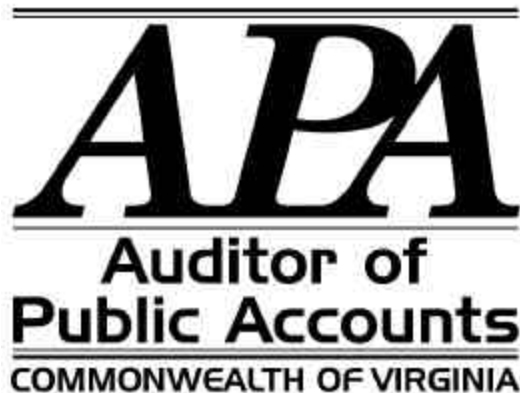


**AGENCIES SERVING VIRGINIANS WITH DISABILITIES
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2002**



AUDIT SUMMARY

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

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

Our audit of Agencies serving Virginians with Disabilities for the year ended June 30, 2002, found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- no internal control matters or reportable conditions;
- no instance of non-compliance with applicable laws and regulations tested; and
- corrective action for all prior year audit findings.

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AGENCY OPERATIONS

DEPARTMENT OF REHABILITATIVE SERVICES

Program Operations

The Department of Rehabilitative Services helps Virginians with physical, mental, and/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 an individual.

Rehabilitative Services has four divisions that provide services to disabled individuals. These divisions include Vocational Rehabilitation, Employment Services & Special Programs, Community-Based Services, and Disability Determination Services. In fiscal year 2002, these divisions served 136,892 disabled individuals and spent over \$116 million.

Vocational Rehabilitation

Vocational Rehabilitation (VR) is the largest division in Rehabilitative Services, consisting of a central office and 36 field offices statewide. In fiscal year 2002, VR provided assistance to 34,086 individuals at a cost of \$52.3 million. The federal government funds 79 percent of VR activities and the state makes up the difference. The VR grant supports rehabilitation services for 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, and miscellaneous support services required to participate in a rehabilitation program or get and maintain employment.

VR also works with local educational agencies to assist with the transition of disabled students to post-secondary opportunities that lead to employment outcomes. VR 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.

Rehabilitative Services uses three criteria to determine eligibility for VR benefits. First, the individual must have a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment. Secondly, the individual can benefit in terms of an employment outcome from VR services. And finally, the individual requires VR services to prepare for, secure, retain, or regain employment.

Individuals eligible for services work with a VR counselor who helps them develop an individualized plan for employment. The individualized plan for employment lists the employment goals and the services needed to help attain those goals.

