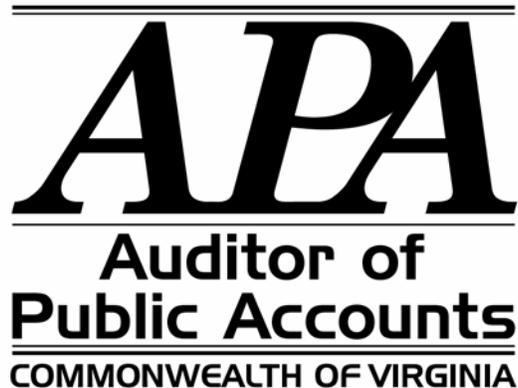


**AGENCIES SERVING VIRGINIANS WITH DISABILITIES**

**REPORT ON AUDIT  
FOR THE YEAR ENDED  
JUNE 30, 2005**



## **AUDIT SUMMARY**

This is a report of the Agencies Serving Virginians with Disabilities. These agencies include the following:

- Department of Rehabilitative Services (including the Woodrow Wilson Rehabilitation Center)
- Department for the Blind and Vision Impaired (including the Virginia Industries for the Blind and Virginia Rehabilitation Center for the Blind and Vision Impaired)
- Department for the Deaf and Hard-of-Hearing
- Virginia Board for People with Disabilities

Our audit of the Agencies Serving Virginians with Disabilities for the year ended June 30, 2005, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- weaknesses in internal control that require management's attention and corrective action;
- no instances of noncompliance with applicable laws and regulations; and
- the Agencies have taken adequate corrective action for two out of three prior year audit findings.

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## **AUDIT FINDINGS AND RECOMMENDATIONS**

### Obtain Assurance over Security of Information Technology Infrastructure

State policy makes the Commissioners of the Departments of Rehabilitative Services, Blind and Vision Impaired, Deaf and Hard-of-Hearing, and the Virginia Board of People with Disabilities responsible for the security and safeguarding of all of their databases, information, and information technology assets. Over the past two years, the Commonwealth has moved the information technology infrastructure supporting these databases and information to the Virginia Information Technologies Agency (VITA). As part of this transfer, these agencies through Rehabilitative Services have also transferred many of the staff, who had the expertise to advise the Commissioners on these matters.

In addition to responsibilities under state policy, Rehabilitative Services, Blind and Visually Impaired, Deaf and Hard-of-Hearing, and the Virginia Board of People with Disabilities must also comply with the Health Insurance Portability and Accountability Act (HIPAA) and Homeland Security. HIPAA mandates actions and protections that anyone obtaining and maintaining medical information must take to safeguard and secure the data. In addition, Homeland Security has additional layers of security for data protection.

We believe that the Commissioners cannot solely ensure that their data has the proper level of security to protect it from unauthorized changes, disclosure, or loss. Since VITA has assumed responsibility for the information technology infrastructure, the Commissioners must have VITA provide assurance that their infrastructure would provide the safeguards to protect the databases and information under not only state policy, but HIPAA and Homeland Security requirements.

The Commissioners need to evaluate their respective agencies' capabilities for determining the level of assurance needed from VITA. Since the agencies retain ownership and maintain the application systems and databases that gather information, the Commissioners' internal staff has full responsibility for access controls to these systems. If these systems operate in a shared environment, the provider of the services would need to inform the Commissioners of the adequacy of those controls. This shared environment is the same as the mainframe data center operation that VITA and its predecessors offered. However, for the transmission of information to and from the database, the Commissioners must address whether their agencies have the expertise to assess this issue. Inherent within this question is whether the agencies have the resources to maintain the level of expertise capable of adapting to the changing infrastructure environment. There are two potential approaches to this issue. The first assumes the agencies have the expertise and the resources to understand the changing infrastructure and can, therefore, specifically address all security needs. The second approach only requires that the Commissioners explain, in detail, the security needs for each of its systems and databases along with the access controls it currently provides. VITA then must provide the Commissioners assurance that the infrastructure provides the level and depth of security necessary to meet state policy, HIPAA, and Homeland Security.

Under the second approach, VITA and the Commissioners clearly share responsibility for the security of information and databases. It is our opinion that while the agencies may currently have the resources to undertake the first approach, the long-term change at VITA dictates that the Commissioners use the second approach. Additionally, we believe that VITA should at least annually provide these assurances in writing, so the Commissioners and their respective agencies can fulfill their responsibilities under HIPAA and Homeland Security requirements.

