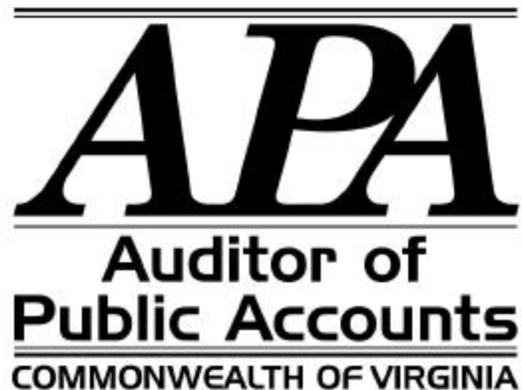


**AGENCIES SERVING VIRGINIANS WITH DISABILITIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



AUDIT SUMMARY

This report includes 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
- Department for the Blind and Vision Impaired (including Virginia Industries for the Blind)
- Virginia Board for People with Disabilities

These agencies assist individuals with disabilities and Department of Rehabilitative Services serves as a service bureau for administrative and fiscal activities.

Our audit of the Agencies Serving Virginians with Disabilities for the year ended June 30, 2000, 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; however, we do not believe that any of the reportable conditions are material weaknesses; and
- compliance with applicable laws and regulations tested.

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INTRODUCTION

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

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- Department for the Deaf and Hard-of-Hearing
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DEPARTMENT OF REHABILITATIVE SERVICES

Agency Background and Information

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” found 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. Upon initial evaluation of a client, Rehabilitative Services’ counselors contact other programs and agencies to ensure they are not providing clients with duplicate benefits. The following is a description of Rehabilitative Services’ programs:

Field Rehabilitation Services

The Field Rehabilitation Services Division provides assistance to people with disabilities in their efforts to become employed and self-sufficient. This division provides the following.

Vocational Rehabilitation Program

The Vocational Rehabilitation Program is the largest division of Rehabilitative Services. This program provides rehabilitation services to persons with disabilities who need assistance to prepare for, obtain, or maintain employment. Services may include:

- Assessment
- Counseling and evaluation
- Training
- Career exploration
- Mental and Physical Rehabilitation
- Technology
- Job development and placement
- Miscellaneous support services required to participate in a rehabilitation program or get/maintain employment

The Vocational Rehabilitation Program assists individuals with disabilities with the proper rehabilitation and training needed to obtain successful employment. This program also works with local educational agencies to assist with the transition of disabled students to post-secondary opportunities that lead to employment outcomes. The Vocational Rehabilitation Program provides services to employers and the business community, and assists in structuring work environments and jobs to make them accessible to qualified persons with disabilities.

Office of Employment Services and Special Programs

The Office of Employment Services and Special Programs provides the leadership and expertise in administering activities related to Rehabilitative Services' special programs. Major activities in administering these program areas include planning, establishment, development, coordination, expansion, rate setting, vendor approval, and evaluation of vocational and employment services.

Employment Services Organizations

Employment Services Organizations are over 85 community rehabilitation programs throughout Virginia who have vendor relationships with Rehabilitative Services to provide an array of employment services. They operate primarily for the purpose of providing employment and vocational rehabilitation services to individuals with disabilities.

Deaf and Hard-of-Hearing

Deaf and Hard-of-Hearing provides comprehensive community-based vocational rehabilitation services through specialized Vocational Rehabilitation counselors. This program promotes Deaf and Hard-of-Hearing advocacy and awareness within the rehabilitation community and various publics; provides technical assistance and consultation to field staff; and develops and monitors interagency cooperative efforts on behalf of people with hearing impairments.

Supported Employment

Supported employment services represent an array of contemporary rehabilitation options. The goal is to maximize employment opportunities for persons with the most severe disabilities who require support in order to work in integrated, competitive employment. Support employment assesses, places, and trains consumers. The Department of Rehabilitative Services offers both time-limited services through its basic Federal/State program and long-term supports with State funding for all disability categories.

Long-Term Support Funding

Long-Term Support Funding provided by Rehabilitative Services are those programs beyond its basic Federal/State program. These programs provide long-term employment support services beyond time-limited Rehabilitative Services' services. These funds cannot supplant moneys from other publicly funded long-term employment support service programs, such as Community Services Board.

Long-Term Mentally Ill

Long-Term Mentally Ill programs provide vocational rehabilitation services to consumers who have serious mental and emotional disorders, many of whom actively participate in a Community Service Board

psychosocial clubhouse program or other Community Service Board services. There are 12 participating Community Service Board operated clubhouses.

Substance Abuse

Substance Abuse projects provide vocational rehabilitation services to consumers who have primary or secondary diagnoses of alcohol or drug abuse disabilities and participate in Community Services Board treatment or have completed treatment.