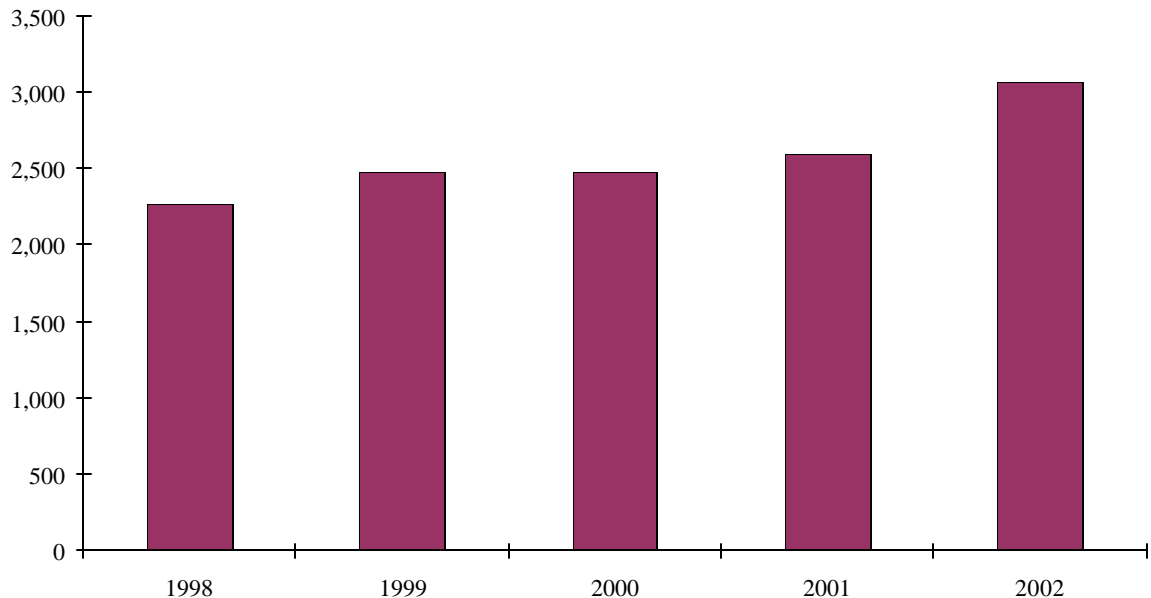
Woodrow Wilson Rehabilitation Center

Rehabilitative Services transferred close to 80 percent or \$15.4 million of Woodrow Wilson’s total revenue in fiscal year 2002. Rehabilitative Services also refers about 75 percent of Woodrow Wilson’s clients. Woodrow Wilson is one of nine comprehensive rehabilitation facilities in the country.

Woodrow Wilson primarily serves individuals with multiple service needs. Woodrow Wilson operates a Vocational Rehabilitation Program, a Post Secondary Education Transition Program, and a

Comprehensive Outpatient Rehabilitation Program. Woodrow Wilson's client census increased 26 percent over the last five.

Woodrow Wilson Clients Served FY 1998 – 2002



In addition to \$15.4 million received from Rehabilitative Services, Woodrow Wilson also receives third party medical reimbursements from insurers like Medicare, Medicaid, and private insurance carriers. Woodrow Wilson also receives private funds and student financial aid assistance.

Budget Cuts

Rehabilitative Services' budget reduction (excluding Woodrow Wilson) was \$815,881 in Fiscal 2002. In Fiscal 2003 and 2004, Rehabilitative Services plans to have additional cuts of \$5,561,931 and \$5,633,391, respectively. To meet these cuts Rehabilitative Services plans to reduce both administrative and programmatic costs, by laying-off fifteen employees across the state, reducing equipment and supply purchases, and modifying its contracts to cut costs. Additionally, Rehabilitative Services is currently implementing methods to shift funding for payroll costs to federal sources, such as the vocational rehabilitation grant and the disability insurance grant.

Rehabilitative Services must also reduce services to consumers. Rehabilitative Services reduced funding for the Centers for Independent Living, which accounts for eight percent of the reductions in Fiscal 2003, and seven percent of the reductions in Fiscal 2004. Rehabilitative Services will also cut other program services and funding as follows.

- Specialized services to brain-injury consumers
- Long-term employment support services
- Extended sheltered employment workshops
- Consumers with head injuries
- Rehabilitative Services Incentive Fund – used to address unmet or underserved needs through community programs

- Consumer Service Fund – is a “fund of last resort” used when individuals cannot access other programs

Woodrow Wilson’s budget reduction will be \$126,257 and \$248,100 in Fiscal 2003 and 2004, respectively, and will come from reducing administrative costs. Woodrow Wilson plans to eliminate four positions, reduce the cost of contractual services by performing them in-house, and defer the procurement of assistive technology equipment.

Financial Information

The following chart illustrates total funds available and total expenses incurred by Rehabilitative Services for fiscal year 2002. This information excludes Woodrow Wilson activity.

Funds available:	
General fund	\$ 29,557,715
Special revenue	11,644,411
Federal trust fund	<u>90,754,317</u>
Total funds available	<u>\$ 131,956,443</u>
Expenses:	
Personal services	\$ 37,987,295
Contractual services	22,661,697
Supplies and materials	1,681,416
Educational and training assistance/Grants and aid	56,647,471
Continuous charges	4,726,905
Property and improvements	670
Equipment	1,882,443
Plant and improvements	<u>552,195</u>
Total expenses	<u>\$ 126,140,092</u>

Funds available source: CARS 402 Report as of June 30, 2002

Expenses source: Multi-agency Data as of June 30, 2002

Administrative Operations

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

The four system initiative updates below emphasize the agencies intention to continue efforts to eliminate manual and duplicative activities, consolidate client data, increase efficiency, and most important, to cut costs.