### Improve Access Controls for Timely Removal of Critical Systems Access

Rehabilitative Services did not remove access to critical systems and infrastructure in a timely manner or could not provide supporting documentation for 7 of the 15 separated employees (46 percent) reviewed. Not removing access for separated employees in a timely manner creates a risk to the confidentiality and integrity of Rehabilitative Services' data. Additionally, the current access request forms only list the systems to which an individual has access and do not provide details on the type of access the user has within the systems.

To ensure timely deletion of access, Rehabilitative Services is testing a new Information Security Access Agreement (ISAA) system that will automatically provide notifications to appropriate systems administrators and security officers of any changes to an employee's information or personnel action. Automating this process, if used correctly, will strengthen controls since change notifications will occur automatically as an update takes place.

Rehabilitative Services plans for the ISAA system to have only high-level access listings and not an individual's access at the role/privilege level within each application. The system will have a listbox to select high-level access types such as LAN, e-mail, HP3000, VPN, AS400, etc. Without detailed access listings, managers, supervisors, and security officers cannot review access for reasonableness or produce complete access listings.

Finally, in addition to the instances of untimely removal, Rehabilitative Services cannot easily provide a current user access listing for its Multi-Agency Accounting System. Due to the systems design and technology, system administrators cannot easily reproduce a current and complete user privilege listing. For the central office to determine specific access, the system administrator must review system code to determine an employee's access at the field level. This control weakness prevents Rehabilitative Services from performing detailed access reviews by supervisors or managers on a periodic basis. Currently, Rehabilitative Services only reviews whether any employee has update or inquiry access.

We recommend that Rehabilitative Services continue with its plans to implement the ISAA system. The system will strengthen access controls for initial authorizations, modifications, and deletions. If feasible and cost effective, Rehabilitative Services should modify the system to include detailed access listings for all systems, not only whether a user has access to that system. Furthermore, if the new ISAA system is a success, Rehabilitative Services should require the other agencies to use the ISAA system to manage the access to their systems.

## DISABILITY SERVICE AGENCIES

The Agencies Serving Virginians with Disabilities (the Agencies) provide a number of services to Virginia residents who are disabled. The Agencies are comprised of the following: the Department of Rehabilitative Services (including the Woodrow Wilson Rehabilitation Center), the Department for the Blind and Vision Impaired (including the Virginia Industries for the Blind and Virginia Rehabilitation Center for the Blind and Vision Impaired), the Department for the Deaf and Hard-of-Hearing, and the Virginia Board for People with Disabilities. In fiscal year 2005, the Agencies collectively spent \$188,958,907.

The Agencies agreed to combine their resources and reduce administrative overhead cost by having the Department of Rehabilitative Services operate a service bureau. The Service Bureau provides services to each disability agency under a memorandum of understanding. Typically, services include payroll, human resources, procurement, internal audit, fiscal, budget, and information technology.

### AGENCY HIGHLIGHTS

#### DEPARTMENT OF REHABILITATIVE SERVICES

##### *Program Operations*

The Department of Rehabilitative Services (Rehabilitative Services) helps Virginians with physical, mental, and emotional disabilities become employable, self-supporting, and independent. Rehabilitative Services uses the definition of “disabled” found in the Americans with Disabilities Act, which defines a disability as a physical or mental impairment that substantially limits one or more of the major life activities of an individual.

Rehabilitative Services consists of the following primary divisions: Vocational Rehabilitation Services, the Community Rehabilitation Program, Disability Determination Services, and Agency Support Activities. These divisions spent over \$124 million in fiscal year 2005.

##### *Financial Information*

The table below (Table 1) summarizes Rehabilitative Services’ budgeted revenues for operating funds compared with actual results for fiscal year 2005. The \$2.7 million difference between budget and actual for special revenue funds is from Rehabilitative Services not having appropriations reduced to reflect the reduction that occurred in their indirect cost recovery rate and subsequent indirect cost revenue. The Governor’s Budget for the 2007-2008 biennium incorporates this reduction of indirect cost recovery rate in their appropriations.

