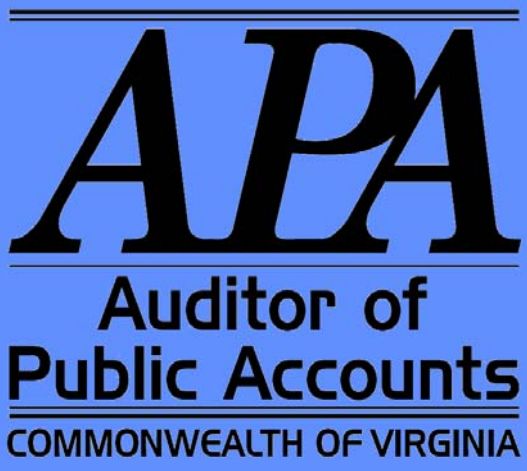
AGENCIES OF THE SECRETARY OF HEALTH AND HUMAN RESOURCES

JUNE 30, 2009



AUDIT SUMMARY

This report discusses the services and financial activities of the thirteen departments and agencies reporting to the **Secretary of Health and Human Resources**.

AUDIT RESULTS

Overall our audit for the year ended June 30, 2009, found the following:

- Proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System and in each agency's accounting records.

- Internal control matters that require management's attention and corrective action; these are included in the section entitled "Internal Control and Compliance Findings and Recommendations" starting on page 1.

- Instances of noncompliance with applicable laws and regulations that are required to be reported under Government Auditing Standards; these are included in the section entitled "Internal Control and Compliance Findings and Recommendations" starting on page 1.

DEPARTMENTS AND AGENCIES

The Secretary of Health and Human Resources report includes the following departments and agencies.

Aging
Behavioral Health and Developmental Services
Blind and Vision Impaired
Deaf and Hard of Hearing
Health
Health Professions
Medical Assistance Services
Office of Comprehensive Services for At-Risk Youth and Families
Rehabilitative Services
Social Services
Virginia Board for People with Disabilities
Virginia Rehabilitation Center for the Blind and Vision Impaired
Woodrow Wilson Rehabilitation Center

- T A B L E O F C O N T E N T S -

INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

FINDINGS REQUIRING NEW CORRECTIVE ACTION

OVERVIEW OF CURRENT YEAR RECOMMENDATIONS

Department of Behavioral Health and Developmental Services (DBHDS)

The Commissioner of the Department of Behavioral Health and Developmental Services delegates daily management and some administrative responsibilities to the directors of the facilities. As a result, each director has the responsibility for managing their facility within the guidelines established by the Central Office and providing the Commissioner assurance that their facility is following all federal regulations and Commonwealth Standards applicable to their facility.

Because the Central Office plays a key role for ensuring facility directors are aware of their responsibilities and to monitor their execution of these responsibilities, we have subdivided our recommendations for the facilities between those that represent facility-wide risks that may require more involvement from the Central Office and those that are isolated to specific facilities. Additionally, there are recommendations just for the Central Office to address.

Facility-wide Risks

Improve Management and Controls for Facilities – Second Year Finding, Risk Alert, and Efficiency Recommendation

Several of this year's recommendations for DBHDS are a result of the Central Office not providing adequate guidance and oversight to its facilities. DBHDS's Central Office has responsibility to provide leadership, vision, strategic, and policy direction for the entire services system. The Central Office establishes priorities and aligns funding and performance expectations to support services for individuals and families.

Central Office has corrected some of the prior year's issues; three still remain and two more recommendations are new.

Unresolved recommendations from prior year:

- Complying with Information Systems Security Program
- Documenting Security Awareness Training
- Developing and Testing Continuity of Operations and Disaster Recovery Plans

New recommendations:

- Improve System Access Controls
- Remove Terminated Employees from Payroll

We again bring this to the Secretary and management's attention so they are aware of the underlying issue so they can determine the best way to address these findings. In determining how to address these findings, they should consider expanding their efforts beyond just consolidating administrative services for those facilities physically located on the same campus and consider having the Central Office play more of an active role in providing administrative services.

To improve administrative services at the facilities and reduce their costs, DBHDS did take some steps to consolidate some business functions during fiscal 2009. Specifically, Hiram Davis Medical Center (Hiram Davis) transferred its administrative services to its campus neighbor,

Southside Virginia Training Center. And the Virginia Center for Behavioral Rehabilitation (Behavioral Rehabilitation) transferred its administrative services to its campus neighbor, Piedmont Geriatric Hospital. With no administrative services, Hiram Davis and Behavioral Rehabilitation can now focus on providing direct care services.

The above are just the most recent examples of DBHDS consolidating administrative services within facilities physically located on the same campus. However, these efforts may require acceleration to address not only weaknesses noted within this report, but also new weaknesses that may occur with the implementation of budget reductions.

