Accountability Report
Idaho Division of Vocational Rehabilitation
For the period July 1, 2022, through June 30, 2024

Legislative Services Office Audits Division

Published January 13, 2025

SUMMARY

April Renfro, Legislative Auditor

PURPOSE OF THE ACCOUNTABILITY REPORT

We completed an accountability report for the Idaho Division of Vocational Rehabilitation (Division) covering the period July 1, 2022, through June 30, 2024. Our report includes the results of procedures completed to review the Division's financial condition and compliance with state appropriation laws. We also reviewed general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion but to provide general assurance on internal controls over the areas reviewed, and to raise the awareness of management and others of conditions or internal control weaknesses that came to our attention and offer recommendations for improvement.

CONCLUSION

We identified one deficiency to report.

FINDINGS AND RECOMMENDATIONS

There is one findings and recommendations in this report.

Finding 1 – The Division did not establish appropriate procedures and control activities to ensure compliance with appropriation laws applicable to fiscal year 2024.

The complete finding is detailed on page 8.

PRIOR FINDINGS AND RECOMMENDATIONS

There were no findings and recommendations in the prior report.

MANAGEMENT'S VIEW

The Division has reviewed the report and is in general agreement with the contents.

FINANCIAL INFORMATION

The following fiscal year 2024 financial data is for informational purposes only.

Fund No.	Fund Title	Beginning Appropriation/ Cash Balance July 1, 2023	Receipts/ Transfers-In	Disbursements/ Transfers-Out	Ending Appropriation/ Cash Balance June 30, 2024
10000	General Fund*	$5,172,200		($5,098,146)	$74,054
28800	Rehabilitation Revenue and Refunds	508,158	$624,622	(1,132,780)	0
34800	Federal Fund **	1,232,582	18,430,041	(20,111,149)	(448,526)
34900	Miscellaneous Revenue Fund	1,142,553	391,385	(1,019,287)	514,651
	Total	$8,055,493	$19,446,048	($27,361,362)	$140,179

* At year-end $74,504 was reverted.
** A borrowing limit of $1,600,000 is avaialbe to cover delays in reimbursements of grant costs that temporarily result in negative cash balances in the Federal Fund 0348.

OTHER INFORMATION

This report is intended solely for the information and use of the State of Idaho and the Idaho Division of Vocational Rehabilitation and is not intended to be used by anyone other than these specified parties.

A copy of this report and prior reports are available on our website or by calling 208-334-4875.

We appreciate the cooperation and assistance given to us by the interim administrator, Judy Taylor, and her staff.

ASSIGNED STAFF

Jim Combo, CPA, CGFM, Managing Auditor
Morgan Smith, Supervising Auditor

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OBJECTIVE

Our objective was to conduct a review of the Division as part of our compliance with Idaho Code, Section 67-702(1)(c). The review may include an evaluation of internal controls over financial and program activities and other matters related to its operations. We reviewed the Division's financial condition and compliance with state appropriation laws, case management, and general expenditure accounting controls to determine that client cases are managed in accordance with state and federal regulations and activities are properly recorded and reported. This report covers July 1, 2022, through June 30, 2024.

The intent of this review was not to express an opinion but to provide general assurance about the reviewed financial and program activities administered by the Division and to raise awareness of management and other stakeholders of any deficiencies or areas of concern that may have come to our attention and offer recommendations for improvement.

BACKGROUND

The Division administers a significant portion of the federal funds that Idaho receives through programs that are regularly audited as part of the statewide Single Audit. This report focuses on the Division's budget monitoring and case management to comply with both appropriation laws and available funds.

General Division Overview

The Division's mission is to prepare individuals with disabilities for employment and career opportunities while meeting the needs of employers.

The Division's primary activity is to administer the federally funded Vocational Rehabilitation program. In addition, the Division provides administrative support to the Independent Council for the Deaf and Hard of Hearing.

The Vocational Rehabilitation program serves a variety of Idahoans with a diverse array of disabilities, sometimes severe and that impose significant barriers to gainful employment, to prepare, obtain, advance in, and retain employment based on their unique skills and abilities.

General Fund moneys are used to meet federal matching requirements for the Vocational Rehabilitation program. The Council for the Deaf and Hard of Hearing uses general funds to coordinate state-level programs and to ensure accommodations and access to services for the deaf and hearing impaired.