Table 1

	Original Budget	Adjusted Budget	Actual	Difference
General fund	\$ 26,357,549	\$ 27,827,249	\$ 27,827,249	\$ -
Special revenue fund	9,293,234	9,301,062	6,563,890	(2,737,172)
Dedicated special revenue fund	2,016,499	3,316,499	4,237,548	921,049
Federal trust	91,038,089	95,442,505	91,435,424	(4,007,081)
Total	\$128,705,371	\$135,887,315	\$130,064,111	\$(5,823,204)

*Source: Original Budget - Appropriation Act 951, Final Budget and Actual - Commonwealth Accounting and Reporting System (CARS)*

The following table (Table 2) summarizes Rehabilitative Services' budget and expenses by program.

Table 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Administrative and Support Services	\$ 8,206,765	\$ 8,714,059	\$ 7,725,772	6%
Rehabilitation Assistance Services	84,999,471	91,749,121	82,304,359	66%
Continuing Income Assistance Services	<u>35,499,135</u>	<u>35,424,135</u>	<u>34,724,785</u>	<u>28%</u>
Total	<u>\$128,705,371</u>	<u>\$135,887,315</u>	<u>\$124,754,916</u>	<u>100%</u>

Source: Original Budget - Appropriation Act 951, Final Budget and Expenses - CARS

The next table (Table 3) summarizes total Rehabilitative Services expenses by major categories. Transfer payments represent 45 percent of Rehabilitative Services' expenses and go to both state and non-state entities, such as the Woodrow Wilson Rehabilitation Center, Disability Service Boards, and Community Service Boards.

Table 3

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$ 43,705,209	35%
Contractual services	17,838,762	14%
Transfer payments to Woodrow Wilson	13,444,442	11%
Other transfer payments	42,498,887	34%
Continuous charges	4,706,744	4%
Other	<u>2,560,872</u>	<u>2%</u>
Total	<u>\$124,754,916</u>	<u>100%</u>

Source: CARS

### Woodrow Wilson Rehabilitation Center

Rehabilitative Services transferred \$13.4 million to the Woodrow Wilson Rehabilitation Center (Woodrow Wilson) in fiscal year 2005. Rehabilitative Services transfers account for 58 percent of Woodrow Wilson's total revenues. Woodrow Wilson also receives third-party medical reimbursements from insurers such as Medicare, Medicaid, and private insurance carriers, and private funds and student financial aid assistance.

Woodrow Wilson is one of nine comprehensive rehabilitation facilities in the country and primarily serves individuals with multiple service needs. Woodrow Wilson operates a Vocational Rehabilitation Program, a Post-Secondary Education Transition Program, a Life Skills Transition Program, and a Comprehensive Outpatient Rehabilitation Program. Rehabilitative Services referred approximately 75 percent of the 2,920 clients served by Woodrow Wilson in fiscal year 2005.

*Financial Information*

The table below (Table 4) summarizes Woodrow Wilson’s budgeted revenues for operating funds compared with actual results for fiscal year 2005. Management anticipated the expansion of the Post-Secondary Education Transition Program and the Life Skills Transition Program. Ongoing negotiations with local school boards regarding funding and reimbursement issues have delayed the program expansions and caused a majority of the \$2.5 million difference between budgeted and actual funds.

Table 4

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Difference</u>
General fund	\$ 5,278,146	\$ 6,746,755	\$ 6,746,755	\$ -
Special revenue fund	19,465,780	19,465,780	16,947,372	(2,518,408)
Federal fund	<u>400,007</u>	<u>450,007</u>	<u>314,966</u>	<u>(135,041)</u>
Total	<u>\$25,143,933</u>	<u>\$26,662,542</u>	<u>\$24,009,093</u>	<u>\$(2,653,449)</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Actual - CARS*

The following table (Table 5) summarizes Woodrow Wilson’s budgeted and actual expenses by program.

Table 5

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Administrative and Support Services	\$ 7,322,038	\$ 9,242,038	\$ 6,694,273	30%
Rehabilitation Assistance Services	<u>17,821,895</u>	<u>17,420,504</u>	<u>15,979,650</u>	<u>70%</u>
Total	<u>\$25,143,933</u>	<u>\$26,662,542</u>	<u>\$22,673,923</u>	<u>100%</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Expenses - CARS*

The next table (Table 6) summarizes Woodrow Wilson’s total expenses by major category in fiscal year 2005, excluding capital outlay expenses. Contractual services include the outsourcing of food preparation, grounds and housekeeping, and client billing. The outsourcing of these three services cost Woodrow Wilson approximately \$2.2 million in fiscal year 2005. Additionally, electricity along with water and sewer, which are both continuous charges, cost approximately \$615,000 in fiscal year 2005.

