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INDEPENDENT AUDITOR'S REPORT

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## **AUDIT SUMMARY**

This report includes the operations of the 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
- Department for the Visually Handicapped and the Virginia Rehabilitation Center for the Blind and Visually Impaired (including Virginia Industries for the Blind)
- 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, 1999, 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;
- 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 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 Visually Handicapped and the Virginia Rehabilitation Center for the Blind and Visually Impaired (including Virginia Industries for the Blind)
- Virginia Board for People with Disabilities
- Department for Rights of Virginians with Disabilities

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

## **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. The following is a list of Rehabilitative Services’ programs:

- Woodrow Wilson Rehabilitation Center
- Vocational Rehabilitation
- Employment Services
- Disability Determination Services
- Community-based Services
  - *Personal Assistance Services*
  - *Nursing Home Outreach Services (Omnibus Budget Reconciliation Act)*
  - *Centers for Independent Living*
  - *Disability Services Boards*
  - *Brain Injury and Spinal Cord Injury Services*
  - *Long-Term Rehabilitation Case Management*

There were no changes in Rehabilitative Services’ mission statement or strategic plan during fiscal 1999; however, there were several changes in the director’s position. David Ross replaced Commissioner John Vaughan and on October 27, 1999, the Governor appointed H. Gray Broughton as Commissioner, succeeding Mr. Ross.

## Services

Rehabilitative Services offers some services to clients that are available through other programs and agencies. Upon initial evaluation of a client, Rehabilitative Services' counselors contact other programs and agencies to ensure they are not providing clients with duplicate benefits.

### ***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 the following disabilities: 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 the Center. Woodrow Wilson receives its clients from all regions of the Commonwealth. The Center places emphasis on the delivery of assistive technology evaluations and services including rehabilitation engineering, seating clinics, mobile work site, and home modifications.

Over the past four years, the expense per unit of service 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 is attempting to reassess its use in this new service market. These trends further indicate the Center's need to examine its means of delivering services.

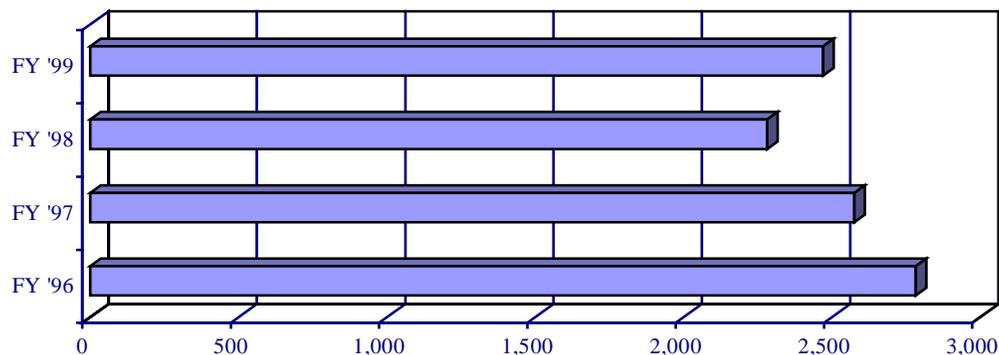
Fiscal Year	Total Fiscal Year Expenditures	Total Units of Service * (Patient Days)	Average Expense Per Unit of Service
1996	\$22,710,439	98,698	\$230.10
1997	\$21,820,666	84,455	\$258.37
1998	\$22,549,293	77,804	\$289.82
1999	\$24,491,474	84,467	\$289.95

*Expenditures Source: CARS 402, option B1 report for the fiscal year ended June 30, 1999*

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

The chart below illustrates changes in the Center's client loads over the past four years. Note that the Center served 2,471 clients during fiscal 1999, an increase of 189 from 2,282 clients served in fiscal 1998.

**Department of Rehabilitation Services  
Number of Clients Served during FY 1996 - 1999**



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 has begun the process of 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. As of this audit, the Center has not contracted to employ an organization or group to do this assessment.

### ***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
- Guidance and counseling
- Training
- Physical and mental restoration
- Rehabilitation
- Technology
- Job development and placement

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.

### ***Disability Determination Services***

Using field offices, Rehabilitative Services processes federal disability claims for the Social Security Administration. 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.

