

AUDIT SUMMARY

This report includes the operations of Agencies Serving Virginians with Disabilities. These agencies include:

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

Our audit of the Agencies Serving Virginians with Disabilities for the year ended June 30, 1998, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions;
- compliance with applicable laws and regulations tested; and
- adequate corrective action with respect to audit findings reported in the prior year.

INTRODUCTION

This report includes the operations of several agencies that serve Virginians with disabilities. These agencies include:

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

We have grouped these agencies together in one report for two reasons. First, the mission of these agencies is the assistance of individuals with disabilities. Secondly, the Department of Rehabilitative Services serves as a service bureau for administrative and fiscal activities. Following is a brief description of each agency and its operations.

Department for Rehabilitative Services

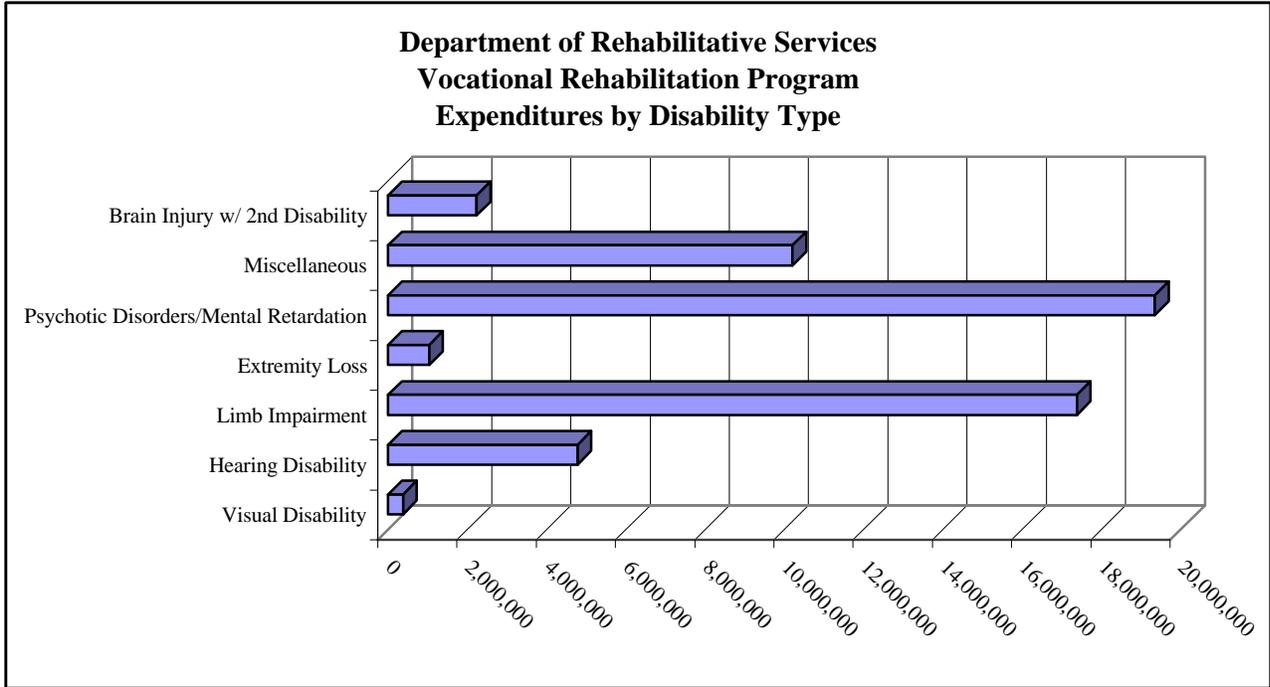
The Department of Rehabilitative Services helps Virginians with physical, mental, or emotional disabilities become employable, self-supporting, and independent. Rehabilitative Services uses the definition of disabled included in the *Americans with Disabilities Act*. The Act defines a disability as "... a physical or mental impairment that substantially limits one or more of the major life activities of such individual; a record of such an impairment; or being regarded as having such an impairment." While vocational rehabilitation is the main focus at Rehabilitative Services, there are other programs within the agency. The following is a list of Rehabilitative Services programs.