Table 6

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$15,697,274	69%
Contractual services	3,818,641	17%
Supplies and materials	1,922,660	8%
Transfer payments	28,577	<1%
Continuous charges	827,615	4%
Equipment	<u>379,156</u>	<u>2%</u>
Total	<u>\$22,673,923</u>	<u>100%</u>

*Source: CARS*

DEPARTMENT FOR THE BLIND AND VISION IMPAIRED

*Program Operations*

The Department for the Blind and Vision Impaired (Blind and Vision Impaired) enables blind, deaf-blind, and visually impaired individuals to achieve their maximum level of employment, education, and personal independence by providing vocational training and placement services, daily living skills instruction, orientation and mobility services, counseling, Braille, and training in the use of various types of adaptive equipment. Staff work cooperatively with the Department of Education and the public school systems to assist in the education of blind, deaf-blind, or visually impaired students. In addition to working with the Department of Education, they also provide services and devices through a variety of entities such as Vocational Rehabilitation, Rehabilitation Teaching and Independent Living, Educational Services, the Virginia Industries for the Blind, Library and Resource Center, the Randolph Sheppard Vending Program, and the Virginia Rehabilitation Center for the Blind and Vision Impaired.

*Financial Information*

The table below (Table 7) summarizes Blind and Vision Impaired's budgeted revenues for operating funds compared with actual results for fiscal year 2005. Management estimates its federal revenue by annualizing the revenue received in the first quarter. For the last three years, actual federal revenues have been about 91 percent of this estimate.

Table 7

	Original Budget	Adjusted Budget	Actual	Difference
General Fund	\$ 5,975,570	\$ 5,428,278	\$ 5,428,278	\$ -
Special Revenue Fund	1,318,886	1,438,778	1,203,965	(234,813)
Enterprise Fund	20,024,141	20,824,141	21,629,788	805,647
Trust and Agency	126,500	159,758	127,000	(32,758)
Federal Fund	7,924,711	7,947,600	6,793,566	(1,154,034)
Total	<u>\$35,369,808</u>	<u>\$35,798,555</u>	<u>\$35,182,597</u>	<u>\$ (615,958)</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Actual - CARS*

The following table (Table 8) summarizes Blind and Vision Impaired's budgeted and actual expenses by program and shows that 60 percent of their fiscal year 2005 expenses went to Rehabilitative Industries, which is the department's business enterprise division of the Virginia Industries for the Blind. Financial Assistance for Public Education and State Education Services are two distinctively different programs that both aid in the education of blind and visually impaired students. Financial Assistance for Public Education provides a subsidy to localities based on the number of teachers for blind and visually impaired students. Under the State Education Services Program, Blind and Vision Impaired hires trained staff that provide guidance to parents and teachers of blind and visually impaired students.

Table 8

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Administrative and Support Services	\$ 1,646,642	\$ 932,384	\$ 765,122	2%
Statewide Library Services	1,166,334	1,180,733	1,175,853	4%
Financial Assistance for Public Education	509,328	509,328	509,328	2%
State Education Services	612,491	725,963	658,349	2%
Administration for Standards of Living	1,868,387	1,881,518	1,818,187	5%
Rehabilitation Assistance Services	9,022,000	9,199,172	8,203,005	24%
Vending Facilities, Snack Bar and Café	483,374	485,316	483,526	1%
Rehabilitative Industries	<u>20,061,252</u>	<u>20,884,141</u>	<u>20,135,862</u>	<u>60%</u>
Total	<u>\$35,369,808</u>	<u>\$35,798,555</u>	<u>\$33,749,232</u>	<u>100%</u>

Source: Original Budget - Appropriation Act 951, Final Budget and Expenses - CARS

The next table (Table 9) summarizes Blind and Vision Impaired's total expenses by major cost category for fiscal year 2005, excluding capital outlay expenses. A majority of the supplies and material expense (79 percent) are from the purchase of merchandise by the Virginia Industries for the Blind (VIB) for resale in substantially the same form as purchased. A smaller portion of the supplies and material expense (19 percent) represents the cost of inventory for items manufactured and sold by VIB.