Workers' Compensation

Individuals with occupational diseases or injuries receiving workers' compensation benefits may also be eligible for services through Rehabilitative Services. The Workers' Compensation program provides technical assistance and support to field staff that provide services to these clients. Referrals received directly from Virginia Workers' Compensation go to field counselors. Workers' Compensation claimants receive informational letters to let them know about Rehabilitative Services.

Vendor Services

Rehabilitative Services reviews all prospective vendors of goods and services to consumers. Rehabilitative Services maintains a fee schedule for frequently purchased goods and services and they also negotiate reasonable and appropriate rates with Employment Services Organizations for vocational services.

Community-Based Services

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

Long-Term Rehabilitation Case Management

Long-Term Rehabilitation Case Management coordinates services for individuals with physical and sensory disabilities by having the case managers assist individuals and their families in obtaining needed services.

Personal Assistance Services (PAS)

Personal Assistance Services provides consumers with physical disabilities the assistance of another person to perform non-medical activities of daily living. Personal Assistance Services serves eligible consumers who want to maximize independence by working, residing in their own homes, managing their own care, and participating in community activities.

Rehabilitative Services manages Personal Assistance programs, which receive funding from the State's General Fund and the Vocational Rehabilitation Title I of the Rehabilitation Act of 1973. Before enrollment, the Department performs a comparable benefits search to identify clients qualifying for services funded by other programs, such as the Medicaid Consumer-Directed Waiver. The table on the following page shows Personal Assistance's distribution of funds to clients.

**Personal Assistance Service Client Distribution and Funding Source
As of April 2001**

Funding Source	State	Vocational Rehabilitation	PAS Individuals with Brain Injuries	Total
Current Caseload	186	61	14	261
Waiting List	37	0	0	37

Nursing Home Outreach Services (Omnibus Budget Reconciliation Act)

Rehabilitative Services provides specialized services to consumers with disabilities who live in nursing facilities across Virginia. The Omnibus Budget Reconciliation Act provides federal funding for these specialized services, so consumers can increase their independence while residing in a nursing facility. Neither the nursing facility nor the standard Medicaid State Plan provides these services. The Department of Mental Health, Mental Retardation, and Substance Abuse Services and the Department of Medical Assistance Services provide Rehabilitative Services with funding for this program.

Rehabilitative Services also assists consumers under the Omnibus Budget Reconciliation Act to move from nursing facilities into the community. The consumers will then be able to access a variety of Medicaid waivers and other state and local resources to live independently.

Brain Injury and Spinal Cord Injury Services

Rehabilitative Services works with persons having traumatic brain and spinal cord injuries and other acquired neurological impairments through the following programs: Woodrow Wilson Brain Injury Services, Long-Term Rehabilitation Case Management, and the Cognitive Rehabilitation. Additional activities include administration of the Virginia Brain Injury Central Registry, coordination of the statewide Virginia Brain Injury Council, and the Virginia Spinal Cord Injury Council and collaboration with consumers, state agencies, and community entities to improve services to persons with brain injury.

Virginia's Centers for Independent Living

Centers for Independent Living are non-profit organizations receiving state, federal, local, and private funding to promote independence and productivity within the disabled community. The Centers provide a variety of services depending on location and funding. There are currently 16 Centers across the Commonwealth. The Federal Rehabilitation Act provides general operations money for the Centers and additional funds come from the State Plan to operate the Independent Living program. The State Plan is a joint effort of the Statewide Independent Living Council, the Department of Rehabilitative Services, and the Department for the Visually Handicapped and provides funds for direct consumer services and systems change activities over \$450,000. Centers also solicit local and private funding to meet local service needs. Rehabilitative Services administers the state funding for the Centers, as well as the federal funds.

Consumer Service Fund

Consumer Service Fund is a special state fund designed to help individuals with physical or sensory disabilities access services not funded through existing programs. Human Services Advocates may apply to this fund for individuals needing to overcome funding or eligibility barriers.

Assistive Technology

Assistive Technology helps people with disabilities reach their potential with the use of adaptive equipment, accommodations, and other assistive resources. Rehabilitative Services provides the following technology services and programs.

- Virginia Assistive Technology System
- Assistive Technology Loan Fund Authority
- Rehabilitation Engineering
- Computer Accommodations

Virginia Assistive Technology System is a statewide project committed to increasing awareness and accessibility of assistive technology. The Assistive Technology Loan Fund Authority provides loans to people with disabilities to purchase technology that will enable them to become more independent.

Disability Services Boards

The Disability Services Boards assist localities in identifying and addressing the needs of people with physical and sensory disabilities in their communities. The Boards advise state and local government and agencies through incentive grants, leverage private, and public dollars to improve services delivery and public awareness. Over 500 individuals serve on Virginia's 41 Disability Services Boards.