### ***Community-based Services***

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

- Personal Assistance Services Program
- Nursing Home Outreach Services (Omnibus Budget Reconciliation Act/OBRA)
- Centers for Independent Living
- Disability Service Boards
- Brain Injury and Spinal Cord Injury Services
- Employment Services
- Long-Term Rehabilitation Case Management

### Personal Assistance Services (PAS)

Personal Assistance provides consumers with physical disabilities the assistance of another person to perform non-medical activities of daily living. Personal Assistance 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. Prior to enrollment, the Department performs a comparable benefits search to identify clients qualifying for services funded by other programs, such as Medicaid-funded, Consumer-Directed Waiver. The chart below illustrates Personal Assistance's distribution of funds to clients.

#### **Personal Assistance Service Client Distribution and Funding Source as of January 2000**

<b>Funding Source</b>	<b>State</b>	<b>Vocational Rehabilitation</b>	<b>Other Programs and Medicaid CD Waiver</b>	<b>Total</b>
Current Caseload	188	64	67	319
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.

### Centers for Independent Living

Centers 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 15 Centers across the Commonwealth. The Federal Rehabilitation Act provides general operations money for the Centers and additional funds under 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, outreach, and coalition-building activities. 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.

### Disability Service Boards

The Disability Services Boards consist of consumers, local government officials, and business representatives that address the local needs and service delivery gaps of individuals with physical and/or sensory disabilities. There are currently 41 Disability Services Boards throughout the Commonwealth. These boards administer the Rehabilitative Services Incentive Fund, which awards grants to address unmet needs and develop community programs. The grants address service gaps, support innovative programs, promote public awareness, and improve the coordination in service

delivery. The local boards also provide information and referral resources to the local governments regarding the Americans with Disabilities Act, conduct biennial needs assessments, and serve to develop public and private funding sources. Rehabilitative Services administers funds to the boards and provides technical assistance and oversight.

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 and coordination of the statewide Virginia Brain Injury Council.

Long-Term Rehabilitation Case Management

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

**Financial Information**

The following are total revenues and total expenses for the Department of Rehabilitative Services during fiscal year 1999:

Revenues:

General Fund	\$ 23,849,804
Special Revenue	9,355,332
Federal Trust Fund	<u>79,092,353</u>
Total Revenues	<u>\$112,297,489</u>

Expenses by Program:

Vocational Rehabilitation	\$ 51,037,456
Employment Services	8,596,381
Disability Determination Services	28,639,674
Administration	7,276,076
Community-based Programs:	
Centers for Independent Living	3,814,341
Disability Boards	205,965
Personal Assistance Services	2,632,226
Omnibus Budget Reconciliation Act (OBRA)	734,136
Head Injury Program	1,415,823
Long Term Rehabilitation Case Management	394,187
Education Services	608,789
Substance Abuse Services	189,751
Virginia Assistive Technology Services	626,138
Other Community Services	<u>1,594,276</u>
Total Expenses	<u>\$107,765,219</u>

Revenues Source: CARS 402 Report for June 30, 1999

Expenses Source: Department of Rehabilitative Services Daily 110 Report for June 30, 1999

## DEPARTMENT OF THE DEAF AND HARD-OF-HEARING

### Agency Background and Information

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

- Virginia Relay Services Oversight (VRS)
- Interpreter Service Requests
- Outreach Services
- Technology Assistance Program (TAP)

The Virginia Relay Services Oversight allows individuals who are deaf or hard-of-hearing and use a text telephone for communication to contact individuals who do not use such devices.

The Interpreter Services Request Program maintains a Directory of Qualified Interpreters, as required by the Code of Virginia. 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.

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.

The Technology Assistance Program 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 15 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.