Replacing the Disability Determination Services System

As of December 2002, the Department of Rehabilitative Service’s Division of Disability Determination Services began processing all new disability determination claims using the Virginia Claims Processing System (VCPS). Disability Determination Services contracts with the federal government to

administer the Social Security Disability Insurance Program and the Supplemental Security Income Program. Disability Determination Services is using VCPS to track the receipt, update, and closure of claims. Rehabilitative Services anticipates transferring all of the old cases (still residing in the Disability Determination Services system) to the VCPS during calendar year 2003. Rehabilitative Services also intends to add modules to VCPS to process non-Federal cases (the Medicaid Unit), Quality Assurance, Hearing Unit, and additional management information reporting.

Integrated Fiscal Systems

Before November 2001, Rehabilitative Services had two internal fiscal systems that collected financial data from case management applications and interacted with the Commonwealth's Accounting and Reporting System. Merger of the two internal accounting systems into one system reduced information system staff maintenance efforts. The verification of fiscal year end processing at June 30, 2002, showed that the merger was successful.

Electronic Document Management System

The Electronic Document Management System (EDMS) project is an effort to integrate data management systems and the accompanying source documents into a single application. A \$650,000 contract was awarded to Optical Imaging Technology who began development of EDMS in June 2001.

As of June 2002, the contractor successfully installed EDMS. Optical Imaging Technologies is currently scanning medical records into the application and training Woodrow Wilson staff to use the system. The project has recently experienced delays due to staff turnover. The Department spent \$200,000 to date for this project.

Integrated Case Management System

The Integrated Case Management System (ICM) initiative is an effort to integrate up to 21 legacy data management systems into a single application. Rehabilitative Services evaluated one commercially available product to meet the needs of the disability services agencies and completed a second product evaluation in the summer of 2002. The staff is preparing a requirements document and expects to issue a request for proposal to the general public in March 2003. In June 2003, the staff expects to complete the vendor selection and a contract negotiation. Phase I implementation has a targeted completion of June 2004.

DEPARTMENT FOR THE BLIND AND VISION IMPAIRED

Program Operations

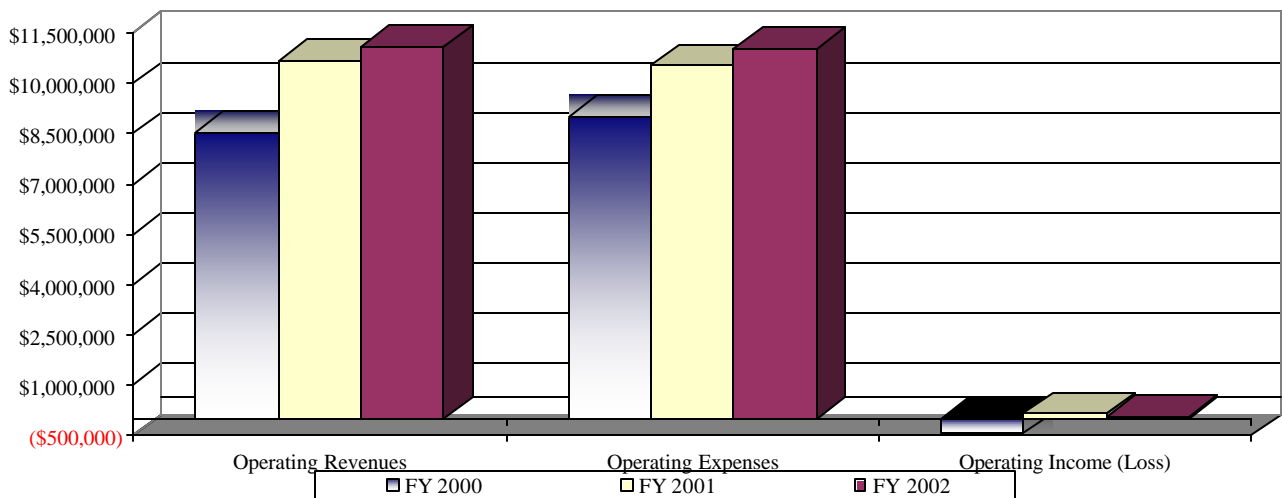
The Department for the Blind and Vision Impaired enables blind, deaf-blind, and visually impaired individuals to achieve their maximum level of employment, education and personal independence. The Department provides vocational training and placement services, daily living skills instruction, orientation and mobility services, counseling, Braille, and training in the use of various types of adaptive equipment. The Department works cooperatively with the Department of Education and the public school systems to assist in the education of blind, deaf-blind, or visually impaired students. The Department provides these services and devices through a variety of programs such as Vocational Rehabilitation, Rehabilitation Teaching and Independent Living, Educational Services, Virginia Industries for the Blind, Library and Resource Center, Randolph Sheppard Vending Program, and Virginia Rehabilitation Center for the Blind and Vision Impaired. In fiscal year 2002, these programs provided services to 18,895 disabled individuals at a cost of \$23 million.