Education Services

The Education Services unit focuses on the needs of youth and young adults with disabilities who are transitioning from secondary education into post-secondary opportunities. These opportunities may include further education/training, independent living, and employment. The unit works with secondary school personnel and counselors in 132 school divisions throughout the Commonwealth to provide technical assistance and support in meeting the needs of students as well as staff.

Woodrow Wilson Rehabilitation Center

Woodrow Wilson is a division of Rehabilitative Services and provides services in a residential or outpatient setting to persons with physical, mental, sensory, or emotional disabilities. Woodrow Wilson primarily provides services to disabled individuals with spinal cord injuries, brain injuries, mental retardation, learning disabilities, emotional disorders, and orthopedic injuries. Woodrow Wilson 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 Woodrow Wilson for services. Woodrow Wilson receives its clients from all regions of the Commonwealth. Staff place emphasis on the delivery of assistive technology evaluations and services including rehabilitation engineering, seating clinics, mobile work site, and home modifications.

Management of Rehabilitative Services and Woodrow Wilson has developed a strategic plan covering July 1, 2000 to June 30, 2002. The initiatives in this plan that relate specifically to Woodrow Wilson include outreach to families for Brain Injury Service clients, exploring the establishment of Woodrow Wilson as a one-stop center under the Workforce Investment Act, adjusting training programs to address the current and future needs of employers and consumers, completing Woodrow Wilson physical plant renovations or planning for future renovations, and enhanced assistive technology services.

Over the past four years, the expense per unit of service has increased. This trend reflects the significant fixed cost of Woodrow Wilson as it adjusts to changing client loads. Woodrow Wilson has a substantial investment in facilities and staff and is attempting to reassess its use in this new service market. These trends further indicate a need to examine the means of delivering services.

Fiscal Year	Total Fiscal Year Expenditures	Total Units of Service * (Patient Days)	Average Expense Per Unit of Service
1997	\$21,820,666	84,455	\$258.37
1998	\$22,549,293	77,804	\$289.82
1999	\$24,491,474	84,467	\$289.95
2000	\$24,961,764	81,698	\$305.54

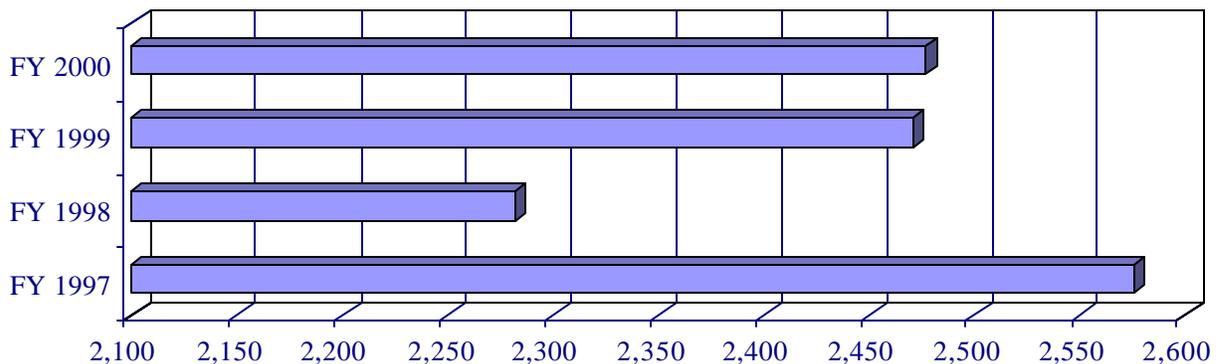
Expenditures Source: CARS 402, option B1 report for the fiscal year ended June 30, 2000

** Total Units of Service reflect only units of service for residential clients and does not include 1,200 outpatient units*

Note: The total center-wide units of service, which includes outpatient units, was \$258,048 for fiscal year 2000.

The chart below illustrates changes in the Center’s client loads over the past four years. Note that the Center served 2,477 clients during fiscal 2000, a slight increase of 6 from the 2,471 clients served in fiscal 1999.

**Woodrow Wilson Rehabilitation Center
Number of Clients Served during FY 1997 - 2000**



Woodrow Wilson Rehabilitation Center bills third parties for some client services and contracts with RSI Metro to perform all accounts receivable and billing functions.

Disability Determination Services

Disability Determination Services, a division within Rehabilitative Services, processes disability claims for benefits under the Social Security Disability Insurance and Supplemental Security Income Disability Programs. Disability Determination works in partnership with the Social Security Administration and follows federal regulations in making its decisions. The nearest field office receives and processes claim forms filed with the local Social Security office. 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 from the rest of Rehabilitative Services’ field locations. The Program also receives separate funding from the Social Security Administration.