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 People Served during 1998 and 1999**

<b>Services</b>	<b>1998</b>	<b>1999</b>
Telecommunications Relay Services	311,007	315,633
Interpreter Services Requests	2,143	2,084
Quality Assurance Screening Candidates	277	363
Technology Assistance Program	1,420	1,484
Outreach, Information, and Referral	24,597	32,330
Total	339,444	351,894

## **Financial Information**

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

### Revenues:

General Fund	\$1,195,793
Special Revenue Funds	<u>133,418</u>
Total Revenues	<u>\$1,329,211</u>

### Expenses:

Telecommunications Relay Services	\$ 120,901
Interpreter Service Requests	116,723
Quality Assurance Screening Candidates	142,463
Technology Assistance Program	229,412
Outreach, Information, and Referral	411,268
Administration	260,929
Computer Services	13,966
VDDHH Conference	<u>19,008</u>
Total Expenses	<u>\$1,314,670</u>

*Revenues Source: CARS 402 Report for June 30, 1999*

*Expenses Source: Virginia Department for the Deaf and Hard-of-Hearing Daily 110 Report for June 30, 1999*

## **DEPARTMENT FOR THE VISUALLY HANDICAPPED**

### **Agency Background and Information**

Visually Handicapped assists people who are blind, visually impaired, or deafblind to achieve personal, social, and economic independence. Based on individual assessments, Visually Handicapped provides vocational training and specialized equipment to prepare the blind for employment, special education services, 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
- Rehabilitation Teaching/Independent Living
- DVH Library and Resource Center
- Virginia Industries for the Blind
- Education Services
- Randolph-Sheppard Vending Facility
- Virginia Rehabilitation Center for the Blind and Visually Impaired

### ***Vocational Rehabilitation***

Visually Handicapped provides vocational rehabilitation services and devices to help the blind and visually impaired become employable. During the 1999 fiscal year, 1,256 clients received vocational rehabilitation services. The types of services rendered in the Vocational Rehabilitation Program are listed below.

**Department for the Visually Handicapped  
Vocational Rehabilitation Program  
Total Clients Served**

<b>Type of Service</b>	<b>1999</b>	<b>1998</b>
Counseling, Guidance, and Placement	75	42
Eligibility/Needs Assessment	223	210
Physical and Mental Restoration	187	194
Training:		
Post Secondary Institution of Higher Education	187	192
Personal and Vocational Adjustment	194	226
All Other	296	255
Maintenance	114	103
Transportation	274	272
Rehabilitation Technology Services	426	352
Post Employment	45	36
All Other	220	214

***Rehabilitation Teaching/Independent Living***

Rehabilitation Teaching and Independent Living Training services aid the blind in meeting daily living and other needs through specialized training services. These services help them maintain or increase their independence in homemaking, communication, personal grooming, and other activities of daily living. In 1999, 23 rehabilitation teachers served 3,020 consumers.

***DVH Library and Resource Center***

Visually Handicapped's Library and Resource Center served 5,700 individuals during fiscal 1999. The Library has devices and resources available for the blind community. The Library holds braille, audio, and large print books for both educational and recreational use.

***Virginia Industries for the Blind (VIB)***

Virginia Industries for the Blind is a state enterprise fund operated under Visually Handicapped. Industries provides training and employment opportunities for the blind or visually impaired. Training and vocational rehabilitation services offered include the following:

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

During fiscal year 1999, Industries employed 124 individuals who manufactured products and provided services as follows:

**Employment Statistics**

<b>Industry Type</b>	<b>Sighted Employees</b>	<b>Blind Employees</b>
Manufacturing	23	60
Services	5	36

**Products and Services**

- State and Federal Mop Heads
- Mop Handles
- Mattresses
- Pillows
- Food Handler Caps
- Sweatshirts
- Writing Instruments
- Latex Gloves Packaging
- Spices Packaging
- Instant Tea Packaging
- Mailing Services
- Vending Services
- Customer Service Representatives

During fiscal 1999, Industries' net income decreased from \$1,040,274 to \$96,193. The decrease resulted from the payment of 1998 bills in fiscal 1999.

***Education Services***

Visually Handicapped also provided educational services to 1,940 infants, children, and youth. These services provide essential help and support to families to properly develop and educate blind children.

***Randolph-Sheppard Vending Facility Program***

Visually Handicapped administers the Randolph-Sheppard Vending Facility Program that trains and licenses the blind to operate vending facilities. Under this program, blind operators have preference to establish operations in federal, state, or municipal buildings. During fiscal 1999, 60 vendors earned an average annual income of \$33,010, six individuals received training, and four received licenses.