Table 9

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$11,480,288	34%
Contractual services	2,382,523	7%
Supplies and materials	14,393,741	43%
Transfer payments	2,913,590	9%
Continuous charges	970,952	3%
Equipment	1,557,245	5%
Other	<u>50,893</u>	<u>&lt;1%</u>
Total	<u>\$33,749,232</u>	<u>100%</u>

Source: CARS

#### Virginia Industries for the Blind

The Virginia Industries for the Blind (VIB), the business enterprise division of the Blind and Vision Impaired, works in conjunction with the Division for Services at the Blind and Vision Impaired and the Virginia Rehabilitation Center for the Blind and Vision Impaired to provide employment, training, and other vocational services to blind individuals across the Commonwealth. Services provided by VIB include vocational evaluation, work adjustment, on-the-job training, skill enhancement, cross training, placement counseling, and a summer work program.

VIB, a self-supporting division that manufactures and sells items to military bases and government offices, has manufacturing locations in Charlottesville and Richmond. Products manufactured by VIB include mattresses, writing instruments, mop heads and handles, and physical fitness uniforms. VIB also has

14 satellite operations across Virginia with ten self-service supply stores serving military and other federal organizations. Additionally, VIB provides staffing for administrative office services, which currently accounts for only six percent of VIB's revenues.

In fiscal year 2005, VIB had total revenue of approximately \$21 million, a decline of about five percent from fiscal year 2004's total revenue. In fiscal year 2004, revenue for the Oceana and Langley stores increased due to increased sales of uniforms, clothing, safety, and maintenance equipment because of heavy military deployment to Iraq. Conversely, the drop in deployment levels has lowered sales for these two stores in fiscal year 2005.

Virginia Rehabilitation Center for the Blind and Vision Impaired

The Virginia Rehabilitation Center for the Blind and Vision Impaired (Center) is a sub-agency of Blind and Vision Impaired that provides comprehensive adjustment services to severely visually impaired Virginians. The Center provides a program of evaluation, adjustment, and prevocational training, which enables students to learn skills necessary for greater independence and efficiency and safety on the job, at home, and in social settings. The Center provides specialized training and evaluation in computer technology, Braille, and customer-service representative training. The Center has cooperative programs with other community agencies to meet the needs of students in evaluation and training. The average length of stay at the Center is about 2.5 months.

*Financial Information*

The table below (Table 10) summarizes the Center's budgeted revenues for operating funds compared with actual results for fiscal year 2005.

Table 10

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund	\$ 191,641	\$ 191,641	\$ 191,641	\$ -
Special Revenue Fund	29,000	45,051	16,679	(28,372)
Trust and Agency	-	2,000	2,000	-
Federal Fund	<u>1,764,703</u>	<u>1,764,703</u>	<u>1,709,152</u>	<u>(55,551)</u>
Total	<u>\$1,985,344</u>	<u>\$2,003,395</u>	<u>\$1,919,472</u>	<u>\$(83,923)</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Actual - CARS*

The following table (Table 11) summarizes the Center's fiscal year 2005 expenses by program.

Table 11

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Administrative and Support Services	\$ 810,612	\$ 946,557	\$ 873,048	46%
Rehabilitation Assistance Services	<u>1,174,732</u>	<u>1,059,838</u>	<u>1,029,411</u>	<u>54%</u>
Total	<u>\$1,985,344</u>	<u>\$2,006,395</u>	<u>\$1,902,459</u>	<u>100%</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Expenses - CARS*

The table below (Table 12) summarizes the Center's total expenses by major category during fiscal year 2005.

