	300,000	300,000	300,000
Total Funding		998,702	851,496		622,898	622,898	622,898	394,300	394,300	426,388
Excess Appropriation/(Funding)		(551,496)	(322,898)		(94,300)	(94,300)	(126,388)	134,423	134,423	70,247
<b>Grand Total</b>		<b>447,206</b>	<b>528,598</b>		<b>528,598</b>	<b>528,598</b>	<b>496,510</b>	<b>528,723</b>	<b>528,723</b>	<b>496,635</b>

## Change Level by Appropriation

**Appropriation:** 374 - Statewide Disability Telecomm  
**Funding Sources:** STC - Telecommunications Equipment Fund

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>528,598</b>	<b>3</b>	<b>528,598</b>	<b>100.0</b>	<b>528,723</b>	<b>3</b>	<b>528,723</b>	<b>100.0</b>

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>528,598</b>	<b>3</b>	<b>528,598</b>	<b>100.0</b>	<b>528,723</b>	<b>3</b>	<b>528,723</b>	<b>100.0</b>
C13	Not Recommended	(10,261)	0	518,337	98.1	(10,261)	0	518,462	98.1
C19	Executive Changes	(21,827)	(1)	496,510	93.9	(21,827)	(1)	496,635	93.9

### Justification

C19	Subsequent to Agency's Budget Request, the Office of Personnel Management and Agency personnel evaluated the Agency's position usage and ongoing staffing needs. The Executive Recommendation reflects position reductions based on the personnel evaluation.
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## **Analysis of Budget Request**

**Appropriation:** 743 - People w/Disabilities

**Funding Sources:** SPD - People with Disabilities Fund

The Governor's Commission on People with Disabilities provides scholarships to students with disabilities. The Access to Parking for Persons With Disabilities Act, A.C.A. § 27-15-301 et seq., provides for 30% of all fines collected shall be used to fund the activities of the Governor's Commission on People with Disabilities.

The Agency Request is for Base Level of \$45,000 each year for the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** 743 - People w/Disabilities  
**Funding Sources:** SPD - People with Disabilities Fund

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	9,500	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Conference & Travel Expenses	5050009	0	0	0	0	0	0	0	0	0
Professional Fees	5060010	0	0	0	0	0	0	0	0	0
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>9,500</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>
<b>Funding Sources</b>										
Fund Balance	4000005	16,021	18,026		2,005	2,005	2,005	0	0	0
Special Revenue	4000030	11,505	28,979		30,000	30,000	30,000	30,000	30,000	30,000
<b>Total Funding</b>		<b>27,526</b>	<b>47,005</b>		<b>32,005</b>	<b>32,005</b>	<b>32,005</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
Excess Appropriation/(Funding)		(18,026)	(2,005)		12,995	12,995	12,995	15,000	15,000	15,000
<b>Grand Total</b>		<b>9,500</b>	<b>45,000</b>		<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>	<b>45,000</b>

## **Analysis of Budget Request**

**Appropriation:** 902 - Tech Equipment - Treasury

**Funding Sources:** NRS - Cash in Treasury

The purpose of this program is to provide loans to individuals with disabilities for essential assistive technology, adaptive equipment, and for loan administration by the Office of Rehabilitation Services. The principal amount was transferred from the original treasury loan fund. Additional funding is earned from interest on the loans.

The Agency Request is for Base Level of \$1,580,000 for each year of the 2017-2019 Biennium.

The Executive Recommendation provides for the Agency Request.

Expenditure of appropriation is contingent upon available funding.

## Appropriation Summary

**Appropriation:** 902 - Tech Equipment - Treasury

**Funding Sources:** NRS - Cash in Treasury

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			2017-2018			2018-2019		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	Base Level	Agency	Executive	Base Level	Agency	Executive
Loans	5120029	558,001	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000
Total		558,001	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000
<b>Funding Sources</b>										
Fund Balance	4000005	794,001	621,389		0	0	0	0	0	0
Cash Fund	4000045	385,389	958,611		1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000
Total Funding		1,179,390	1,580,000		1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000
Excess Appropriation/(Funding)		(621,389)	0		0	0	0	0	0	0
Grand Total		558,001	1,580,000		1,580,000	1,580,000	1,580,000	1,580,000	1,580,000	1,580,000

## **Analysis of Budget Request**

**Appropriation:** 903 - Rehab Services - Treasury Pay

**Funding Sources:** NRS - Cash in Treasury

The Rehabilitation Cash Fund receives revenues from various sources including cafeteria fees, contributions, reimbursement fees, hospital medical fees, interest income, and institutional services. These revenues are defined as program income and are governed by Vocational Rehabilitation Program regulations.