***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 476 clients during fiscal 1999.

**Financial Information**

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

Revenues:

General Fund	\$ 8,968,295
Special Revenue Funds	1,142,753
Manufactured Products	7,962,512
Endowment and Trust Fund	53,000
Federal Trust Fund	<u>7,778,000</u>
Total Revenues	<u>\$25,904,560</u>

Expenses:

Vocational Rehabilitation Services	\$ 5,024,995
Education Services	572,237
Rehabilitation Teaching/Independent Living	2,423,721
Randolph-Sheppard Vending Facility	406,121
Industries for the Blind	8,111,331
Virginia Rehabilitation Center for the Blind	1,679,544
DVH Library and Resource Center	1,140,588
Administrative	<u>3,676,245</u>
Total Expenses	<u>\$23,034,782</u>

*Revenues Source: CARS 402 Report for June 30, 1999*

*Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post Closing 1999*

**VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES**

**Agency Background and Information**

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

**Financial Information**

The following are total revenues and total expenses for the Virginia Board for People with Disabilities for fiscal year 1999:

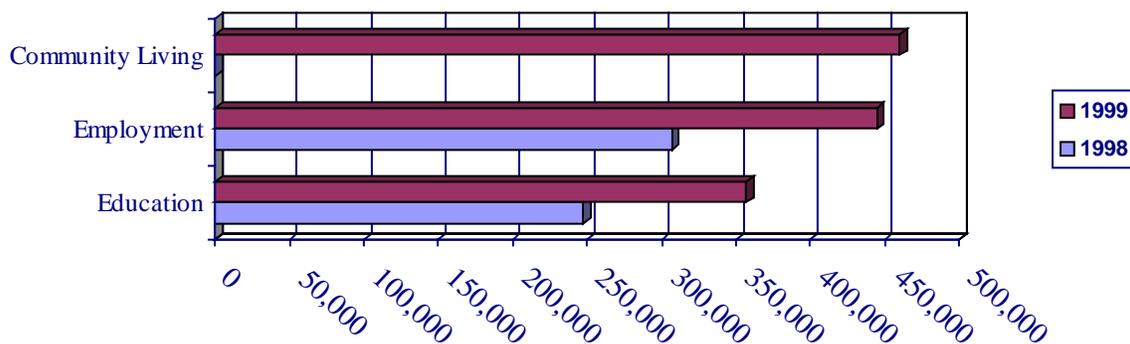
Revenues:

General Fund	\$ 140,008
Federal Trust Fund	<u>1,595,353</u>
Total Revenues	<u>\$1,735,361</u>
Total Expenses	<u>\$1,694,733</u>

*Revenues Source: CARS 402 Report for June 30, 1999*

*Expenses Source: VRIS BR452 Report Expenditures by Program and Subprogram-End of Year Post Closing 1999*

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



### DEPARTMENT FOR RIGHTS OF VIRGINIANS WITH DISABILITIES

#### Agency Background and Information

The Department for Rights of Virginians with Disabilities provides legal and advocacy services to protect and defend the rights of persons with cognitive, sensory, mental, and physical disabilities particularly in the areas of abuse, neglect, and discrimination. The Department also provides technical assistance, self-help training, and referral information on available resources and services. As of October 1999, the Department of General Services has provided fiscal services for the Department for Rights of Virginians with Disabilities.

Funding for the Department consists of 89 percent federal grants and 11 percent state general funds. Its programs include:

- 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 Individuals with Mental Illness – protects the human rights and the access to services of mental health facility residents or persons recently discharged
- Developmental Disabilities Program – protects persons with lifelong disabilities from legal problems relating to abuse, neglect, or discrimination in education, housing, employment, community programs, treatment, and services

In 1999, the Department provided direct legal services to 420 persons, provided referral information or technical assistance to 8,367 persons, trained 835 persons, and distributed its own publications to over 15,000 persons. Agency staff also serve on 35 advocacy boards or councils to direct public policy on behalf of persons with disabilities.

The Department maintains four field offices in Richmond, Northern Virginia, Virginia Beach, and Staunton, in addition to its Central Office in Richmond. It has ten attorneys and four advocates on staff.

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.