- Vocational Rehabilitation
- Disability Determination Services
- Community Based Programs
 - Personal Assistance Services
 - Omnibus Budget Reconciliation Act (OBRA)
 - Centers for Independent Living
 - Disability Boards
 - Spinal Cord Injury Program
- Woodrow Wilson Rehabilitation Center

Vocational Rehabilitation Program

The Vocational Rehabilitation Program accounts for the majority of the client services budget. Rehabilitative Services delivers the program through field offices throughout the state. These offices help Virginia's disabled citizens receive the proper rehabilitation and training to obtain successful employment. Services may include:

- Occupational/ Physical Therapy
- On-the-Job Training
- Doctor Visits
- College Courses/ Technical School
- Transportation



Disability Determination Services Program

Using field offices, Rehabilitative Services processes federal disability claims. Claim forms filed with a local, federal social security office come to the nearest field office for processing. Staff confirms disabilities by requesting applicants' medical records directly from physicians and hospitals. After determinations, staff sends the information to the Social Security Administration for further processing.

This program operates separate field offices apart from the rest of Rehabilitative Services field locations. The program also receives separate funding from the Social Security Administration.

Community Based Programs

Rehabilitative Services either supports or coordinates the following community based programs:

- Personal Assistance Services Program
- Omnibus Budget Reconciliation Act (OBRA Program)
- Centers for Independent Living
- Disability Boards
- Brain & Spinal Cord Injury Services
- Employment Services
- Long-Term Care

Personal Assistance Program (PAS)

The Personal Assistance Services (PAS) Program operates through the Consumer Directed Medicaid Waiver or the Vocational Rehabilitation programs. Waivers allow the states to offer services outside the normal scope of Medicaid services and provide services to individuals with severe disabilities. Rehabilitative Services pays for the services through Medicaid and State matching funds.

Qualifying individuals receive services from Personal Assistants so they can continue to maintain employment, reduce the need for nursing home and medical care, and participate in home and community life. Personal Assistants typically work approximately 35 hours per week and receive between \$6.00 or \$8.25 per hour depending on their location. Personal Assistants work for the disabled individual and not the Commonwealth or Rehabilitative Services.

As of January 1999, the Personal Assistant Program serviced 235 recipients. There are 168 cases on the waiting list.

Personal Assistance Services Recipient Funding as of January 1999			
	State	Vocational Rehabilitation	Total
Current Caseload	155	80	235
Waiting List	139	29	168

Rehabilitative Services processes the payroll for the Personal Assistant Program using a payroll service operated by the Center for Independent Living in Winchester. The budget for this program for fiscal 1999 is \$1,460,969 and as of February 1999, payroll expenses totaled \$688,695.

Omnibus Budget Reconciliation Act (OBRA)

The OBRA Program provides services and assistive technology to disabled nursing home residents, when there are no other funding sources for the service or technology. The program seeks to increase a recipient's independence, participation in the community, or allow the residents to leave nursing homes or find employment.

Centers for Independent Living

Centers for Independent Living are non-profit organizations that receive federal, state, local, and private dollars to promote independence and productivity in the disabled community. The Centers provide a variety of services depending on location and funding. Rehabilitative Services must approve a Center's applications to organize, if the Center wants funding under this state and federal program.

Disability Service Boards

Rehabilitative Services funds and administratively supports 41 local Disability Service Boards that seek to make the communities and local governments aware of the needs of individuals with physical and sensory disabilities. The local boards provide information; advise local governments of resources for the *Americans with Disabilities Act*; award grants from the Rehabilitative Services Incentive Fund; and serve as a catalyst for the development of public and private funding sources.

Brain & Spinal Cord Injury Services

Rehabilitative Services works with persons having traumatic brain and spinal cord injury and other acquired neurological impairment. The Woodrow Wilson Brain Injury Services Program offers the majority of services, along with the Long-Term Rehabilitation Case Management Program, the Cognitive Rehabilitation Program, and specialized training from Rehabilitative Services' staff.

Additional activities include administration of the Virginia Brain Injury Central Registry and coordination of the statewide Virginia Brain Injury Council.

Office of Employment Services

Rehabilitative Services' Office of Employment Services provides employment opportunities to individuals in the Vocational Rehabilitation Program by using Employment Service Organizations. Employment Service Organizations are independent of Rehabilitative Services and provide employment services to all disabled individuals. Rehabilitative Services works with its Vocational Rehabilitation Counselor and the Employment Service Organizations to find employment for vocational rehabilitation program recipients.