Table 12

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$1,383,493	73%
Contractual services	296,735	16%
Supplies and materials	84,003	4%
Continuous charges	126,350	6%
Other	<u>11,878</u>	<u>1%</u>
 Total	 <u>\$1,902,459</u>	 <u>100%</u>

Source: CARS

DEPARTMENT FOR THE DEAF AND HARD-OF-HEARING

*Program Operations*

The Department for the Deaf and Hard-of-Hearing (Deaf and Hard-of-Hearing) reduces communication barriers between individuals who are deaf or hard-of-hearing, their families, and the professionals who serve them. All Deaf and Hard-of-Hearing programs deal with communication, both as a service (through interpreters, technology, and other modes) and as a means of sharing information for public awareness (through training and education). Programs are administered through the following divisions: Telecommunications Relay Services; Interpreter Services Requests; Quality Assurance Screening; the Technology Assistance Program; and Outreach, Information, and Referral. During fiscal year 2005, these divisions provided 1,783,562 units of service, of which Telecommunications Relay Services and Outreach, Information, and Referral, provided 1,594,260 and 181,471 units of service, respectively. Units of service does not reflect the number of clients serviced as it increases by one each time a client uses one of the programs and a single client can use one or several of the programs offered throughout any given year.

*Financial Information*

The next table (Table 13) summarizes Deaf and Hard-of-Hearing's budgeted revenues for operating funds compared with actual results for fiscal 2005. Deaf and Hard-of-Hearing increased its budget for special revenues because it received revenues collected by the State Corporation Commission (SCC) to pay for Caption Telephone (CapTel). The SCC collects fees to pay for telecommunications relay services, including CapTel, whereas Deaf and Hard-of-Hearing has the responsibility of managing the state's relay services. During fiscal 2005, Deaf and Hard-of-Hearing not only administered the CapTel services, but also made the monthly payments to the vendor. However, this funding arrangement changed in April 2005. SCC now makes the monthly payments to the CapTel vendor while Deaf and Hard-of-Hearing retains responsibility for administrating and monitoring the CapTel contract.

Table 13

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Difference</u>
General fund	\$1,203,631	\$1,213,980	\$1,213,980	\$ -
Special revenue fund	<u>137,942</u>	<u>714,358</u>	<u>660,847</u>	<u>(53,511)</u>
Total	<u>\$1,341,573</u>	<u>\$1,928,338</u>	<u>\$1,874,827</u>	<u>\$ (53,511)</u>

Source: Original Budget - Appropriation Act 951, Final Budget and Actual - CARS

The next table (Table 14) summarizes Deaf and Hard-of-Hearing's total expenses incurred during fiscal year 2005, which occur under a single program, Social Services and Research Planning & Coordination.

Table 14

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$ 610,441	34%
Contractual services	533,011	29%
Supplies and materials	16,047	1%
Transfers to outreach centers	345,472	19%
Continuous charges	104,996	6%
Equipment for clients	<u>204,364</u>	<u>11%</u>
Total	<u>\$1,814,331</u>	<u>100%</u>

Source: CARS

### VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES

#### *Program Operations*

The Virginia Board for People with Disabilities (Board) serves as the Developmental Disabilities Planning Council for addressing the needs of people with developmental disabilities as established under the federal Developmental Disabilities Assistance and Bill of Rights Act and the state Virginians with Disabilities Act. The Board advises the Secretary of Health and Human Resources and the Governor on issues related to people with disabilities in Virginia.

Major activities of the Board include:

- Partners in Policy-Making Program - provides leadership training, resource development, and advocacy skill workshops to people with developmental disabilities and parents of young children with developmental disabilities.
- Youth Leadership Forum - seeks to empower young people with disabilities to further develop their leadership skills. Rising high school juniors and seniors serve as delegates from communities throughout Virginia by participating in a wide range of activities and learning experiences during a four-day Youth Leadership Forum.

- Outstanding Achievement Award - recognizes individuals for outstanding service to Virginians with disabilities.
- Disability Policy Fellowship - promotes scholarly research and work by offering a graduate or doctoral student an opportunity to engage in the practice of public policy and administration and develop skills in a variety of areas.
- Developmental Disabilities Competitive Grant Program - provides federal funds to initiate major disability service innovations.

*Financial Information*

The table below (Table 15) summarizes the Board’s budgeted revenues for operating funds compared with actual results for fiscal year 2005.

Table 15

	<u>Original Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Difference</u>
General Fund	\$ 127,039	\$ 128,851	\$ 128,851	\$ -
Federal Fund	<u>1,553,995</u>	<u>2,142,267</u>	<u>1,904,006</u>	<u>(238,261)</u>
Total	<u>\$1,681,034</u>	<u>\$2,271,118</u>	<u>\$2,032,857</u>	<u>\$(238,261)</u>

*Source: Original Budget - Appropriation Act 951, Final Budget and Actual - CARS*

The following table (Table 16) separates the Board’s total expenses by its two programs. Social Services Research, Planning, and Coordination accounts for nearly three quarters of the Board’s expenses.