**Department for Rights of Virginians with Disabilities  
Cases Opened By Program**

<b>Program</b>	<b>1999</b>	<b>1998</b>
Protection and Advocacy of Individual Rights	71	39
Assistive Technology	9	16
Developmental Disabilities	106	162
Protection Advocacy of Individuals with Mental Illness	80	68
Virginians with Disabilities Act	34	14
Client Assistance Program	120	120

**Financial Information**

The following are total revenues and total expenses for the Department for Rights of Virginians with Disabilities for fiscal year 1999:

Revenues:

General Fund	\$ 249,456
Special Revenue Funds	219,265
Federal Trust Fund	<u>1,374,925</u>
<b>Total Revenues</b>	<b><u>\$1,843,646</u></b>

Expenses:

Protection and Advocacy of Individual Rights	\$ 220,338
Assistive Technology	34,691
Developmental Disabilities	474,479
Protection and Advocacy of Individuals with Mental Illness	359,502
Client Assistance Program	203,148
Virginia Disabilities Act/Administration	236,769
Indirect Cost Recoveries	<u>229,641</u>
<b>Total Expenses</b>	<b><u>\$1,758,568</u></b>

*Revenues Source: CARS 402 Report for June 30, 1999*

*Expenses Source: Department for Rights of Virginians with Disabilities Final Year-End Report  
Ending June 30, 1999*

## **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 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**

### **Current Environment**

The Department of Rehabilitative Services operates a wide area network that provides access to workstation-based applications, E-mail, Intranet, and Internet services. The fundamental purpose of these networks is to provide internal communication among offices, which includes Rehabilitative Services, the Department for the Visually Handicapped, the Department for the Deaf and Hard-of-Hearing and the Virginia Board for People with Disabilities. The Department for Rights of Virginians with Disabilities continues to use this network for e-mail and other services. During the past year, based on a change in Secretariats, the Department of General Services now supports application systems for the Department for Rights of Virginians with Disabilities.

Major application systems internally developed by Rehabilitative Services include:

- The Vocational Rehabilitation Information System (VRIS) - the case management tools used by the Field Rehabilitation Services Division
- Starbase - the new case management tool used by the Department of Visually Handicapped
- The disability claims processing system used by the Disability Determination Services Division
- The administration systems used for cash accounting for all these agencies

Internally-developed case management systems focus on the tracking and recording of client service records. The systems supplement the manual client record files, which include client treatment plans, counselor notes, and other client-related information. The systems accumulate basic client profiles and financial data and provide a client-tracking mechanism for services ordered, delivered, and paid.

The case management systems also provide budget and accounting information. Via data exchange with our administrative systems, cash accounting data is passed to the Commonwealth Accounting and Reporting System (CARS) through an automated interface. The automated interface greatly reduces the need for manual data entry to record and authorize payment for client services.

### **Initiatives**

Rehabilitative Services is working on three projects: a replacement disability claims processing system, an integrated case management system (ICM), and an electronic document management system (EDMS). Rehabilitative Services is considering a major design and requirements definition effort for the integrated case management system that could lead to the purchase of a commercially-available case management application system as recommended by our report.

Part of Rehabilitative Services' planning process is improving its infrastructure. It is examining the following areas:

- Promoting e-commerce development for the Virginia Industries for the Blind, the Virginia Assistive Technology System, the Department for the Deaf and Hard-of-Hearing, and the Consortium of Comprehensive Rehabilitation Facilities
- Phasing in network management software that promotes security, expedites workstation support, improves asset management, and improves diagnostic capabilities for maintenance
- Implementing a professional development program for technology staff leading to competency and professional certification in database administration, systems engineering, and applications software development
- Continuing development of policies and procedures for Information Systems

### **Replacement Disability Claims Processing 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 have approved a requirements definition for a new disability claims processing system.

### **Integrated Case Management System (ICM)**

The ICM Project is an effort to integrate up to 14 legacy data management systems into a single application computer system and will work with the proposed Electronic Document Management System. Rehabilitative Services plans to complete the project in June 2003, and will have a requirements definition within the next six months.