Long-Term Rehabilitation Case Management

The Long-Term Rehabilitation Case Management Program provides case coordination to individuals with severe sensory and physical disabilities. These disabilities may include multiple sclerosis, traumatic brain and spinal cord injuries, cerebral palsy, and other illnesses. Case Management workers connect individuals and their families with other programs and resources.

Woodrow Wilson Rehabilitation Center

The Center is a facility operated by Rehabilitative Services to provide residential or outpatient services to persons with physical, mental, sensory, or emotional disabilities. In addition to general rehabilitation, the Center offers vocational training to assist individuals with disabilities for entry level employment in a specific occupation.

The Center has a mobile rehabilitation engineering van that allows staff to make off-site consultation visits and provide necessary home and work site fabrication to allow better access and independence for the disabled individual. Since most clients are physically disabled, the Center places significant emphasis on the delivery of assistive technology evaluations and services.

The Center continues to adapt to its changing client population. In 1996, the Center closed its twenty-bed inpatient acute care hospital, and changed its service delivery from inpatient acute care hospital to outpatient rehabilitation and vocational services.

Management briefly kept one acute care bed open for certification as a Comprehensive Outpatient Rehabilitation Facility (CORF). Although the Center has its CORF accreditation, it has not activated the certification. According to third party providers, the existing inpatient certification allowed the Center to continue to bill outpatient services.

The Center primarily admits clients with vocational potential or with potential to function more independently, with an expected outcome of employment. Rehabilitative Services' field counselors, other state agencies, schools, hospitals, nursing homes, physicians, and private individuals refer clients to the Center.

The Center receives its primary funding from Rehabilitative Services for its vocational training programs. The Center also participates in Medicare, Medicaid, and Blue Cross and can receive payment from most commercial and compensation insurance carriers. In addition, the Center's vocational programs receive funding from the Veterans Administration, Federal Student Financial Aid programs, and private programs.

The charts below show funding by major source and clients serviced over the past three years.



As the Center shifts from inpatient to outpatient services, it is experiencing a decrease in third party revenue and an increased reliance on Rehabilitative Services funding. The Center is looking at needs and is addressing its long-term financial situation.

At the same time, the expense per patient day has increased. This trend reflects the significant fixed cost of the Center as it adjusts to changing client loads. The Center has a substantial investment in facilities and staff and it is attempting to reassess their use in this new service market. These trends further indicate the Center's need to examine its means of delivering services.

	Total FY Expenditures	Total Patient Days	Average Expense Per Patient Day
FY '96	\$22,710,439	98,698	\$230.10
FY '97	\$21,820,666	84,455	\$258.37
FY '98	\$22,549,293	77,804	\$289.82

Management of Rehabilitative Services and the Center's staff have developed a Six-Year Strategic Plan for 1998-2004 to make changes in the use of the Center considering its current client demands and trends. The plan includes expanding or enhancing certain programs, integrating certain policies and procedures, shifting internal resources, and realigning medical services. The Center's staff have begun the process of making program expansion, enhancement, and integration.

This strategic plan also calls for an independent assessment of the Center's programs, available staff, and physical assets to determine if the Center can use its resources to provide growth opportunities. The Center has not contracted to employ an organization or group to do this assessment. Based on our review of the strategic plan, this assessment is key to setting the Center's direction both programmatically and financially. We would encourage management to follow its plan and complete the independent assessment.

The following are total revenues and total expenses for the Department of Rehabilitative Services during fiscal year 1998:

Revenues:

General fund	\$24,057,271
Special revenue	4,271,938
Federal trust fund	<u>69,129,044</u>
Total revenues	<u>\$97,458,253</u>

Expenses by program:

Vocational Rehabilitation	\$47,205,524
Disability Determination Services	23,859,367
Administration	6,232,050
Community Based Programs:	
Centers for Independent Living	3,783,149
Disability Boards	196,088
Personal Assistance Services	2,045,372
Omnibus Budget Reconciliation Act (OBRA)	743,643
Spinal Cord Injury Program	76,760
Head Injury Program	1,167,232
Office of Employment Services	7,935,675
Long Term Rehabilitation Case Management	387,544
Education Services	620,760
Substance Abuse Services	182,775
VATS	730,940
Other Community Services	<u>1,278,918</u>
 Total expenses	 <u>\$96,445,795</u>