Virginia Industries for the Blind

The Virginia Industries for the Blind (VIB), the business enterprise division of the Department, works in conjunction with the services division of the Department and the Rehabilitation Center for the Blind and Vision Impaired to provide employment, training, and other vocational services to blind individuals across the Commonwealth. Services provided by VIB include: Vocational Evaluation, Work Adjustment, On the Job Training, Skill Enhancement and Cross-training, Placement Counseling, and Summer Work Program.

VIB manufactures items for military bases and government offices. VIB has manufacturing locations in Charlottesville and Richmond. Products manufactured by VIB include mattresses, writing instruments, mop heads and handles, and physical fitness uniforms. VIB also has twelve satellite operations across Virginia with five self-service supply stores serving military and other federal organizations. VIB also provides staffing for administrative office services. VIB employs 155 individuals where 75 percent are legally blind. The results of VIB operations for the last three years are as follows:

Virginia Industries for the Blind
Results of Operations for 2000 - 2002



Virginia Rehabilitation Center for the Blind and Vision Impaired

The Virginia Rehabilitation Center for the Blind and Vision Impaired is a sub-agency of the Department that provides comprehensive adjustment services to severely visually impaired Virginians. The Center provides a program of evaluation, adjustment, and prevocational training, which enables students to learn skills necessary for greater independence, efficiency, and safety on the job, at home, and in social settings. The Center provides specialized training and evaluation in computer technology, Braille technology, and customer service representative training. The Center has cooperative programs with other community agencies to meet the needs of students in evaluation and training. The average length of stay at the Center is three to four months. The following Table illustrates the number of people served by the Center and related expenses over the last three years.

Persons Served and Related Expenses 2000 - 2002

<u>Year</u>	<u>Persons Served</u>	<u>Related Expenses</u>
2000	661	\$ 1,702,519
2001	640	1,875,687
2002	630	1,838,117

Source: CARS 1408: Statement of Appropriations Allotments and Expenditures Operating as of June 30, 2002.

Budget Cuts

The Department's budget reduction (excluding the Center) was \$209,546 in Fiscal 2002. In Fiscal 2003 and 2004 the Department plans to cut its budget by \$1,150,635 and \$1,272,164, respectively, by reducing both administrative and programmatic costs. The Department plans to layoff nine employees across the state. In addition, the Department eliminated funding to service organizations like, Records for the Blind and Dyslexic, sub-regional libraries, which provide assistive technology for the blind to use when accessing local public library services and Washington Ear, Inc., which provides a toll-free telephone dial-in reading service for visually impaired persons.

The Center plans to cut its budget by \$42,970 and \$31,941 in Fiscal years 2003 and 2004, respectively, by reducing administrative costs. The Center plans to reduce equipment and supply purchases and improve preventive maintenance activities.

Financial Information

The following chart illustrates total funds available and total expenses incurred by the Department for fiscal year 2002. This information includes the Center activity, which makes up about five percent of the total amounts shown.

Funds available:	
General fund	\$ 11,419,284
Special revenue	1,251,381
Enterprise funds	11,795,555
Trust and agency fund	174,000
Federal trust fund	<u>9,065,012</u>
Total funds available	<u>\$ 33,705,232</u>
Expenses:	
Personal services	\$ 11,944,634
Contractual services	2,892,217
Supplies and materials	6,817,279
Educational and training assistance/Grants and aid	3,341,055
Continuous charges	1,024,697
Equipment	1,510,514
Plant and improvements	<u>4,229,690</u>
Total expenses	<u>\$ 31,760,086</u>

Funds available source: CARS 402 B1 Report as of June 30, 2002

Expenses source: Multi-agency Data as of June 30, 2002

DEPARTMENT FOR THE DEAF AND HARD-OF-HEARING

Program Operations

The Virginia Department for the Deaf and Hard-of-Hearing (VDDHH) works to reduce communication barriers between persons who are deaf or hard-of-hearing, their families, and the professionals who serve them. The foundation of all VDDHH programs is communication – both as a service (through interpreters, technology, and other modes) and as a means of sharing information for public awareness (through training and education). VDDHH administers programs through the following divisions: Telecommunications Relay Services, Interpreter Services Requests, Quality Assurance Screening, Technology Assistance Program, and Outreach, Information, and Referral. During fiscal 2002, these divisions provided 1,628,813 units of service to deaf and hard-of-hearing individuals at a cost of \$1.3 million.