Facilities, as they implement budget cuts, may not have the staff expertise or resources to process financial transactions, personnel and payroll, procurement, and other administrative processes, such as implementing an adequate information security program, and maintaining adequate separation of functions for basic internal controls. Loss of one person may compromise the internal control structure and knowledge base needed to handle key transactions and duties. Therefore, the use of a centralized office with sufficient staff and resources provides needed internal controls and management oversight of public resources.

Since the Central Office already provides the facilities with centralized billings and construction management, we still believe it holds an ideal position in taking a leadership role in developing a comprehensive back office operation for the facilities, which would assume total operations for administrative functions. With the continued budget reductions affecting facilities, the Auditor of Public Accounts recommends the Central Office perform as much of the personnel and human resource administration functions as possible for the facilities.

DBHDS is in a unique position to transfer the processing of many of its back office functions to the Central Office. The facilities use a central modern accounting system that has undergone uniform implementation, which makes most of the processing of transactions consistent among facilities. This system processes transactions in a real time environment that allows for the accounting system to provide timely financial information. Further, the system coupled with the Commonwealth's communication structure provides multiple alternatives for communication, verification, and transmittal of information both requested and provided, which has hindered past consolidation efforts.

We believe that this approach will improve the operational efficiency of these facilities as it will allow facilities to concentrate on providing program services and eliminate unnecessary administrative overhead. However, we do not believe that DBHDS will recognize any savings in either personnel or costs, since the facilities are using marginal resources with marginal results.

We also recognize that leaders of the facilities will resist this type of change; however, DBHDS will greatly improve its internal controls and gain risk management benefits.

Improve Information Systems Security Program Governance – First Year Finding

DBHDS's Information Security Program governance model is inadequate. The Commonwealth's information security standard requires DBHDS's ISO to not only implement the appropriate balance of preventative, detective, and corrective controls for agency IT systems, but also provide assurance to the Commissioner that these information security controls are operating as intended.

Under the current governance model, the ISO does not have the information to determine if facilities have implemented corrective controls, such as locking users out of the system until they have had the required training or identifying what individuals have not had security training. Additionally, the ISO has limited ability to require corrective action from Facility Security Officers who are not performing their responsibilities or completing assigned tasks as required. This structure prevents the Central Office's ISO from effectively managing DBHDS's information security program and providing accurate and complete assurance to the Commissioner.

We recommend that DBHDS develop a governance model that will provide accurate and timely information security assurance to the Commissioner. As DBHDS improves its model, it needs to decide whether DBHDS wants to continue to delegate the authority and responsibility to the facility directors (decentralized), to the ISO (centralized), or a combination of both. In either case, the appropriate level of authority and responsibility needs to exist in order to enforce and provide adequate oversight of DBHDS's information security program.

Improve Security Awareness Training Documentation - Repeat Finding

In response to last year's finding, management made a commitment to deploy Security Awareness Training electronically to employees and record electronically who received the training. The Office of Human Resources did follow through with their corrective action plan from last year's finding by adding security awareness training to the Learning Management System; however, not all facilities were using this system at the time of the audit. Therefore, tracking of compliance could not be relied upon through the Learning Management System.

Further, based upon our testwork, we found that DBHDS's Information Security Officer (ISO) is not monitoring or tracking completion of information security training as required by COVA ITRM Information Security Standard SEC 501-01.

In addition, based on our inquiry and testing of four facilities, we found that two facilities did not ensure that all of their employees with access to IT systems completed annual security awareness training.

Tracking security awareness training and retaining employees' acknowledgment of training, provides management some assurance that employees understand their responsibilities, and allows management to take appropriate action when employees fail to protect DBHDS's data and systems.

Lastly, for those facilities that combine HIPAA and Information Systems Security training together this is also a potential HIPAA violation. This lack of security training documentation

prevents the ISO from giving the Commissioner accurate assurance whether employees have received adequate training. The Commissioner has ultimate responsibility for DBHDS's security program, and knowing whether employees are receiving or completing training is a requirement of the Commonwealth's Information Technology Security Standard (COV ITRM Standard SEC501-01).

At a minimum as a result of receiving last year's repeat finding, Facility Directors should have maintained acknowledgement from employees that received security awareness training. Additionally, the Facility Security Officer (FSO's) or facility Human Resource personnel should have performed a security awareness training audit to identify employees that lacked the required training and notified their department head or manager of the non-compliance and made arrangements for employees to receive the necessary training.

We recommend that the Central Office ensure that all facilities are using the Learning Management System to ensure employees are completing security awareness training on an annual basis. Additionally, we recommend that the Facility Security Officers and DBHDS's ISO ensure that facilities are complying with security awareness training requirements by monitoring and tracking completion of information security training.