No expenditures were made in FY16 due to an overall decrease in vocational rehabilitation expenditures, due to a shortage of available counselors to process services. Subsequent hiring of qualified counselors has restored the level of services to their clients.

The Base Level Request is \$863,400 for each year of the 2017-2019 Biennium.

The Agency Request is for a Change Level decrease of \$300,000 for each year as follows:

- Operating Expenses decrease of \$300,000 through a reallocation of resources to Rehabilitation Services-Operations (128) to consolidate agency marketing and communications for support of the overall agency communications plan. This will allow more efficient use of agency funds and better support agency goals.

The Executive Recommendation provides for the Agency Request.

Expenditure of appropriation is contingent upon availability of funding.

## Appropriation Summary

**Appropriation:** 903 - Rehab Services - Treasury Pay

**Funding Sources:** NRS - Cash in Treasury

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item		Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
		2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
					Base Level	Agency	Executive	Base Level	Agency	Executive
Operating Expenses	5020002	0	741,400	741,400	741,400	441,400	441,400	741,400	441,400	441,400
Conference & Travel Expenses	5050009	0	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Professional Fees	5060010	0	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000
Data Processing	5090012	0	0	0	0	0	0	0	0	0
Capital Outlay	5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>		<b>0</b>	<b>863,400</b>	<b>863,400</b>	<b>863,400</b>	<b>563,400</b>	<b>563,400</b>	<b>863,400</b>	<b>563,400</b>	<b>563,400</b>
<b>Funding Sources</b>										
Fund Balance	4000005	5,773	5,868		95	95	95	0	298,695	298,695
Federal Revenue	4000020	0	82,000		82,000	82,000	82,000	82,000	82,000	82,000
Cash Fund	4000045	95	775,627		780,000	780,000	780,000	780,000	780,000	780,000
<b>Total Funding</b>		<b>5,868</b>	<b>863,495</b>		<b>862,095</b>	<b>862,095</b>	<b>862,095</b>	<b>862,000</b>	<b>1,160,695</b>	<b>1,160,695</b>
<b>Excess Appropriation/(Funding)</b>		<b>(5,868)</b>	<b>(95)</b>		<b>1,305</b>	<b>(298,695)</b>	<b>(298,695)</b>	<b>1,400</b>	<b>(597,295)</b>	<b>(597,295)</b>
<b>Grand Total</b>		<b>0</b>	<b>863,400</b>		<b>863,400</b>	<b>563,400</b>	<b>563,400</b>	<b>863,400</b>	<b>563,400</b>	<b>563,400</b>



## Change Level by Appropriation

**Appropriation:** 903 - Rehab Services - Treasury Pay  
**Funding Sources:** NRS - Cash in Treasury

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>863,400</b>	<b>0</b>	<b>863,400</b>	<b>100.0</b>	<b>863,400</b>	<b>0</b>	<b>863,400</b>	<b>100.0</b>
C04	Reallocation	(300,000)	0	563,400	65.3	(300,000)	0	563,400	65.3

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>863,400</b>	<b>0</b>	<b>863,400</b>	<b>100.0</b>	<b>863,400</b>	<b>0</b>	<b>863,400</b>	<b>100.0</b>
C04	Reallocation	(300,000)	0	563,400	65.3	(300,000)	0	563,400	65.3

### Justification

C04	The Agency requests a \$300,000 reallocation of resources from Operating Expenses to Rehab Services – Operations (128) Operating Expenses. This will allow consolidation of agency marketing and communications in support of the overall agency communications plan. The Communications Director will have direct supervision of this area. This change will allow more efficient use of agency funds and better support agency operational goals.
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## **Analysis of Budget Request**

**Appropriation:** M89 - Promise Grant

**Funding Sources:** FER - Promise Grant

Arkansas is one of five states participating in the five-year PROMISE (Promoting Readiness of Minors in Supplemental Security Income) Initiative grant awarded by the U.S. Department of Education. The purpose of the PROMISE grant is for each state to establish and operate model demonstration projects designed to improve the education and employment outcomes of child Supplemental Security Income (SSI) recipients and their families.