Budget Cuts

The VDDHH's budget reduction was \$43,471 in Fiscal 2002. The Department plans to cut its budget by \$240,799 and \$319,842 in Fiscal 2003 and 2004, respectively. VDDHH plans to make programmatic changes to the Virginia Quality Assurance Screening program (VQAS) and the Technology Assistance Program (TAP). The VQAS program provides written and performance skill assessments for individuals seeking employment as sign language interpreters and cued-speech translators. The Department served 445 individuals in this program last year. The Department plans to cancel remote VQAS testing sites, use projected surpluses to pay for VQAS candidate ratings, and eliminate the VQAS diagnostic services contract by performing these services in-house.

TAP distributes equipment to eligible individuals who are deaf or hard-of-hearing to assist them in becoming independent. The Department served 1,284 individuals in this program last year. The Department plans to stop recruitment of a TAP manager and freeze TAP renewals for access to new technology.

Financial Information

The following chart illustrates total funds available and total expenses incurred by the Department for the Deaf and Hard-of-Hearing for Fiscal 2002.

Funds available:	
General fund	\$ 1,363,545
Special revenue	<u>302,663</u>
Total funds available	<u>\$ 1,666,208</u>
Expenses:	
Personal services	\$ 680,091
Contractual services	653,444
Supplies and materials	13,208
Continuous charges	87,221
Equipment	<u>179,690</u>
Total expenses	<u>\$ 1,613,654</u>

Funds available source: CARS 402 B1 Report as of June 30, 2002

Expenses source: Multi-agency Data as of June 30, 2002

VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES

Program Operations

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

Major activities of the Board include:

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

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

Budget Cuts

The Virginia Board for People with Disabilities budget reduction was \$5,860 in Fiscal 2002. The Board plans to cut its budget by \$25,007 and \$31,941 in Fiscal 2003 and 2004, respectively by reducing administrative cost associated with temporary clerical services and restructuring contractual service agreements with the Department of Rehabilitative Services.

Financial Information

The following chart illustrates total funds available and total expenses incurred by the Virginia Board for People with Disabilities for Fiscal year 2002.

Funds available:	
General fund	\$ 139,306
Federal trust fund	<u>1,586,910</u>
Total funds available	<u><u>\$ 1,726,216</u></u>
Expenses:	
Personal services	\$ 420,084
Contractual services	361,015
Supplies and materials	10,316
Educational and training assistance/Grants and aid	236,543
Continuous charges	95,076
Equipment	<u>14,926</u>
Total expenses	<u><u>\$ 1,137,961</u></u>

Funds available source: CARS 402 B1 Report as of June 30, 2002

Expenses source: Multi-agency Data as of June 30, 2002

January 16, 2003

The Honorable Mark R. Warner
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Kevin G. Miller
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, 2002, including:

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

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 Department's accounting records, review the adequacy of the Department's internal control, and test compliance with applicable laws and regulations. We also reviewed the Department's 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 Department's 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:

Expenditures	Appropriations and Transfers
Revenues	Patient/Client Accounting and Billing
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 Department's 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 Department's 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 Department properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in the Department's accounting records. The Department records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System, except where noted differently.

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

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

The Department has taken adequate corrective action with respect to audit findings reported in the prior year.

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

We discussed this report with management on March 7, 2003.

AUDITOR OF PUBLIC ACCOUNTS

CPS:whb
whb:25

AGENCIES SERVING VIRGINIANS WITH DISABILITIES
Richmond, Virginia

James Rothrock, Commissioner
Department of Rehabilitative Services

John Coffey, Deputy Commissioner of Administration
Department of Rehabilitative Services

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

Joseph Bowman, Commissioner
Department for the Blind and Vision Impaired

Nan Pemberton, Assistant Director of Operations
Virginia Board for People with Disabilities