Financial Information

The table below illustrates the average cost per client for the Department of Rehabilitative Services over the past two years.

Fiscal Year	Average Cost Per Client
1999	\$1,233.76
2000	\$1,555.80

The following are total revenues and total expenses for the Department of Rehabilitative Services during fiscal year 2000:

Revenues:

General Fund	\$ 28,733,829
Special Revenue	764,767
Federal Trust Fund	79,965,448
Fund Balance Carryover	<u>6,660,326</u>
Total Revenues	<u>\$116,124,370</u>

Expenses by Program:

Vocational Rehabilitation	\$ 53,397,736
Disability Determination Services	26,441,177
Administration	7,918,312
Community-based Programs:	
Centers for Independent Living	4,597,337
Disability Boards	527,098
Personal Assistance Services	3,722,235
Omnibus Budget Reconciliation Act (OBRA)	797,160
Head Injury Program	1,580,046
Employment Services	10,629,102
Long Term Rehabilitation Case Management	446,012
Education Services	845,176
Substance Abuse Services	901,517
Virginia Assistive Technology Services	640,684
Other Community Services	<u>1,502,416</u>
Total Expenses	<u>\$113,946,008</u>

Revenues Source: CARS 402 Report for June 30, 2000

Expenses Source: Department of Rehabilitative Services Daily Budget Expenditure/Outlay Summary Report for June 30, 2000

DEPARTMENT FOR THE DEAF AND HARD-OF-HEARING

Agency Background and Information

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

The Interpreter Services Request Program includes a Directory of Qualified Interpreters, as required by the Code of Virginia, and Interpreter Services Coordination. The Directory includes information for contacting qualified interpreters. The agency coordinates referrals for courts, state government, and legislative activities. The Virginia Quality Assurance Screening Program offers written and performance skill assessments to individuals seeking credentials as sign language interpreters or cued-speech transliterators.

The Technology Assistance Program (TAP) distributes equipment to eligible individuals who are deaf or hard-of-hearing to assist them in becoming independent. Such devices include text telephones, voice carry-over telephones, hearing carry-over devices, amplifiers, and signalers. This service also offers a TAPLOAN program that consists of 22 loan sites and provides TAP equipment to individuals considering the purchase of the equipment or having equipment repaired. The Technology Assistance Program issues more than 1,400 equipment coupons yearly, subsidizing the cost of a TAP, which allows the individual to purchase the device at a wholesale cost. Information sheets on various aspects of technology such as vendors and equipment set up and use are available from the agency through the Technology Information Program.

Outreach Services provides training to individuals and their families, to organizations, and to other individuals who provide services to the deaf and hard-of-hearing. The Program provides outreach on a regional basis through 12 private-sector contracts.

The Virginia Relay allows individuals who are deaf, hard-of-hearing, or deaf-blind and use a text telephone for communication to contact individuals who do not use such devices. Virginia Relay also provides a Telephone Access 71-1 Relay service, which processes over 1.4 million calls annually and is accessible by dialing 7-1-1. A new speech-to-speech relay service allows a speech-disabled person to communicate with others through a specially trained relay operator.

In addition to these programs, the Department also operates a small library for the deaf community. All of these services allow deaf and hard-of-hearing individuals to participate more fully in their community.

Department for the Deaf and Hard-of-Hearing Number of Clients Served during 1998-2000

Services	1998	1999	2000
Telecommunications Relay Services	311,007	315,633	325,102
Interpreter Services Requests	2,143	2,084	1,603
Quality Assurance Screening Candidates	277	363	315
Technology Assistance Program	1,420	1,484	1,225
Outreach, Information, and Referral	24,597	32,330	90,356

The Virginia Department for the Deaf and Hard-of-Hearings' Interpreter Services Requests decreased 481 clients because the Department of Mental Health received appropriations, which allowed them to add a position for a statewide coordinator and makes referrals for the Community Services Board. The Department of Rehabilitative Services also hired a part-time interpreter coordinator to make referrals for the Disability Services Board and the Centers for Independent Living. The Technology Assistance Program decreased 259 clients due to the state-contracted equipment vendor failing to provide devices. The vendor's failure resulted

in the Department being unable to provide equipment coupons for several months during the fiscal year. The Departments' Outreach, Information, and Referral program increased its coverage to 58,026 clients because the Department received \$250,000 in additional funding to provide services in several underserved areas.