Base Level Regular Salaries and Personal Services Matching include the continuation of the previously authorized 2017 Salaries and Career Service Payments for eligible employees. Personal Services Matching includes the monthly contribution for State employee's health insurance for a total State match per budgeted employee of \$420 per month. Base Level salaries do not include appropriation for a Cost of Living Adjustment or Merit Pay Increases.

The Base Level Request is \$390,829 for FY18 and \$391,573 for FY19.

The Agency Request is for a Change Level increase of \$63,216 for each year as follows:

- Regular Salaries and Personal Services Matching increase of \$50,216 for continuation of one (1) Certified Vocational Rehabilitation Counselor to serve program participants.
- Operating Expenses of \$13,000 for travel related expenses for administration of services to program participants.

The Executive Recommendation provides for the Agency Request.

## Appropriation Summary

**Appropriation:** M89 - Promise Grant

**Funding Sources:** FER - Promise Grant

### Historical Data

### Agency Request and Executive Recommendation

Commitment Item	Historical Data			Agency Request and Executive Recommendation			Agency Request and Executive Recommendation		
	2015-2016 Actual	2016-2017 Budget	2016-2017 Authorized	2017-2018			2018-2019		
				Base Level	Agency	Executive	Base Level	Agency	Executive
Regular Salaries 5010000	274,491	294,529	248,878	258,674	295,129	295,129	259,274	295,729	295,729
<b>#Positions</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>8</b>
Personal Services Matching 5010003	97,168	110,557	96,802	97,155	110,916	110,916	97,299	111,060	111,060
Operating Expenses 5020002	38,588	48,000	0	35,000	48,000	48,000	35,000	48,000	48,000
Conference & Travel Expenses 5050009	0	0	35,000	0	0	0	0	0	0
Professional Fees 5060010	0	0	0	0	0	0	0	0	0
Data Processing 5090012	0	0	0	0	0	0	0	0	0
Capital Outlay 5120011	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>410,247</b>	<b>453,086</b>	<b>380,680</b>	<b>390,829</b>	<b>454,045</b>	<b>454,045</b>	<b>391,573</b>	<b>454,789</b>	<b>454,789</b>
<b>Funding Sources</b>									
Federal Revenue 4000020	410,247	453,086		390,829	454,045	454,045	391,573	454,789	454,789
Total Funding	410,247	453,086		390,829	454,045	454,045	391,573	454,789	454,789
Excess Appropriation/(Funding)	0	0		0	0	0	0	0	0
<b>Grand Total</b>	<b>410,247</b>	<b>453,086</b>		<b>390,829</b>	<b>454,045</b>	<b>454,045</b>	<b>391,573</b>	<b>454,789</b>	<b>454,789</b>

Budget exceeds Authorized Appropriation in Regular Salaries, Personal Services Matching, and Operating Expenses due to a transfer from the Miscellaneous Federal Grant Holding Account.

Budget exceeds Authorized appropriation in Operating Expenses by authority of a Budget Classification Transfer.

Budget number of Positions may exceed the Authorized Number due to transfers from the Miscellaneous Federal Grant Holding Account.

## Change Level by Appropriation

**Appropriation:** M89 - Promise Grant  
**Funding Sources:** FER - Promise Grant

### Agency Request

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>390,829</b>	<b>7</b>	<b>390,829</b>	<b>100.0</b>	<b>391,573</b>	<b>7</b>	<b>391,573</b>	<b>100.0</b>
C01	Existing Program	13,000	0	403,829	103.3	13,000	0	404,573	103.3
C06	Restore Position/Approp	50,216	1	454,045	116.2	50,216	1	454,789	116.1

### Executive Recommendation

Change Level		2017-2018	Pos	Cumulative	% of BL	2018-2019	Pos	Cumulative	% of BL
<b>BL</b>	<b>Base Level</b>	<b>390,829</b>	<b>7</b>	<b>390,829</b>	<b>100.0</b>	<b>391,573</b>	<b>7</b>	<b>391,573</b>	<b>100.0</b>
C01	Existing Program	13,000	0	403,829	103.3	13,000	0	404,573	103.3
C06	Restore Position/Approp	50,216	1	454,045	116.2	50,216	1	454,789	116.1

### Justification

C01	Appropriation request will continue a previously approved Miscellaneous Federal Grant request for an overall program travel cost increase and associated travel with an additional personnel position. Funding for this program is 100% federal.
C06	Appropriation request will continue a previously approved 8th personnel position to support Arkansas PROMISE program delivery. This position is funded from 100% federal funds.