### **Electronic Document Management System (EDMS)**

Rehabilitative Services conducted a feasibility study of electronic document management systems (EDMS) and isolated a single product. Based on this evaluation, Rehabilitative Services intends to sole source the software acquisition and has received the approval of the Department of General Services to use this method of procurement. Currently, there are plans to test this software at two pilots beginning in March 2000, and running through August 2000. The pilots will provide

information on the expected benefits of this program. At the same time, Rehabilitative Services is developing vendor requirements for a software licensing and vendor support request for proposal (RFP). By the end of the pilot projects, Rehabilitative Services expects to award the vendor contract.

## **INTERNAL CONTROL FINDINGS AND RECOMMENDATIONS**

### **Outstanding Authorizations**

#### ***Observations***

In structuring a program for a client, the counselor uses Rehabilitative Services' computer systems to document the client's program and the source of the services. This process sets out a detailed budget and encumbers funds for the client's program through an authorization process. The counselor has responsibility for any changes to the authorization amount for the client's program. If a client does not need the full amount of training or other service or drops out of the program, the counselor should remove the authorization. By not removing the authorization, the counselor prevents these funds from being available to other clients.

Rehabilitative Services does not cancel outstanding authorizations for Vocational Rehabilitation Services after a reasonable period. The June 1999 Authorization Aging Report shows approximately \$1,000,000 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.

#### ***Recommendations***

We recommend that Rehabilitative Services develop and implement a 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.

### **Excessive Use of Petty Cash**

#### ***Observations***

During fiscal 1999, Woodrow Wilson had an excessive amount of petty cash transactions totaling \$90,859.65 of which \$52,837.73 was cash paid directly to clients. Woodrow Wilson could have paid the remaining \$38,021.92 of the transactions using the Small Purchase Charge Card Program.

#### ***Recommendations***

Management at Woodrow Wilson should limit the use of petty cash and encourage the utilization of the Small Purchase Charge Card Program.

## **Noncompliance with State Prompt Payment Act**

### ***Observations***

Virginia Industries for the Blind, under the Department for the Visually Handicapped, did not comply with the Prompt Payment Act. The Code of Virginia requires state agencies and institutions to pay 100 percent of their invoices subject to the Prompt Payment Act by the “required” payment due date. The State Comptroller considers agencies in compliance with the prompt payment standard when an agency has achieved at least a 95 percent prompt payment rate. For the second and third quarters for fiscal 1999, Virginia Industries for the Blind had a compliance rate of 92 percent and 94 percent respectively.

### ***Recommendations***

The Department for the Visually Handicapped should ensure that all employees are trained and made aware of the Prompt Payment Act. Management should continue to stress the importance of complying with this act.

## **Inefficient Systems Implementation**

### ***Observations***

Two years after the initial implementation of Macola Incorporation’s Progression Version 7, the system is still not performing efficiently. This system would maintain all sales, purchases, and inventory records for the manufacturing element of Virginia Industries for the Blind. To date, it has not provided accurate inventory records, nor produced functional reports.

The Project has undergone poor oversight and implementation. In addition, the software provides functionality that exceeds the capabilities of the agency personnel. Virginia Industries for the Blind does not have the staff or the computer resources available to support the system.

### ***Recommendations***

Virginia Industries for the Blind is not currently maintaining accurate inventory records, which could impact sales and the ability to fill orders timely. Management is still trying to resolve the problems encountered with the Macola system. To properly maintain this complex system once it is operating correctly, Rehabilitative Services may need to commit the appropriate resources to maintain the database and the related operating procedures. Users of this system will need proper training and supervision.

May 8, 2000

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 Virginians with Disabilities** for the year ended June 30, 1999. 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, and the Department for the Visually Handicapped (including the Virginia Rehabilitation Center for the Blind and Virginia Industries for the Blind). We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

#### Audit Objectives, 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

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 an opinion 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 Agencies properly stated, in all material aspects, the amounts recorded in the Commonwealth Accounting and Reporting System and in 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 operations 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 are described in the subsection entitled, "Internal Control Findings and Recommendations." We believe that none of the reportable conditions are material weaknesses.

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.

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.

AUDITOR OF PUBLIC ACCOUNTS

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kva:26

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  
Department for the Deaf and Hard-of-Hearing

W. Roy Gizzard, Jr., Commissioner  
Department for the Visually Handicapped

Brian S. Parsons, Director  
Virginia Board for People with Disabilities

Susan T. Ferguson, Director  
Department for Rights of Virginians with Disabilities