Table 16

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Financial Assistance for Individuals and Family Services	\$ 452,999	\$ 533,083	\$ 529,911	26%
Social Services Research, Planning, and Coordination	<u>1,228,035</u>	<u>1,738,035</u>	<u>1,475,877</u>	<u>74%</u>
Total	<u>\$1,681,034</u>	<u>\$2,271,118</u>	<u>\$2,005,788</u>	<u>100%</u>

*Source: Original Budget – Appropriation Act 951, Final Budget and Expenses – CARS*

The next table (Table 17) summarizes the Board’s total expenses incurred for fiscal year 2005. Transfer payments, which represent payments to sub-recipients under the Developmental Disabilities Competitive Grant Program, account for 40 percent of the Board’s expenses.

Table 17

	<u>Expenses</u>	<u>Percentage of Total Expenses</u>
Personal services	\$ 612,375	31%
Contractual services	418,318	21%
Transfer payments	803,007	40%
Continuous charges	126,567	6%
Other	<u>45,521</u>	<u>2%</u>
Total	<u>\$2,005,788</u>	<u>100%</u>

Source: CARS



# Commonwealth of Virginia

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Walter J. Kucharski, Auditor

January 20, 2006

The Honorable Timothy M. Kaine  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

We have audited the financial records and operations of the **Agencies Serving Virginians with Disabilities** (Agencies) for the year ended June 30, 2005. We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

## Audit Objectives

Our audit's primary objective was to evaluate the accuracy of the Agencies' financial transactions as reported in the Commonwealth Accounting and Reporting System for the year ended June 30, 2005, and test compliance for the Statewide Single Audit. In support of this objective, we reviewed the adequacy of the Agencies' internal control; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions of audit findings from prior year reports.

## Audit Scope and Methodology

The Agencies' management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. Our review included analytical procedures and an examination of controls over the following significant cycles, classes of transactions, and account balances:

Major federal grant revenues and expenditures	Plant inventory
Payroll expenditures	System security

We performed audit tests to determine whether the Agencies' controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, case files, reconciliations, system access listings, and contracts, as well as observation

of the Agencies' operations at the central office and manufacturing plants. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

### Conclusions

We found that the Agencies properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System. The Agencies record its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and the Appropriation Act.

We noted certain matters involving internal control and its operation that require management's attention and corrective action. These matters are described in the section entitled "Audit Findings and Recommendations."

The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Agencies have taken adequate corrective action in two of three audit findings reported in the prior year. The Agencies have not taken adequate correction action with respect to the prior finding, "Improve Access Controls for Timely Removal of Critical Systems Access," which has been updated and repeated in this report.

### EXIT CONFERENCE

We discussed this report with management on March 17, 2006. Management's response is included at the end of this report.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia; is a public record; and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

GDS/kva



## COMMONWEALTH of VIRGINIA

James A. Rothrock, M.S., L.P.C.  
COMMISSIONER

*Department Of Rehabilitative Services*

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March 22, 2006

Mr. Walter J. Kucharski  
Auditor of Public Accounts  
James Monroe Building  
101 N. 14<sup>th</sup> Street  
Richmond, Virginia 23219

Dear Mr. Kucharski:

The Agencies Serving Virginians with Disabilities appreciates the opportunity to respond to the findings and recommendations contained in your audit report of the Agencies' financial activities administered by the Department of Rehabilitative Services (DRS) for the fiscal year ended June 30, 2005.

Presented below are the responses to the internal control findings specific to the Department of Rehabilitative Services' information systems.

DRS's Response to *Obtain Assurance over Security of Information Technology Infrastructure*

The Agency Heads agree that the second approach offered in the APA management findings is the best way to proceed. The Virginia Information Technology Agency (VITA) and the Disability Service Agencies (DSA) clearly share responsibility for the security of information and databases and this responsibility is addressed in our current Memorandum of Understanding negotiations with VITA. Our approach toward security of information and databases will be as follows:

- The agency (DRS) is responsible for designing application security as a part of the development process.
- The agency (DRS) is responsible to request VITA for guidance on choices of security available to them that ensures all servers are protected appropriately for the sensitivity of data and data access based on customer type.
- VITA is responsible to advise the agency on choices or alternatives available with recommendations based on the agency's needs and best interests.