Revenues Source: CARS 402 Report for June 30, 1998

Expenses Source: Department of Rehabilitative Services Daily 110 Report for June 30, 1998

Department for the Deaf and Hard-of-Hearing

The Department for the Deaf and Hard-of-Hearing provides programs to assist the deaf or hard-of-hearing, their families, and the professionals who serve them. The Department administers the following programs:

- Interpreter Services
- Oversight of the Virginia Relay Service
- Technology Assistance Program (TAP)
- Outreach Services

The Interpreter Services Program maintains the Directory of Qualified Interpreters for businesses and professionals. The agency also coordinates requests for interpreters for courts, state government, and legislative activities. The Quality Assurance Screening Program tests, rates, and qualifies sign language interpreters before listing them in the Directory.

The Technology Assistance Program issues coupons for assistive devices each year. The agency also oversees the Virginia Relay Service with a center located in Norton. This telecommunication service provides more than 110,000 calls per month for person who are deaf or hard-of-hearing using text telephones to communicate with persons who do not have such devices.

The Department offers specialized training, technical assistance, and information and referral to more than 24,000 individuals annually, which includes a resource library and technology demonstration centers for interested citizens.

**Department for the Deaf and Hard of Hearing
Number of People Served During 1998**

Telecommunications Relay Services	311,007
Interpreter Service Requests	2,143
Quality Assurance Screening Candidates	277
Technology Assistance Program	1,420
Outreach, Information and Referral	<u>24,597</u>
Total	<u>339,444</u>

The following are total revenues and total expenses for the Department for the Deaf and Hard-of-Hearing:

Revenues:

General fund	\$1,245,093
Special revenue funds	<u>18,746</u>
Total revenues	<u>\$1,263,839</u>

Expenses:

Telecommunications Relay Services	\$ 88,533
Interpreter Service Requests	130,426
Quality Assurance Screening Candidates	139,450
Technology Assistance Program	275,180
Outreach, Information, and Referral	334,961
Administration	<u>256,237</u>
Total expenses	<u>\$1,224,787</u>

Revenues Source: CARS 402 Report for June 30, 1998

Expenses Source: Department of Rehabilitative Services Daily 110 Report for June 30, 1998

In addition to these programs, Deaf and Hard-of-Hearing also operates a small library for the deaf community. All of these services allow individuals in the deaf community to participate fully in their community.

Virginia Department for the Visually Handicapped

Visually Handicapped assists people who are blind or visually impaired achieve personal, social, and economic independence. Based on individualized assessments, Visually Handicapped provides vocational training and specialized equipment to prepare the blind for employment, special education services to promote academic success, and independent living services. Visually Handicapped also assists people with partial sight to fully use their remaining vision, creates employment for the blind, and provides recorded and other special library materials. Visually Handicapped provides these services and devices through the following programs:

- Vocational Rehabilitation Services
- Virginia Rehabilitation Center for the Blind and Visually Impaired

- Randolph-Sheppard Vending Facility
- Industries for the Blind
- Education Services
- Rehabilitation Teaching/Independent Living
- Library and Resource Center

Vocational Rehabilitation

Visually Handicapped provides vocational rehabilitation services and devices to help the blind and visually impaired become employable. During the 1998 fiscal year, 2,096 clients received vocational rehabilitation services. The types of services rendered in the Vocational Rehabilitation Program include:

Department for the Visually Handicapped Vocational Rehabilitation Program Total Clients Served	
Type of Service	Number of Clients
Counseling, Guidance, and Placement	42
Eligibility/Needs Assessment	210
Physical and Mental Restoration	194
Training:	
Post Secondary Institution of Higher Education	192
Personal and Vocational Adjustment	226
All Other	255
Maintenance	103
Transportation	272
Personal Assistive Services (Through DRS)	0
Rehabilitation Technology Services	352
Post Employment	36
All Other	214

Virginia Rehabilitation Center for the Blind and Visually Impaired

The Center provides training in personal adjustment skills and the use of adaptive computer equipment to prepare the blind to live independently and to enter the workforce. The Center trains the blind and evaluates them for employment. The Center served 518 clients during fiscal 1998.