The Rehabilitation Revenue and Refunds fund primarily receives federal reimbursements from the Social Security Administration for expenses incurred by the Division to assist customers. This fund does not include federal moneys from the Rehabilitation Services Administration.

The Federal Grant fund receives moneys from several federal grants primarily authorized by the federal Vocational Rehabilitation Act. The grants are administered by the United States Department of Education Rehabilitation Services Administration.

The Miscellaneous Revenue fund consists of contributions and contract payments from various sources including, but not limited to, the Department of Health and Welfare, the Department of Correction, school districts, and other third-party payers as cost reimbursements, refunds, or donations.

Appropriations and Financial Condition

In fiscal year 2023, the Division was appropriated a total for all funds of $25,754,000 which included $11,404,200 for Trustee and Benefit expenditures (Senate Bills 1348 and 1427). Additionally, the Division reverted $2,897,280 of spending authority for fiscal year 2023. In fiscal year 2024, the Division was appropriated a total for all funds of $26,541,800 which included $11,417,100 for Trustee and Benefit expenditures (House Bill 300).

In March 2024, the Division made a request to the Joint Finance and Appropriation Committee (JFAC) for additional spending authority of $2.4 million from its Federal Grant fund and $400,000 from its Miscellaneous Revenue fund for the required state match. This request was made because its financial obligations exceeded its spending authority for the remainder of the fiscal year, which ended on June 30, 2024. The bill for additional spending authority passed the Joint Finance – Appropriation Committee (JFAC) but did not pass the House of Representatives or the Senate, leaving the Division to manage its obligations with the spending authority and financial resources available from its original fiscal year 2024 appropriation bill.

METHODOLOGY

Based on the request for a supplemental appropriation, and concerns raised about how the Division was managing obligations for services within the constraints of appropriated funds, we identified specific areas to evaluate compliance, accuracy, and proper internal controls at the Division. We performed the following procedures to support the conclusions reached in this report.

Financial Condition and Appropriation Compliance

We evaluated the Division's financial condition at the end of fiscal year 2024. We also documented the Division's internal control procedures to assess the risks of noncompliance with its appropriation bills and the control activities in place to address those risks and monitor expenditures compared to appropriated amounts.

We reviewed data to identify trends in the Division's operations and paid specific attention to the Trustee and Benefits payments because they are direct costs related to serving clients. The purpose of this evaluation was to identify the circumstances that led to the Division's request for additional spending authority in March 2024.

At the beginning of fiscal year 2024, the Division had a combined cash balance of $2,883,294 in its three dedicated funds: the Federal Grant fund, the Rehabilitation Revenue and Refunds fund, and the Miscellaneous Revenue fund. At the end of fiscal year 2024, the Division had spent the cash balance in its three funds down to $66,126. To enable the Division to meet as many obligations as possible, several spending authority transfers were made between the Personnel, Operating, and Trustee and Benefit categories in the Federal Grant Fund and the Rehabilitation and Refunds Fund. These transfers and other financial management strategies allowed the Division to maintain compliance with its appropriation bills and provide services to all clients through the end of fiscal year 2024, however, the Division's weakened financial position will affect its ability to provide services to clients in the future. We identified weaknesses in the Division's budget monitoring policies that are described further in Finding 1.