**Department for the Deaf and Hard-of-Hearing
Total Cost of Clients Served during 1998-2000**

Services	1998	1999	2000
Telecommunications Relay Services	\$ 87,082	\$ 119,941	\$ 123,539
Interpreter Services Requests	130,423	116,725	116,586
Quality Assurance Screening Candidates	139,456	142,463	138,780
Technology Assistance Program	275,182	229,412	213,346
Outreach, Information, and Referral	<u>335,011</u>	<u>411,238</u>	<u>520,451</u>
Total	<u>\$967,154</u>	<u>\$1,019,779</u>	<u>\$1,112,702</u>

Note: Costs are based on individual program expenditures and do not take into consideration administrative costs, candidate registration fees, or payments made directly to AT&T for the Commonwealth's Virginia Relay contract.

Financial Information

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

Revenues:

General Fund	\$1,350,197
Special Revenue Funds	137,804
Fund Balance Carryover	<u>20,152</u>
Total Revenues	<u>\$1,508,153</u>

Expenses:

Relay Center Oversight	\$ 123,001
Interpreter Service Requests	116,592
Quality Assurance Screening Candidates	138,779
Technology Assistance Program	213,344
Outreach, Information, and Referral	520,389
Other Expenses (includes administration and computer services)	<u>374,775</u>
Total Expenses	<u>\$1,486,880</u>

Revenues Source: CARS 402 Report for June 30, 2000

Expenses Source: Virginia Department for the Deaf and Hard-of-Hearing Daily Budget Expenditure/Outlay Summary Report for June 30, 2000

DEPARTMENT FOR THE BLIND AND VISION IMPAIRED

Agency Background and Information

Effective January 1, 2001, the Department for the Visually Handicapped name became the Department for the Blind and Vision Impaired. The name change passed in the 2000 General Assembly Session.

The Department seeks to enable blind, visually impaired, and deaf-blind individuals to achieve their maximum level of employment, education, and personal independence. In order for individuals to achieve their goals, the Department provides programs that assist in daily living skills, orientation and mobility, counseling, Braille, and training in the use of various adaptive technologies. The Department for the Blind and the Vision Impaired also works with public schools systems to assist in the education of blind or visually impaired students. The Department provides these services and devices through the following programs.

Vocational Rehabilitation Services

Vocational Rehabilitation Services help to make employment opportunities of many types available to persons with visual disabilities. Services provided include, but are not limited to, training to assist individuals in adjusting to the loss of vision; vocational and adjustment counseling; vocational training, eye surgery and/or eye treatment for a limited number of individuals; adaptive equipment for training and/or employment; rehabilitation engineering services to modify training and/or job sites; and supported employment services for individuals who are blind and have other disabilities. The number of clients serviced in the Vocational Rehabilitation Services Program follows.

Department of Blind and Vision Impaired Vocational Rehabilitation Services Program Total Clients Served

Type of Service	2000	1999
Counseling, Guidance, and Placement	61	75
Eligibility/Needs Assessment	253	223
Physical and Mental Restoration	193	187
Training:		
Post Secondary Institution of Higher Education	209	187
Personal and Vocational Adjustment	165	194
All Other	373	296
Maintenance	139	114
Transportation	300	274
Rehabilitation Technology Services	454	426
Post Employment	38	45
All Other	282	220

Rehabilitation Teaching and Independent Living

Rehabilitation Teaching and Independent Living provides services necessary to enable people with visual disabilities to achieve their maximum level of independence and participation in society, thus enhancing their economic, social, and personal independence. The services provided allow individuals to increase their independence in homemaking, communication, personal grooming, and other activities of daily living. In 2000, 23 rehabilitation teachers served 3,363 consumers.

Library and Resource Center

The Library and Resource Center served 9,946 clients during fiscal year 2000. The Library and Resource Center provides reading and listening materials to increase knowledge and educational achievement as well as providing for leisure reading. The Center offers library services to persons who are physically disabled, visually disabled, hearing impaired or reading disabled. The Resource Center provides Braille, large print textbooks, and educational materials to local school divisions to support education of visually impaired and blind children.

Virginia Industries for the Blind

Virginia Industries for the Blind is a state enterprise fund operated under the Department for the Blind and Vision Impaired. The Industries provide blind and visually impaired individuals gainful employment; and provides opportunities in career development and employment related services. Below are the Industries' Training and Vocational Services.

- Vocational Evaluation
- Work Adjustment
- Vocational Training
- Skill Enhancement and Cross-Training
- Placement Counseling
- Customer Evaluation and Training
- Summer Work Program (for blind high school students)
- Gainful Occupation

Virginia Industries provide a variety of services and products for the Federal and State governments as well as businesses and organizations from the private sector. During fiscal year 2000, the Industries employed 197 individuals in the following areas:

Employment Trend Statistics

Industry Type	Blind Employees FY 2000	Blind Employees FY 1999	Sighted Employees FY 2000	Sighted Employees FY 1999
Products	69	60	56	23
Services	45	36	13	5
Indirect	4	8	10	10

Products and Services

- State and Federal Mop Heads
- Mattresses
- Physical Fitness Uniforms
- Latex Gloves Packaging
- Instant Tea Packaging
- Vending Services
- Mop Handles
- Pillows
- Writing Instruments
- Spices Packaging
- Mailing Services
- Customer Service Representatives

During fiscal year 2000, net income decreased from \$96,193 to (\$436,016). The decrease was mainly due to the purchase of inventory for the Virginia Industries new stores.