Randolph-Sheppard Vending Facility Program

Visually Handicapped administers the Randolph-Sheppard Vending Facility Program by training and licensing the blind to be vendors. The Program has first priority in the establishment of any business in a federal, state, or municipal building. During fiscal 1998, there were 63 vendors that earned an average annual income of \$28,859.

Virginia Industries for the Blind (VIB)

Industries for the Blind is a State Enterprise Fund operated under Visually Handicapped. Industries provides employment opportunities for the blind or severely disabled. During 1998, Industries employed 131 people, of whom 85 were blind.

Industries produced the following products and services:

- Mattresses
- Writing Instruments
- Wet Mops
- Spices
- Pillows
- Mop Handles
- Gloves
- Sweat Shirts
- Mail Room
- Vending
- Pentagon Stores

During fiscal 1998, Industries' net income rose to \$1,040,274 from \$102,703 for the previous fiscal year. Management contributes this increased net income to sale increases of higher profit margin products such as mattresses.

Other Programs

Visually Handicapped also provided Education Services to 1,863 infants, children, and youth during 1998. These services are essential to the proper development and education of blind children and their families. Rehabilitation Teaching and Independent Living Training services aid the blind in meeting daily living needs through specialized training services by teaching them to complete daily living activities. Finally, Visually Handicapped's Library and Resource Center served 5,500 individuals during fiscal 1998. The library has devices and resources available for the blind community.

The following are total revenues and total expenses for the Department for the Visually Handicapped:

Revenues:

General fund	\$ 5,894,313
Special revenue funds	820,395
Manufactured products	7,697,642
VRS Social Security Interest	82,000
Federal trust fund	<u>7,114,606</u>
Total revenues	<u>\$21,608,956</u>

Expenses:

Vocational Rehabilitation Services	\$ 4,119,462
Education Services	506,875
Rehabilitation Teaching/Independent Living	2,282,074
Randolph-Sheppard Vending Facility	462,815
Industries for the Blind	7,644,682
Virginia Rehabilitation Center for the Blind	1,588,418
Library and Resource Center	961,121
Administration	<u>3,212,484</u>
Total expenses	<u>\$20,777,931</u>

Revenues Source: CARS 402 Report for June 30, 1998

Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post Closing 1998

Virginia Board for People with Disabilities

The Board serves as the Developmental Disabilities Planning Council for addressing the needs of people with disabilities. The Board advises the Secretary of Health and Human Resources, the Governor, and the Disability Commission on issues concerning people with disabilities. The major activities of the Board include the following:

- Developmental Disabilities Competitive Grant Program - provides federal funds to initiate major disability service innovations.
- Partners in Policymaking Program - provides leadership training for parents of children with disabilities.
- James C. Wheat, Jr. Award - recognizes individuals for outstanding service to Virginians with disabilities.
- Staff Support to the Legislative Disability Commission – considers the needs of people with physical and sensory disabilities.

The following are total revenues and total expenses for the Virginia Board for People with Disabilities for fiscal year 1998:

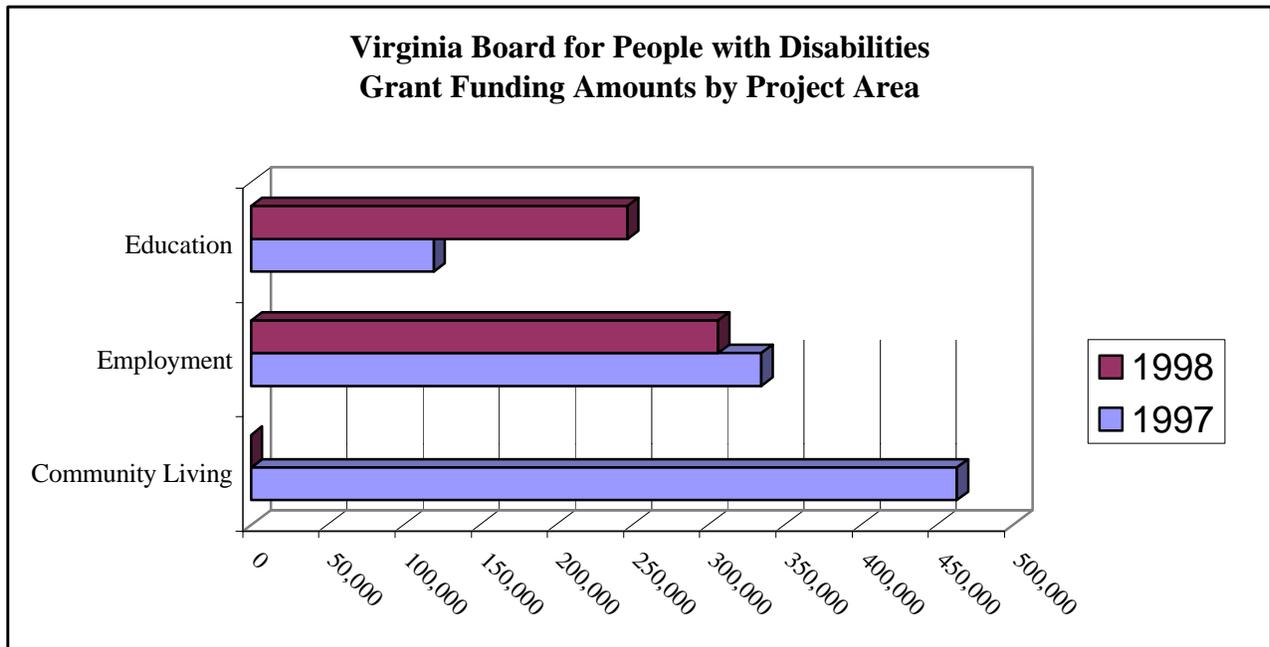
Revenues:

General fund	\$ 139,751
Federal trust fund	<u>1,233,971</u>
Total revenues	<u>\$1,373,722</u>

Total expenses	<u>\$1,256,084</u>
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Revenues Source: CARS 402 Report for June 30, 1998

Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post Closing 1998



Department for Rights of Virginians with Disabilities

The Department for Rights of Virginians with Disabilities provides legal and advocacy services to protect and defend the rights of persons with disabilities. The Department also provides information on self-help and on available resources and services. The following programs support these activities:

- Virginians with Disabilities Act – allows the Department to bring legal action in the event of unlawful discrimination in employment, voting, state programs and activities, education, transportation, housing, and access to places of public accommodation.
- Client Assistance Program - protects the rights and benefits of people who are applicants or clients of the Department of Rehabilitative Services, Department for the Visually Handicapped, Center for Independent Living, or other programs funded under the *Rehabilitation Act of 1973*, as amended.
- Assistive Technologies with Department of Rehabilitative Services – assists disabled individuals in obtaining access to assistive technology devices and services.
- Protection and Advocacy of Individual Rights Program – provides information or legal services to individuals faced with unlawful discrimination, or barriers to independent living, or to receiving benefits and services generally offered to the public.
- Protection Advocacy of the Mentally Ill – protects the human rights and access to services of mental health facility residents or persons recently discharged.
- Developmental Disabilities – protects persons with life long disabilities from legal problems of abuse, neglect or discrimination in education, housing, employment, community programs, treatment, and services.

Department for Rights of Virginians with Disabilities Cases Opened By Program in 1998	
Program	Cases Opened In 1998
Protection and Advocacy of Individual Rights	39
Assistive Technology	16
Developmental Disabilities	162
Protection Advocacy of the Mentally Ill	68
Virginia Disabilities Act	14
Client Assistance Program	120

The following are total revenues and total expenses for the Department for Rights of Virginians with Disabilities for fiscal year 1998:

Revenues:

General fund	\$ 217,632
Special revenue funds	195,186
Federal trust fund	<u>1,231,783</u>
Total revenues	<u>\$1,644,601</u>

Expenses:

Protection and Advocacy of Individual Rights	\$ 114,879
Assistive Technology	62,286
Developmental Disabilities	7,033
Protection Advocacy of the Mentally Ill	405,290
Virginia Disabilities Act	440,301
Client Assistance Program	231,788
Administration	<u>362,401</u>
Total expenses	<u>\$1,623,978</u>

Revenues Source: CARS 402 Report for June 30, 1998

Expenses Source: Department of Rehabilitative Services Daily 110 Report for June 30, 1998

The Department for Rights of Virginians with Disabilities can assist anyone who qualifies for the above programs. Assistance can come in the form of an advocate, mediation, or legal action on behalf of the client.