Case Management and General Expenditures

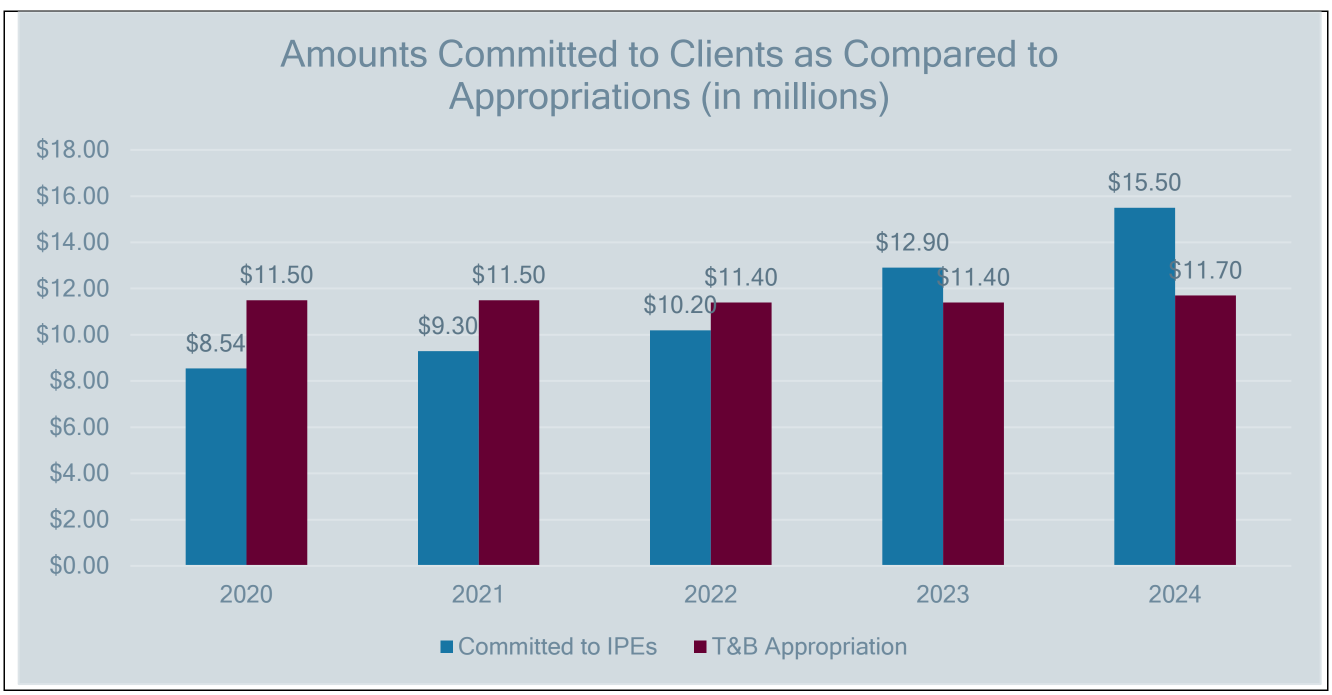
To better understand how the Division found itself in a shortfall position, after several years of reverting appropriation authority, we first worked to gain an understanding of the Division's process for client case management and general operating expenditures. Understanding this process, and how it relates to budget management and appropriations compliance, is critical to ensuring future compliance and sound fiscal management. We worked to identify critical internal controls that are intended to ensure that client cases are managed in accordance with applicable state and federal regulations and the expenditures are for appropriate business purposes and are recorded correctly.

The Division provides a range of services to individuals who have been diagnosed with a disability or functional limitations that limit one or more activity of daily living and who may benefit from services to obtain, maintain, advance in, or regain employment. These services include education, training, counseling, rehabilitation, and medical treatment.

Eligible individuals are provided with an Individualized Plan for Employment (IPE), which includes details about the person's employment goal, planned services, responsibilities as a participant in the program, and the estimated costs. The Division has a case management system that stores all the information for the IPEs. The timeline to complete IPEs can extend over multiple months or years depending on the types of services to be provided. The Division pays for the services as they are provided, and these expenditures are subject to the spending limits in the annual appropriation bills.

We selected a sample of 60 client cases to review. We tested the application of the critical internal controls and reviewed supporting documents to determine compliance with program requirements and sound budgeting practices. We found that the total cost of the services the Division had committed to provide in the IPEs has been rising for several years, while the amounts appropriated for T&B payments have remained relatively level. There is a time lag between when the services are committed to in an IPE and when the services are ultimately provided, billed by the provider, and paid. The Division had previously been able to function within its appropriations each year because the services billed and paid each fiscal year were less than the total committed amount. However, with poor monitoring and an increasing cost of service per client, the portion of committed expenditures in the IPEs that were used and thus payable finally exceeded the amount appropriated in fiscal year 2024.

The graph below illustrates the relationship between the dollar amounts committed to future spending in IPEs and the T&B appropriation for the past five years (amounts are in millions):



The growing difference between what was appropriated and what the Division committed to spending established a scenario in which the Division would eventually have neither the spending authority or the cash to honor all of its obligations.