Virginia Industries for the Blind Retained Earnings/Fund Balance Trend Analysis

	FY 2000	FY 1999	FY 1998
Operating Revenues	\$ 8,548,464	\$ 8,065,437	\$ 7,834,840
Operating Expenses	\$ 9,028,640	\$ 7,974,284	\$ 7,126,549
Operating Income (Loss)	\$ (436,016)	\$ 96,193	\$ 1,040,274
Retained Earnings/Fund Balance	\$ 2,662,831	\$ 3,136,126	\$ 3,013,085

Education Services

The Blind and Vision Impaired provided educational services to approximately 1,940 infants, children, and youth. These services include assistance and support to families, teachers, and early infant service providers to help develop and educate children who are blind, visually impaired, and deaf blind. There were 882 children and adults who received Orientation and Mobility services.

Randolph-Sheppard Vending Facility Program

The Blind and Vision Impaired administers the Randolph Sheppard Program which provide jobs to broaden economic opportunities for individuals who are blind or visually impaired. Under this program, legally blind individuals receive priority to operate any existing or developing vending or cafeteria service in federal, state, and municipal buildings. During fiscal year 2000, 59 vendors earned an average income of \$33,695, four individuals received training, and two received licenses.

Virginia Rehabilitation Center for the Blind and Vision Impaired

The Center provides a program of evaluation, adjustment, and prevocational training, which enables students to learn skills necessary for greater independence. The Center provides specialized training and evaluation in computer technology, Braille technology, and customer services representative training. During fiscal 2000, the Center served 661 individuals.

Deaf Blind Services

The Blind and Vision Impaired employs two Deaf Blind Specialists who provide consultation, assessment, training, and technical assistance services to all program staff, as well as other state agencies and service providers.

Low Vision Services

Low Vision Services works with all programs to provide customers with an opportunity to enhance their vision with special optical and non-optical aids. In fiscal year 2000 the Service provided 1,172 low vision assessments.

Financial Information

The following are total revenues and total expenses for the Department for the Blind and Vision Impaired:

Revenues:

General Fund	\$ 11,464,871
Special Revenue Fund	1,159,254
Manufactured Products	8,345,866
VRS Social Security Interest (Endowment Fund)	65,000
Federal Trust Fund	7,779,426
Enterprise Surplus Property	629
Fund Balance Carryover	<u>2,948,823</u>
Total Revenues	<u>\$ 31,763,869</u>

Expenses:

Vocational Rehabilitation Services	\$ 5,197,020
Education Services	695,043
Rehabilitation Teaching/Independent Living	2,662,577
Randolph-Sheppard Vending Facility	466,860
Industries for the Blind	8,388,438
Virginia Rehabilitation Center for the Blind	1,702,519
Library and Resource Center	1,067,503
Other Expenses (includes administration and all other Program expenses)	<u>4,025,315</u>
Total Expenses	<u>\$ 24,205,275</u>

Revenues Source: CARS 402 B1 Report as of June 30, 2000

Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post Closing 2000

Average Cost per Client Trend Analysis

Area of Service	FY 2000	FY 1999
Vocational Rehabilitation	\$ 1,865	\$1,764
Rehabilitation Teaching/Independent Living	\$ 114	\$ 124
Education Services	\$ 72	\$ 22

Note: These figures do not include personal services costs.

VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES

Agency Background and Information

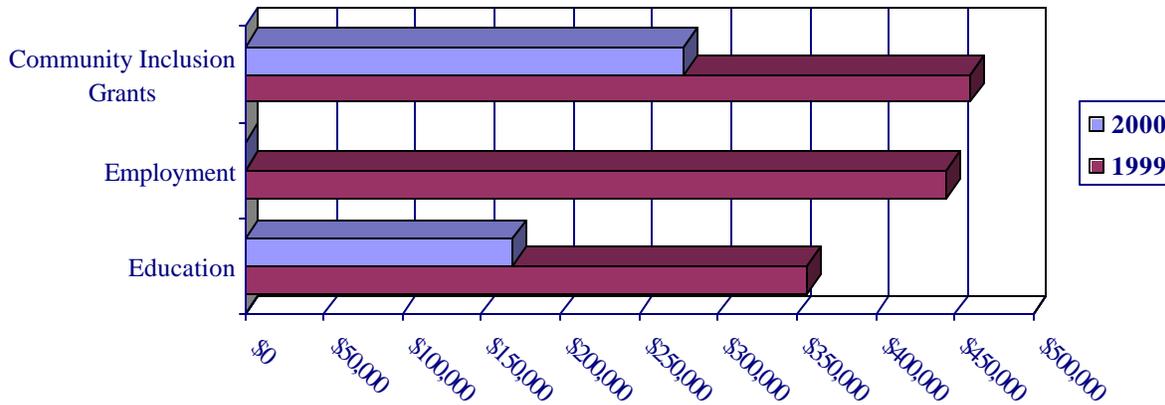
The Board seeks to empower Virginians with Disabilities to achieve their personal goals, to be self-reliant, and to participate fully in their communities by strengthening community involvement, building advocacy, enhancing service delivery, and informing policy. The Board serves as the Developmental Disabilities Planning Council and as the Governor's Advisory Council on issues affecting people with disabilities.

The major activities of the board include:

- 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.

Financial Information

**Virginia Board Serving Virginians with Disabilities
Grant Funding Amounts by Project Area**



The following are total revenues and total expenses for the Virginia Board for People with Disabilities for fiscal year 2000.

Revenues:

General Fund	\$ 153,461
Federal Trust Fund	873,286
Fund Balance Carryover	<u>38,764</u>
Total Revenues	<u>\$1,065,511</u>
Total Expenses	<u>\$1,047,807</u>

Revenues Source: CARS 402 Report for June 30, 2000

Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post 2000

ADMINISTRATIVE SERVICES

Agencies serving Virginians with Disabilities 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 an improvement over 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.

INFORMATION TECHNOLOGY (IT) SYSTEM PLANNING AND DEVELOPMENT

Rehabilitative Services operates a wide area network that provides access to workstation-based applications, E-mail, Intranet, and Internet services. These networks provide internal communication among offices of the Agencies serving Virginians with Disabilities.

Major application systems internally developed by Rehabilitative Services include:

- The Vocational Rehabilitation Information System (VRIS) - the case management tool used by Field Rehabilitation Services Division.
- Starbase - the database system used by the Department for the Blind and Vision Impaired.
- The disability claims processing system used by the Disability Determination Services Division.
- The administration systems used for cash accounting for all these agencies.

Initiatives

Rehabilitative Services is working on four projects.

- Replacing the Disability Determination System - the United States Social Security Administration delegates and funds initial disability determination to Rehabilitative Services. As a condition of funding, the Social Security Administration requires the use of its application system and network standards. Rehabilitative Services management and the Social Security Administration completed a requirements definition for a new disability claims processing system. Rehabilitative Services awarded a contract to install and customize the claims processing system application and full implementation should occur by the end of 2001.

- Integrated Case Management System (ICM) - the ICM project is an effort to integrate up to 21 legacy data management systems into a single application computer system. Rehabilitative Services plans to complete the project in June 2003 and will have a requirements definition upon completion of evaluations of two commercially available products scalable to meet the needs of the Disability Services Agencies.
- Integrated Fiscal Systems - Rehabilitative Services has two internal fiscal systems that collect financial data from case management applications and interact with CARS to provide invoice and collect payment data. Merger of the two internal accounting systems to one will reduce information system staff maintenance efforts. Application could go into production as early as May 2001.
- Electronic Document Management System (EDMS) - the EDMS project is an effort to integrate data management systems and the accompanying source documents into a single seamless application computer system. Management has completed an evaluation of two EDMS products across four different business processes. A three-phase implementation of the EDMS will begin June 2001. Rehabilitative Services will issue an Invitation for Bid (IFB) in April 2001, soliciting competitive bids for customization, software licenses, integration services, maintenance and support and user training.

INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS

Cancel Old Outstanding Authorizations

Rehabilitative Services does not cancel outstanding authorizations after a reasonable period of time. The June 2000 Authorization Aging Report shows approximately \$1,288,658 of outstanding authorizations older than 30 days at year-end. Currently, no policy exists to limit the life of outstanding authorizations. Without such a policy in place, internal controls could fail to prevent the cancellation and reuse of authorizations.

We recommend that Rehabilitative Services develop and implement a written policy that includes management's review and defines the appropriate handling of authorizations over 180 days old. These procedures should identify the length of time authorizations may remain open without activity and define specific procedures to void and purge older authorizations from the system.