ADMINISTRATIVE SERVICES

Several years ago, the agencies agreed to pool their resources and reduce administrative overhead by having Rehabilitative Services operate a Service Bureau. The Service Bureau provides services to each agency under a memorandum of understanding. Typically, services include payroll, human resources, purchasing, internal audit, accounts payable, and budgeting.

Overall Evaluation

During the audit, we examined the services provided each agency and the consistency of service and methods used by the Service Bureau to process transactions. Generally, we believe that the Service Bureau has achieved its general goals of reducing overhead and is more than an adequate substitute for the previous independent administrative operations of the individual agencies.

Part of the Service Bureau's objectives included providing individual service to each agency. We believe that the Bureau can achieve this objective and at the same time enhance both its processing of transactions and greatly improve internal control by developing internal processes that consistently handle and record similar transactions.

Observations

The Bureau faces a lack of consistency not only between how agencies handle transactions, but how some agencies handle similar transactions internally. The lack of consistency increases the risk of errors, limits the Bureau's ability to cross train staff, and increases workload to accommodate handling transaction exceptions when processing information.

Increasing consistency would also allow for greater automation of transaction processing and provide opportunities to reduce the amount of manual effort involved in processing. Consistency, however, does not reduce individual agency service, but allows more timely information and concentrates on providing for the unique information needs of the user agencies rather than the exceptions to basic data entry.

The Bureau has already received an internal auditor's payroll report and a Department of General Services procurement report that highlight some of the problems caused by inconsistent handling of transactions. During this audit, we believe inconsistency prevented cross training causing Bureau personnel to have to re-create federal grant cash management information for one grant for the entire year.

We also noted some delays in processing transactions, because of how some of the agencies inconsistently handle transactions. While none of these individual problems are serious, over time they reduce the Bureau's efficiency and increase confusion causing the risk of improperly processing transactions.

Recommendation

To improve the Service Bureau's ability to serve the agencies, we recommend that the managers of each section summarize how and where they are handling transaction processing unique for an agency. Service Bureau management should work with each agency to determine why there is a necessity for this unique process and if the current process is truly necessary and cost effective.

Additionally, the Service Bureau should examine means to improve communication and financial reporting to the agencies. We believe some of the unique processing represents situations where agencies do not think they are receiving timely information to track transaction and respond to inquiries from clients and others.

Finally, as Rehabilitative Services moves forward with its strategic information processing plan, we believe they have the opportunity to not only improve their system, but enhance the Service Bureau's capabilities. As stated earlier, we believe the Service Bureau has fulfilled its initial objectives and that implementation of consistent transaction processing will improve training, internal controls, and the timeliness of financial reporting.

SYSTEM PLANNING AND DEVELOPMENT

Rehabilitative Services operates both a local area network and a modified wide area network that provide Intranet and Internet services. The fundamental purposes of these networks are to provide internal communication among field offices and the central office, and to link the Disability Agencies. Within the Disability Agencies, only Rehabilitative Services and Visually Handicapped operate formally developed data systems. There exists within all agencies numerous ad hoc reporting systems with limited or single users. Most of these systems represent individual attempts to automate manual processes of either collecting data or reporting results. With the exceptions of the systems discussed below, none of these systems represent mission critical or primary decision making tools.

There are two primary systems within Rehabilitative Services, the Virginia Rehabilitative Information System (VRIS) and the Multi-Agency System, which staff within Rehabilitative Services have adapted for other Disability Agencies' use. This system's original design focused on the tracking and recording of client service records. The system supplemented the manual client record files, which included client treatment plans, counselor notes, and other client-related information. The system accumulates basic client profile and financial data and provides a client-tracking mechanism for systems ordered, delivered, and paid.

Since the counselor creates a record for each planned client service and the budgeted cost of each service, Rehabilitative Services adapted the system to provide accounting information. Using the fundamental system, staff developed both a series of tables and other cross-referencing databases to convert client information with an automated interface to the Commonwealth's Accounting and Reporting System (CARS). Rehabilitative Services requires that the vendor bill for each service, thereby creating the disbursement of over 60,000 checks annually. The automated interface greatly reduced the need for manual information data entry to record and authorizes payment for client services.

Rehabilitative Services adapted the accumulation and CARS automated interface portions of this system to record and release their administrative expenses, Woodrow Wilson's expenses, and the other Disability Agencies' CARS' transactions. This subsystem maintains both Woodrow Wilson and the other Disability Agencies' transactions in a separate table or database.