The number of clients that the Division serves has been increasing for the past three years as well, and the cost of services has also increased due to inflation and other factors. The table below shows the number of clients served for the past three years and the T&B expenditures for each year:

Fiscal Years	**2022**	**2023**	**2024**
Clients	3,958	4,656	4,719
T&B Expenditures	$7,245,778	$8,662,297	$11,260,972
Expenditures per Client	$1,831	$1,860	$2,386

Expenditures were monitored by the fiscal staff, and clients and IPEs were monitored by the program personnel, but the Division did not perform any overall analysis of the growing number of clients and increased client spending in relation to its appropriations. The Division also did not properly evaluate total commitments to available spending authority to ensure that it did not over commit itself. Had it been properly evaluated; the Division could have made decisions to better contain costs or request additional funding to support a specific level of service. See finding 1 for further details about how the lack of appropriate monitoring of commitments led to overspending.

We also selected samples of 30 operating expenditures and 30 personnel expenditures to test critical internal controls and trace expenditures to supporting documents to ensure they were correctly coded and adequately supported. We did not note any deficiencies related to these samples.

CONCLUSION

We identified one deficiency related to the activities overseen by the Division.

FINDINGS AND RECOMMENDATIONS

<u>Finding 1 – The Division did not establish appropriate procedures and control activities to ensure compliance with appropriation laws applicable to fiscal year 2024.</u>

Type of Finding: Internal Control Deficiency

Criteria: Title 34, Section 361.36, of the Code of Federal Regulations (CFR) states that state rehabilitation agencies must be able to provide the full range of services as appropriate to all eligible individuals, or, in the event that vocational rehabilitation services cannot be provided to all eligible individuals, must include in the state plan the order to be followed in selecting eligible individuals to be provided rehabilitation services.

The *Internal Control Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) provides a basis for organizations to design internal control procedures to ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. Components of this framework include risk assessment, control activities, and information and communication. Risk assessment is the identification and analysis of various risks entities face because of changing economic, industry, regulatory, and operating conditions and provides a basis to develop appropriate responses to manage those risks. Control activities are policies and procedures that help ensure management directives are carried out and risks are mitigated. Verifications, approvals, reconciliations, authorizations, and segregation of duties are all control activities that support this objective. Information and communication relate to obtaining quality information and effective internal and external communication of that information to achieve management objectives.

Condition: The Division reported a lack of available spending authority (appropriation) in the fourth quarter of fiscal year 2024 to the joint finance and appropriation committee. The Division was unable to explain the cause or provide an explanation or documentation to support what was owed for current obligations. The lack of spending authority and a clear documentation of commitments by the Division impacted the ability to provide services to clients for the remainder of fiscal year 2024 and into fiscal year 2025.

The Division's primary purpose is to implement the federal Rehabilitation Grants to States received from the Rehabilitation Services Administration (RSA) of the U.S. Department of Education. Most of the Division's spending is from federal grant funds and the State appropriation for the matching requirement applicable to receiving those funds.

The Division receives an appropriation for General Fund spending each year and has three dedicated funds that receive revenues from various sources and are appropriated annually.

The Rehabilitation Revenue and Refunds Fund primarily receives federal reimbursements from the Social Security Administration for services provided by the Division. The Federal Grant Fund receives funds from the RSA to implement the Vocational Rehabilitation program. The Miscellaneous Revenue fund primarily receives funds for contract payments from several entities, including the Idaho Department of Health and Welfare, the Idaho Department of Correction, and school districts.

At the beginning of fiscal year 2024, the Division had a combined cash balance of $2,883,294 in its three dedicated funds. At the end of fiscal year 2024, the Division had spent that combined cash balance down to $66,126.

During fiscal year 2024, the Division had committed to providing services to its current clients in the amount of $15.5 million. It is important to note that payment for those commitments could extend past fiscal year 2025 for some clients. Historically, the Division estimated that only 75 percent of the committed services would be paid due to factors like changing needs and clients leaving the program early, which calculated to likely payable commitments of $11.6 million. These services are paid as they are due from the fiscal year 2024 and 2025 Trustee and Benefit (T&B) appropriations. The fiscal year 2024 T&B appropriation was $11,417,100, and the fiscal year 2025 T&B appropriation is set at $10,917,100, which does not cover the amount that the Division has estimated for current clients, nor does it leave funding available for services to new clients. We also reviewed reports from the Division comparing the committed amounts to the actual expenditures in past years and found that the percentage paid in fiscal years 2022 and 2023 was over 77%. This percentage appears to be trending upward and should be monitored closely to ensure a more accurate estimate of future expenditures.

Cause: The Division provides a range of services to individuals who have been diagnosed with a disability or functional limitations that limit one or more activity of daily living and who may benefit from services to obtain, maintain, advance in, or regain employment. These services include education, training, counseling, rehabilitation, and medical treatment.