Facility Directors should dedicate the necessary resources to ensure that new and existing employees receive and acknowledge receipt of IT security awareness training and that records of completed training be retained for at least a three year period

Continue Improving IT Continuity of Operations and Disaster Recovery Plans – Repeat Finding

While DBHDS has made some improvements since last year, facilities still have varying levels of compliance with the Commonwealth's information security standards. Furthermore, certain facilities are not complying with management's action plans to last year's finding.

In our test of four facilities, one did not have a Continuity of Operations Plan or a Disaster Recovery Plan documented for us to review. The three other facilities selected for review did have a Continuity of Operations Plan and a Disaster Recovery Plan, but they did not meet all of the critical elements of the standard as they relate to continuity of operations and disaster recovery.

Agencies that provide critical services to citizens need to have plans for continuing operations on an interim basis should IT systems fail. Additionally, they need to have tested plans for restoring their IT systems. Inadequate planning increases the risk that the facility will be unable to successfully provide services if mission critical IT systems fail. The Commonwealth's Information Technology Security Standard (COV ITRM Standard SEC501-01) requires plans for both continuing operations and restoring systems. These elements are essential in assuring that the facilities can quickly restore critical functions.

We recommend that Facility Directors dedicate the necessary resources to ensure that their facility develops plans for continuing operations and recovering IT systems that meet the Commonwealth's IT standard. Once developed, Facility Directors should test these plans and at least annually update the plan, as required by the Commonwealth's IT standard. Additionally, we

recommend that the Facility Security Officers and Central Office's ISO ensure that facilities are complying with IT standards for continuity of operations and disaster recovery plans.

Improve System Access Controls – First Year Finding

DBHDS has inadequate controls for granting access to critical systems, specifically: AVATAR, its Practice Management System, and the Financial Management System (FMS), which includes the Patient Fund Accounting (PFA) module. DBHDS does not practice the principle of least privilege when granting system access. Allowing employees access beyond those required to perform their job responsibilities can unnecessarily give the employee the opportunity to circumvent a key component of internal control, separation of duties. In 13 of the 69 employees tested (or 18.84 percent), we found the employees had received system access in excess of the level needed to do their work.

We recommend that Facility Directors evaluate system access at their facility to ensure that they are following the principle of least privilege. Facility Directors should continuously monitor access to ensure that employees have the minimal amount of access necessary to perform their job. The Office of Internal Audit should monitor system access to ensure that access levels are appropriate for employees based on their specific job responsibilities.

Remove Terminated Employees from Payroll – First Year Finding

In our sample of five facilities, we found two facilities, which represent over 20 percent of DBHDS's payroll, are not removing all terminated employees from the payroll system. Not removing terminating employees from the payroll system increases the risk of terminated employees receiving payments in error.

We recommend that the facilities evaluate and test their payroll certification process to ensure that Payroll and Human Resource records reconcile prior to payroll certification for each pay period.

Specific Facilities

Strengthen Timekeeping Operations – First Year Finding

Central Virginia Training Center's (CVTC) timekeepers report directly to the Director of Human Resources. Internal Audit conducted a review of CVTC's payroll system in December 2006 and recommended that the responsibility of supervising timekeepers transfer from the Human Resource Office to the Finance Office. Human Resources has the capability to alter employee payroll rates in the system as well as, because of their involvement with time tracking, control employees' timesheets. These are incompatible duties. Further, timekeeping is a fiscal function, much more compatible with the payroll operation than personnel operation.

We concur with Internal Audit and recommend that the Facility Director reassign the duty of the supervision of the timekeepers to the Office of Finance and Administration or provide a justification as to why this reporting structure does not represent a significant weakness in internal controls.

Central Office

Require Independent Peer Reviews – First Year Finding

In fiscal 2009, DBHDS's Office of Mental Health Services did not require any of the Community Services Boards (Boards) to have an independent peer review. Boards, which provide community mental health services, are required to be subject to independent peer reviews to ensure they are providing an appropriate level of care and to share best practices. To ensure that Boards have periodic reviews, federal law requires that at least five percent of all entities providing mental health services in the community undergo an annual review.

The Office of Mental Health Services should require these independent reviews and manage them to ensure reviewers are not reviewing their own programs. The federal government does not consider a review conducted as part of licensing or certification process as an independent peer review. Failure to receive independent peer review increases the risk of inadequate services and that Boards will not improve their practices.

We recommend that management of DBHDS implement a process to ensure that the Office of Mental Health Services is performing independent peer reviews according to federal guidelines.

Reinforce Reporting Requirement – First Year Finding

Only one of the Community Services Boards (Boards) had their audit completed and submitted within the time requirement of the Code of Virginia. Boards not part of a local government must have their annual audit completed within 90 calendar days after the end of the fiscal year. Timely Board audits allow for the allocation of cost to the localities they serve. Without this information, localities do not know if they are paying for only their share of the services.