Noncompliance with State Prompt Payment Act

Virginia Industries for the Blind and Woodrow Wilson did not comply with the Prompt Payment Act. Section 11.62.1 of the Code of Virginia, requires State agencies and institutions to pay 100 percent of their invoices by the "required" payment due date. The State Comptroller considers agencies in compliance with the prompt payment standard if they have achieved at least a 95 percent prompt payment rate. For the months of August, September, and October in fiscal year 2000, Virginia Industries for the Blind had a compliance rate of 93.2 percent, 91.9 percent, and 87.3 percent respectively. For the months of December, May, and June in fiscal year 2000, Woodrow Wilson had a compliance rate of 86.7 percent, 89 percent, and 92.6 percent respectively.

Management should continue to stress the importance of complying with the Prompt Payment Act.

Cross-Training

Rehabilitative Services is heavily dependent on a number of key personnel to perform critical functions. Most of these key individuals perform multiple tasks and there is little documentation of how they perform their work. Over the last year some turnover in key finance positions has occurred. During this transition, we observed that the loss of one key person resulted in the loss of that individual's knowledge to perform multiple tasks, thus causing disruptions in operations.

Management should consider the need for cross training and document of all the duties these individuals perform to minimize disruption to fiscal operations in the future.

Noncompliance with the Fixed Assets Accounting and Procedures

Woodrow Wilson did not comply with the Fixed Assets Accounting Policies and Procedures listed in the Commonwealth Accounting Policies and Procedures Manual (CAPP Manual). According to the CAPP Manual Section Number 30100, "Agencies should establish adequate and cost beneficial internal control systems to ensure that those assets that are within the required capitalizable or controllable limits are recorded in the Fixed Asset Accounting and Control System (FAACS)." During expenditure testwork, 2 out of 5 (40 percent) assets were not capitalized properly.

Management at Woodrow Wilson should ensure that all capitalizable assets \$5,000 or greater have been properly entered in FAACS. Management should consider reviewing expenses \$5,000 or greater monthly to determine if they need to be recorded in FAACS.

Inefficient Systems Implementation

Management has made some improvements in implementing the Macola Cost Accounting System; however, they have not taken full advantage of the application in order to improve the overall efficiency of operations in financial management. Currently, the Macola system does not maintain correct accounts receivable balances or beginning inventory balances. Virginia Industries for the Blind's inability to enter all data out of Rbase into the Macola system is causing staff to enter the data into both Rbase system and the Macola system. This procedure requires continued quarterly reconciliations between Rbase and Macola. Virginia Industries for the Blind does not have the staff or computer resources necessary to enter data from the Rbase system to the Macola Cost Accounting System.

Management should use the Macola Cost Accounting System to the fullest extent. In order to do so, management should make every effort to enter all data properly into the Macola system. Management should consider using computer resources and part-time staff to enter all data and related information in the Macola system. Users of the system will need proper training and adequate supervision. Management will need to evaluate and put in place user access and other security measures to prevent possible misuse.

May 17, 2001

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

The Honorable Vincent F. Callahan, Jr.
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 People with Disabilities** for the year ended June 30, 2000. The Agencies Serving Virginians with Disabilities (the Agencies) include the operations of the following agencies: the Department of Rehabilitative Services (including the Woodrow Wilson Rehabilitation Center), the Department for the Deaf and Hard-of-Hearing, the Virginia Board for People with Disabilities, and the Department for the Blind and Vision Impaired (including the Virginia Rehabilitation Center for the Blind and Vision Impaired). We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Audit Objective, Scope, and Methodology

Our audit's primary objectives were to evaluate the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System and in the Agencies' accounting records, review the adequacy of the Agencies' internal control, and test compliance with applicable laws and regulations. We also reviewed the Agencies' corrective actions of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Agencies' 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 internal control components sufficient to plan the audit. We considered materiality and control risk in determining the nature and extent of our audit procedures. 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.

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.

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

Audit 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' accounting records. The Agencies 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 the Agencies' accounting records.

We noted certain matters involving internal control and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Agencies' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. Reportable conditions, described in the section titled "Internal Control Weaknesses and Recommendations." We believe that none of the reportable conditions is a material weakness.

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 not taken adequate corrective action with respect to the previously reported findings "Non-Compliance with State Prompt Payment Act" and "Cancel Old Outstanding Authorizations." Accordingly, we included these findings in the section entitled "Internal Control Weaknesses and Recommendations." The Agencies have taken adequate corrective action with respect to audit findings reported in the prior year that are not repeated in this report.

This report is intended for the information of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

EXIT CONFERENCE

We discussed this report with management at an exit conference held on June 18, 2001.

AUDITOR OF PUBLIC ACCOUNTS

WJK:aom
aom:30

AGENCIES SERVING VIRGINIANS WITH DISABILITIES
Richmond, Virginia

John Coffey, Deputy Commissioner of Administration
Department of Rehabilitative Services

H. Gray Broughton, Commissioner
Department of Rehabilitative Services

Ronald Lanier, Director
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