Eligible individuals are set up with an Individualized Plan for Employment (IPE), which includes details about the person's employment goal, planned services, responsibilities as a participant in the program, and the estimated costs. The Division has a case management system that stores all the information for the IPEs. The timeline to complete IPEs can extend over multiple months or years depending on the types of services to be provided. The Division pays for the services as they are provided, and these expenditures are subject to the spending limits in the annual appropriation bills. We found that the total cost of the services the Division had committed to provide in the IPEs has been rising for several years, while the amounts appropriated for T&B payments have remained relatively level. There is a time lag between when the services are committed to in an IPE and when the services are ultimately provided, billed by the provider, and paid. The Division had been able to function within its appropriations each year because the services billed and paid each fiscal year were less than the total committed amount. However, with poor monitoring and an increasing cost of service per client, the portion of committed expenditures in the IPEs that were used and thus payable finally exceeded the amount appropriated in fiscal year 2024.

The Division prepared quarterly statements to track the current-year spending to the appropriated amounts but did not have procedures in place to monitor the total costs committed to be spent in the IPEs compared to available funds, or to evaluate overall commitments to the budget. In the past, the Division regularly reverted a large amount of its appropriations each year because the annual expenditures were less than the appropriated amounts. The reverted amounts have been shrinking though, because the total committed costs in the IPEs had been growing at an unsustainable, and unmonitored, rate for several years. The table below shows the appropriated amounts that were reverted over the past five fiscal years:

Fiscal Years	2020	2021	2022	2023	2024
Reverted Amounts	$5,593,579	$6,192,240	$5,332,642	$2,897,280	$167,735

The table below illustrates the relationship between the dollar amounts committed to future spending in IPEs and the T&B appropriation for the past five years (amounts are in millions):

Fiscal Years	2020	2021	2022	2023	2024
Committed to IPEs	$8.54	$9.30	$10.20	$12.90	$15.50
T&B Appropriation	$11.50	$11.50	$11.40	$11.40	$11.40

This significant increase in commitments that was not matched by a similar increase in appropriation during fiscal years 2023 and 2024 provide insight into how the Division got into a position where it could no longer pay all of its obligations.

The number of clients that the Division serves has been increasing for the past three years, and the cost of services has increased due to inflation and other factors. The table below shows the number of clients served for the past three years and the T&B expenditures for each year:

Fiscal Years	2022	2023	2024
Clients	3,958	4,656	4,719
T&B Expenditures	$7,245,778	$8,662,297	$11,260,972
Expenditures per Client	$1,831	$1,860	$2,386

Expenditures were monitored by the fiscal staff, and clients and IPEs were monitored by the program personnel, but the Division did not perform any overall analysis of the growing number of clients and increased client spending in relation to its appropriations. The Division also did not properly evaluate total commitments to available spending authority to ensure that it did not over commit itself. Had these factors been properly evaluated; the Division could have made decisions to better contain costs or request additional funding to support a specific level of service.

Effect: The Division is funded by a federal grant from the Rehabilitation Services Administration (RSA) and by the General Fund appropriations necessary to meet the State matching requirements for that grant. The Division must follow the grant's regulations to continue receiving the federal funds and providing services to clients.

If a State recipient of the RSA grant is unable to provide the full range of vocational rehabilitation services to all eligible individuals, then the State may elect to implement an Order of Selection process. The Division has a reduced capacity to provide services to new clients and has elected to enact an Order of Selection process, which means that existing clients would still receive the services in their IPE, but new clients will be given an initial eligibility assessment and then placed on a wait list until funding is available.

The Order of Selection process must be approved by the RSA. The Division submitted its plan for the Order of Selection, and it was approved to be implemented starting September 6, 2024.

Recommendation: We recommend that the Division design and implement procedures to monitor the expenditures committed to in the IPEs and ensure compliance with annual appropriation amounts. We further recommend that the Division work with the legislature to address the issue of rising costs and rising participation in its programs.