System Planning and Development

Modern system development tools allow for the rapid development and implementation or changes to existing systems. Further, the increased computing capacity of smaller servers and communication networks allow for system operations, data exchange, and use with increased flexibility for both the designers and developers as well as users.

The cost of most systems has shifted from development and programming to infrastructure and design. Design remains the critical element both in historical as well as modern systems.

Proper design is no longer the sole realm of the system developers, but becomes an integral consideration as new systems shift data entry, control, and data analysis to the users. User needs for such simple items as pull down menus can greatly enhance workplace efficiency. In addition, developers cannot maintain complete working knowledge of systems, hardware, communication, and networking necessary for a new system to operate efficiently.

Internal system designers may not have the knowledge or the skill levels to properly assess alternatives. Also, users may not have sufficient knowledge to examine and explain their needs. Complicating this matter further is that a system may not exist to accomplish what the agency needs.

Recommendation

Considering the size and importance of the undertaking to replace VRIS in today's system environment, we recommend that management consider the following approach for this undertaking.

Management should recognize that VRIS consists of two components, a client information/tracking system and a financial planning/transaction processing system. While finding a standard or existing system to accomplish both components is unlikely, current technology would allow for the exchange of information between two standard systems.

The financial component serves a dual function in providing not only client financial information, but also the existing system serves all departments as a data entry mechanism to the Commonwealth's Accounting and Reporting System. Considering the volume of client transactions, it does not appear a prudent decision to separate the client financial interface from the client information component. Nor is it reasonable to expect the maintenance of a separate financial system for all entities using central accounting functions at Rehabilitative Services.

As stated earlier, current technology may allow for the rapid development and deployment of new systems, but the use of this technology requires a sound requirements document and plan with a commitment to staying with the plan before introducing changes. Rehabilitative Services relies on consultants for maintaining much of its complex data processing environment. Considering the complexity of this systems undertaking, Rehabilitative Services may wish to consider using outside experts to develop and document the both the system's requirements and plan.

Rehabilitative Services' strategic plan clearly addresses the need to enhance and improve VRIS. We agree with this assessment and the changing nature of financial transaction processing further highlights the need for this change. With proper consideration of the above issues, the Rehabilitative Services should successfully move forward with this change.

March 18, 1999

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Richard J. Holland
Chairman, Joint Legislative Audit and
Review Commission
General Assembly Building
Richmond, Virginia

INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Agencies Serving Virginians with Disabilities** for the year ended June 30, 1998. We conducted our audit according to the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

The Agencies Serving Virginians with Disabilities includes the operations of the following agencies:

- Department of Rehabilitative Services (including Woodrow Wilson Rehabilitation Center)
- Department for the Deaf and Hard-of-Hearing
- Virginia Department for the Visually Handicapped and the Virginia Rehabilitation Center for the Blind and Visually Handicapped
- Virginia Board for People with Disabilities
- Department for Rights of Virginians with Disabilities

Our audit's primary objectives were to review the adequacy of the Agencies Serving Virginians with Disabilities' internal control structure, test compliance with applicable laws and regulations, and evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System. In addition, we evaluated the implementation of corrective action relating to prior audit findings.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations.

Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

- Appropriations and Transfers
- Patient/Client Accounting and Billing
- Expenditures
- Grants Management

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine the Agencies Serving Virginians with Disabilities' policies and procedures 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.

Agencies Serving Virginians with Disabilities' management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Audit Conclusions

We found that Agencies Serving Virginians with Disabilities properly stated, in all material aspects, the amounts recorded in the Commonwealth Accounting and Reporting System. Staff records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System and Agencies Serving Virginians with Disabilities' records.

We noted no matters involving the internal control structure and its operations that we considered material weaknesses. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that may be material weaknesses. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to Agencies Serving Virginians with Disabilities' financial operations may occur and not be detected promptly by employees in the normal course of performing their duties.

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

We determined that the Agencies Serving Virginians with Disabilities completed adequate corrective action with respect to audit findings reported in the prior year.

Exit Conference

We discussed this report with management at an exit conference held on May 17, 1999.

AUDITOR OF PUBLIC ACCOUNTS

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