



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 6, 2010

The Honorable Robert F. McDonnell
Governor of Virginia

The Honorable Charles J. Colgan
Chairman, Joint Legislative Audit
and Review Commission

This communication is provided pursuant to the parameters of the 2010 Office of Management and Budget (OMB) pilot project. Such project requires auditors of entities that volunteer for the project to issue, in writing, an early communication of significant deficiencies and material weaknesses in internal control over compliance for certain federal programs having expenditures of American Recovery and Reinvestment Act of 2009 (ARRA) funding at an interim date, prior to the completion of the compliance audit. Accordingly, this communication is based on our audit procedures performed through November 30, 2010, an interim period. Because we have not completed our compliance audit, additional significant deficiencies and material weaknesses may be identified and communicated in our final report on compliance and internal control over compliance issued to meet the reporting requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

In planning and performing our audit through November 30, 2010 of CFDA#s 84.126 and 84.390 – Vocational Rehabilitation Grants to States, we are considering the Department of Rehabilitative Services' compliance with activities allowed or unallowed, allowable costs and cost principles, cash management, eligibility, reporting, and special tests and provisions as described in the *OMB Circular A-133 Compliance Supplement* for the year ended June 30, 2010. We are also considering the Department of Rehabilitative Services' internal control over compliance with the requirements previously described that could have a direct and material effect on CFDA#s 84.126 and 84.390 – Vocational Rehabilitation Grants to States in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department of Rehabilitative Services' internal control over compliance.

Our consideration of internal control over compliance is for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined in the following paragraphs. However, as discussed subsequently, based on the audit procedures performed through November 30, 2010, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or

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combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance entitled "Improve Timeliness of Eligibility Determination" to be a significant deficiency. This matter is described in the section entitled "Federal Findings."

The Department of Rehabilitative Services' response to our findings is described in the section entitled "Federal Findings." We did not audit the Department of Rehabilitative Services' response, and accordingly, we express no opinion on it.

This interim communication is intended solely for the information and use of the Governor and General Assembly, management, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

FEDERAL FINDINGS

U.S. DEPARTMENT OF EDUCATION

Improve Timeliness of Eligibility Determination

Rehabilitative Services does not enforce their policy for documenting eligibility extensions related to the Vocational Rehabilitation (VR) program within its case management system known as “AWARE.” Section 361.41 of the Code of Federal Regulations, requires Rehabilitative Services to determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services, unless certain exceptional and unforeseen circumstances beyond the control of the agency preclude making an eligibility determination within 60 days. In this case, Rehabilitative Services and the client must agree to a specific extension of time.

Our review found over 1,200 cases in AWARE exceeded the 60-day eligibility determination time limit. Of those, we reviewed 25 cases, all of which had no eligibility determination extension documented.

We recommend management develop a review process to enforce the eligibility determination policies outlined in the agency’s policies. Management may also wish to provide additional training to counselors to increase awareness of the new policy.



COMMONWEALTH of VIRGINIA

James A. Rothrock
COMMISSIONER

Department Of Rehabilitative Services

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December 13, 2010

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

Dear Mr. Kucharski:

The Agencies Serving Virginians with Disabilities appreciates the opportunity to respond to the finding and recommendation contained in your audit report of the Agencies' financial activities administered by the Department of Rehabilitative Services (DRS) for the fiscal year ended June 30, 2010.

DRS's Response to: Improve Timeliness of Eligibility Determination

In response to this audit finding, the Department will take actions to re-train VR counselors on the VR eligibility extension regulations and policy and how to properly document eligibility extensions in the AWARE client data base. Documentation of eligibility extensions will continue to be reviewed by the Department's VR Quality Assurance staff in their VR case audit reviews with notice given to counselors and their managers of non-compliance. DRS will institute procedures to notify VR counselors of pending expiration of the 60-day eligibility timeframe as a means of notifying counselors of the need for extension documentation if necessary, and conduct periodic reviews of compliance with this policy.

Again, thank you for the opportunity to respond. Please contact me should you require further information.

Sincerely,

A handwritten signature in blue ink, appearing to read "John W. Thaniel".

John W. Thaniel
DSA Chief Financial Officer

cc: James A. Rothrock, Commissioner, DRS
Raymond E. Hopkins, Commissioner, DBVI
Heidi L. Lawyer, Director, VBPB
Ronald L. Lanier, Director, VDDHH
David A. Von Moll, Comptroller, DOA