Management's View and Corrective Action Plan: *The agency agrees with the finding as presented. By leveraging expert consultants and implementing this structured, milestone-driven approach, IDVR demonstrates its commitment to addressing fiscal findings and achieving sustainable compliance.*

- *We are anticipating a completion date of 12/31/25. Linda Brown is the point of contact for implementation.*

IDVR Approach to Addressing Internal Control Deficiencies and Policy/Procedural Gaps

1. ***Engagement of Expert Consultants***:
    - ***Action***: *IDVR has engaged national experts specializing in Federal grants management and internal controls to assist in evaluating existing deficiencies, designing corrective measures, and ensuring long-term compliance.*
    - ***Outcome***: *These consultants will provide technical expertise to align IDVR's financial management systems and policies with Federal standards, including* ***2 CFR 200*** *and* ***34 CFR 361/363****. Policies will be vetted through Federal funding stakeholder (Rehabilitation Services Administration) to ensure approval and compliance (in-progress).*
2. ***Root Cause Analysis***:
    - ***Action***: *Conduct a comprehensive review of the audit findings to identify the root causes of deficiencies. This analysis will involve:*
        - *Examining current internal controls for tracking obligations and expenditures.*
        - *Reviewing policies to ensure clarity, consistency, and alignment with Federal and State regulations.*
    - ***Outcome***: *Development of a prioritized action list targeting critical gaps that contributed to the findings (in-progress).*
3. ***Development of a Corrective Action Plan (CAP)***:
    - ***Action***: *IDVR will implement a CAP addressing:*
        - *Design and implementation of robust internal control processes.*

        - *Updates to fiscal policies and procedural manuals.*
        - *Staff training on new controls and compliance standards.*
    - ***Timeline**: The CAP will include specific milestones and deadlines, targeting completion by **December 31, 2025**.*
    - ***Outcome**: A documented roadmap for addressing deficiencies and sustaining compliance. Currently in draft phase with Rehabilitation Services Administration (RSA).*
4. ***Key Activities and Milestones**:*
    - ***Phase 1: Assessment and Design (0-6 Months)**:*
        - *Evaluate financial management systems for compliance with Federal period-of-performance and reporting requirements (in-progress).*
        - *Design new reconciliation processes between case management systems (CMS) and State accounting systems to prevent over-obligation and reporting errors (TBD).*
        - *Draft updated policies ensuring clear guidance on financial reporting and internal controls, ensure policies approved by RSA.*
    - ***Phase 2: Implementation and Training (6-18 Months)**:*
        - *Roll out new internal controls with consultant oversight (in-progress).*
        - *Train fiscal and program staff on revised procedures, emphasizing documentation standards and reconciliation protocols (training is underway).*
        - *Test new systems for compliance and adjust based on findings (under adaptation).*
    - ***Phase 3: Monitoring and Validation (18-24 Months)**:*
        - *Establish routine internal audits to monitor implementation progress (TBD).*
        - *Validate that new processes meet Federal and State requirements through sample reporting and reconciliation exercises (TBD).*
        - *Engage consultants to review CAP effectiveness and recommend final adjustments (TBD).*
5. ***Documentation and Reporting**:*
    - ***Action**: Develop a structured reporting process to demonstrate CAP progress to oversight bodies and RSA (in-progress).*
        - *Provide reconciled financial reports as evidence of improved controls.*
    - ***Outcome**: Clear, transparent communication with stakeholders about ongoing compliance efforts.*
6. ***Anticipated Outcomes**:*
    - *Improved internal controls that ensure timely and accurate financial reporting.*
    - *Policies and procedures that fully align with Federal and State requirements, reducing risks of non-compliance.*
    - *Enhanced staff capacity through targeted training and monitoring mechanisms.*
    - *Restoration of stakeholder trust and confidence in IDVR's fiscal management.*

Auditor's Concluding Remarks: We thank the Division for its assistance and cooperation throughout the audit.

MANAGEMENT'S VIEW AND CORRECTIVE ACTION PLAN

Idaho Division of Vocational Rehabilitation

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12-20-24

To: Legislative Services Audit Division
From: Idaho Division of Vocational Rehabilitation
RE: Follow-up response of the DVR AR report

On behalf of the Division of Vocational Rehabilitation, I commend the Idaho Legislative Services Office and specifically the audit Division for their fair, concise and thorough DVR accountability Report.
Our agency takes responsibility for the current operational challenges and have been actively working on both immediate and long-term solutions. We are committed to regaining the trust of our state and federal funders, elected officials, Idaho taxpayers, and the people we serve.
We concur with the analysis and finding and will submit, implement, and monitor a corrective action plan.