Mr. Walter J. Kucharski

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- The agency (DRS) is responsible to make the final choice of alternatives presented by VITA based on the security levels needed.
- VITA is responsible to execute the agency's (DRS) desired level of security and access.

The DSA will receive written assurances annually from VITA that our desired level of security and access is maintained. The actual testing to verify that desired security and access levels are in place remains to be an issue. The Disability Service Agencies request continued guidance from the APA on this issue.

DRS's Response to Improve Access Controls for Timely Removal of Systems Access

The APA management point from 2004 addressed critical systems access as opposed to access to the DSA secured network. The sample of staff used did not include any staff with access to these critical systems. Three of the employees cited for time lag had departure dates prior to the date of last year's APA report, before our original corrective action became effective.

As a result of management comments from the 2004 APA report, DRS revised procedures related to access of the Commonwealth's systems (CARS, CIPPS, FINDS, etc.) and the agency's internal accounting system on the HP 3000 platform. We now maintain a complete master list of all employees that have access to any of the Commonwealth's and internal information and reporting systems. These lists are reviewed frequently and updated as changes occur. The DSA Information Services Officer and the Fiscal Information System Liaison perform these reviews and have familiarity and knowledge of the users as well as staff terminations. Timely review and monitoring ensures that systems access is updated in a timely manner.

Another result of last year's management comment was implementation of a procedure that linked our Resource Directory (RD) to system security. The Resource Directory is a comprehensive list of employees. A RD administrator sends out e-mails every month (sometimes every other month) to the RD contacts reminding them to review the department detail in the RD, including staff names. The RD contact is the staff member designated by each department director to be responsible for review of the RD information. The Resource Directory administrator notifies the Security Office of any employee separations noted.

To further enhance our ability to more quickly respond to any employee termination/departure, we are developing the automated Information Security Access Agreement (ISAA) system. This system will provide a data base of all employee security account data and will automatically send notices to appropriate systems administrators and Security Office when information is created or updated. The

Mr. Walter J. Kucharski  
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Security Officer will keep the Resource Directory, a vital part of our disaster recovery planning, updated on a continuous basis. The Resource Directory will also be a critical interface to all of our future application systems development efforts. Only staff included in the Resource Directory will be allowed access to future applications. We plan for our new automated ISAA process to have all the detail access levels at the role/privilege level within each application. The list currently includes 45 different levels of access on the HP3000 alone.

While the current access request form may not detail all systems access at a modular level to provide a documented version of what level of access was approved, the Security Office is able to set up appropriate access based on the detail information provided on the third page of the ISAA form. In all cases where there is any question, we verify the access with the department manager.

As for providing a user access listing for the Multi-Agency Accounting system on the HP3000, the Security Office can determine complete user privilege. There are security reports available that, coupled with a thorough understanding of how the system works, provide this information. Those authorized to do so can run these reports anytime. These reports are the security listing from the HP3000 security system, one from the Multi-Agency Accounting system and the dictionary of user classes. The Security Office works with every manager to assure that only appropriate access is given to an employee. Until current systems are replaced, the Department's ability to easily provide detailed access reports to managers and supervisors will remain compromised by the twenty year-old system technology. We have contracted for and are working with a software company to have a replacement client rehabilitative system up and operational in 2007 on a SQL server platform. We are also moving forward in replacing our Multi-Agency Accounting system. Until older technology is replaced, the Department's Security Officer will diligently work with all responsible staff to ensure that all user access is updated in a timely manner.

Very Truly Yours,



Philip W. Benton  
DSA Financial Services Director

cc: James A. Rothrock, M.S., L.P.C., Commissioner, DRS  
Joseph A. Bowman, Commissioner, DBVI  
Heidi L. Lawyer, Director, VBPD  
Ronald L. Lanier, Director, VDDHH  
David A. Von Moll, Comptroller, DOA

AGENCIES SERVING VIRGINIANS WITH DISABILITIES

James Rothrock, Commissioner  
Department of Rehabilitative Services

Joseph Bowman, Commissioner  
Department for the Blind and Vision Impaired

Ronald Lanier, Director  
Department for the Deaf and Hard-of-Hearing

Heidi Lawyer, Director  
Virginia Board for People with Disabilities