IDVR Response to Accountability Report

Overview:

IDVR is working with expert consultants and state and federal partners on a plan to address fiscal findings related to internal control deficiencies and policy/procedural gaps. Consultant work in our fiscal system has begun, but the Division will be fully engaged with this team as of 12/23/24 for a full evaluation of fiscal processes and controls. Below is a structured response aligned with the agency's stated commitment to corrective actions, leveraging expert guidance.

Staged Response to Fiscal Findings

IDVR Approach to Addressing Internal Control Deficiencies and Policy/Procedural Gaps

1. **Engagement of Expert Consultants:**
    - **Action:** IDVR has engaged national experts specializing in Federal grants management and internal controls to assist in evaluating existing deficiencies, designing corrective measures, and ensuring long-term compliance.
    - **Outcome:** These consultants will provide technical expertise to align IDVR's financial management systems and policies with Federal standards, including **2 CFR 200** and **34 CFR 361/363**. Policies will be vetted through Federal funding stakeholder (Rehabilitation Services Administration) to ensure approval and compliance (in-progress).
2. **Root Cause Analysis:**
    - **Action:** Conduct a comprehensive review of the audit findings to identify the root causes of deficiencies. This analysis will involve:

        - Examining current internal controls for tracking obligations and expenditures.
        - Reviewing policies to ensure clarity, consistency, and alignment with Federal and State regulations.
    - **Outcome:** Development of a prioritized action list targeting critical gaps that contributed to the findings (in-progress).

3. **Development of a Corrective Action Plan (CAP):**
    - **Action:** IDVR will implement a CAP addressing:
        - Design and implementation of robust internal control processes.
        - Updates to fiscal policies and procedural manuals.
        - Staff training on new controls and compliance standards.
    - **Timeline:** The CAP will include specific milestones and deadlines, targeting completion by **December 31, 2025**.
    - **Outcome:** A documented roadmap for addressing deficiencies and sustaining compliance. Currently in draft phase with Rehabilitation Services Administration (RSA).

4. **Key Activities and Milestones:**
    - **Phase 1: Assessment and Design (0-6 Months):**
        - Evaluate financial management systems for compliance with Federal period-of-performance and reporting requirements (in-progress).
        - Design new reconciliation processes between case management systems (CMS) and State accounting systems to prevent over-obligation and reporting errors (TBD).
        - Draft updated policies ensuring clear guidance on financial reporting and internal controls, ensure policies approved by RSA.
    - **Phase 2: Implementation and Training (6-18 Months):**
        - Roll out new internal controls with consultant oversight (in-progress).
        - Train fiscal and program staff on revised procedures, emphasizing documentation standards and reconciliation protocols (training is underway).
        - Test new systems for compliance and adjust based on findings (under adaptation).
    - **Phase 3: Monitoring and Validation (18-24 Months):**
        - Establish routine internal audits to monitor implementation progress (TBD).
        - Validate that new processes meet Federal and State requirements through sample reporting and reconciliation exercises (TBD).

        - Engage consultants to review CAP effectiveness and recommend final adjustments (TBD).

5. **Documentation and Reporting:**
    - **Action:** Develop a structured reporting process to demonstrate CAP progress to oversight bodies and RSA (in-progress).
        - Provide reconciled financial reports as evidence of improved controls.
    - **Outcome:** Clear, transparent communication with stakeholders about ongoing compliance efforts.
6. **Anticipated Outcomes:**
    - Improved internal controls that ensure timely and accurate financial reporting.
    - Policies and procedures that fully align with Federal and State requirements, reducing risks of non-compliance.
    - Enhanced staff capacity through targeted training and monitoring mechanisms.
    - Restoration of stakeholder trust and confidence in IDVR's fiscal management.

Notes:

- **Incorporating Lessons Learned:** IDVR's approach will integrate best practices from RSA's route payment processes and supported employment/Pre-ETS service documentation standards, ensuring a comprehensive response to fiscal accountability challenges.
- **Commitment to Long-Term Sustainability:** Beyond addressing immediate findings, IDVR will establish a culture of continuous improvement, using the CAP as a foundation for proactive risk management and compliance monitoring.

<u>Management's View and Summary</u>

The agency agrees with the finding as presented. By leveraging expert consultants and implementing this structured, milestone-driven approach, IDVR demonstrates its commitment to addressing fiscal findings and achieving sustainable compliance.

- We are anticipating a completion date of 12/31/25. Linda Brown is the point of contact for implementation.

Respectfully,
Judy Taylor
Interim Administrator