Specifically, of the 26 applicable Boards, 25 did not comply with the requirement.

Alleghany Highlands	Eastern Shore	Rappahannock Area
Blue Ridge	Goochland-Powhatan	Rappahannock-Rapidan
Central Virginia	Hampton-Newport News	Region Ten
Colonial	Harrisonburg-Rockingham	Rockbridge Area
Crossroads	Highlands	Southside
Cumberland Mountain	Middle Peninsula-NN	Valley
Danville-Pittsylvania	Mount Rogers	Western Tidewater
District 1	New River Valley	
District 19	Piedmont Regional	

We recommend that the Office of Community Contracting change its performance contract with the Boards to reflect DBHDS management's expectation of full compliance with the annual audit requirement and monitor the Boards to ensure compliance.

Social Services

Improve Information Security Officer's Authority and Independence – First Year Finding

The Commissioner needs to empower the Information Security Officer (ISO) by ensuring the ISO has the authority and independence within the organization to effect change. The Commissioner delegated his responsibility for developing, maintaining, and enforcing Social Services information security program to the ISO. As such, the ISO should have the proper authority to allow him to develop, implement, and enforce security policies and procedures without feeling undue pressures.

While a direct reporting relationship to the Commissioner may not be appropriate, to ensure independence, industry best practices recommend that the ISO reports to someone in senior management outside of the Information Technology department. This will prevent competing IT projects to take priority over the maintenance and implementation of Social Services' security program.

We recommend that the Commissioner grant the ISO the appropriate authority and independence in the organization to develop and implement the information security program policies and procedures. If possible, the ISO should report to someone that can provide the appropriate supervisory support outside of the IT department.

Improve and Comply with Information Security Program – First Year Finding

Social Services does not comply with its Information Security Program and needs to improve database security management procedures. While Social Services has an approved program, no one is performing the following functions.

- Providing security awareness training
- Reviewing system exception logs for unusual activity
- Encrypting storage devices containing confidential data
- Completing system access reviews
- Including sufficient data protection requirements in interoperability agreements
- Reviewing security configurations for its IT applications
- Identifying incident handling procedures and categorization
- Performing security audits on sensitive databases

We also found four security areas where Social Services can improve its management procedures over its sensitive databases. We have provided Social Services' management the details of these vulnerabilities so they can rectify the weaknesses; however, because these issues present a weakness that someone could exploit; we have excluded the details of this particular finding from this report.

The ISO is responsible for the development and management of the overall information security program. It is also the ISO's duty to make certain that Social Services' security plan always meets current Commonwealth IT standards. The ISO can accomplish this by performing internal reviews to evaluate the performance of Social Services' information security program and making the necessary adjustments and providing training as the IT environment changes.

The number of IT security department staff has dropped from seven to three employees, including the Information Security Manager and the lead security officer, who both recently left their positions. The remaining employees have spent significant amount of time working with the IT Infrastructure Partnership staff on transformation efforts resulting in additional delays in projects and daily workload backlog. In addition, Social Services is under an impending deadline to resolve outstanding IT security issues with the IRS, which could result in over $2 million in fines and loss of access to federal tax information needed to provide Commonwealth services.

We recommend that Social Services evaluate its IT security procedures and IT staffing needs to determine how to strengthen its IT security organization and determine how to best comply with Commonwealth standards and best practices. Finally, we recommend that Social Services develop procedures to strengthen its database security management. Social Services should also communicate these procedures to the IT Infrastructure Partnership, since they share some of the database management duties with the IT Infrastructure Partnership. Without providing the IT Infrastructure Partnership with clear expectations, Social Services cannot assume a certain level of security control does exist.

Manage Infrastructure Security Risk – First Year Risk Alert

The Commonwealth has moved the information technology infrastructure supporting Social Services' databases to the IT Infrastructure Partnership. In this environment, the IT Infrastructure Partnership and Social Services clearly share responsibility for the security of Social Services' information technology assets, systems, and information and must provide mutual assurance of this safeguarding.

The IT Infrastructure Partnership has not provided Social Services with a finalized memorandum of understanding and chart outlining the responsibilities of each entity. Without this information, Social Services' management is unsure of the duties it must perform and what services are provided by the IT Infrastructure Partnership.

The Partnership's annual review and audit identified issues surrounding the documentation and management of certain parts of the IT infrastructure. While the IT Infrastructure Partnership has corrected the majority of the issues, those that remain could potentially affect the confidentiality of Social Services' sensitive information. Although Social Services has no responsibility for correcting these findings, they should receive regular status reports from the IT Infrastructure Partnership on the progress made to correct the issues. As part of the progress reporting, the IT Infrastructure Partnership should provide Social Services with any interim steps they should take if the IT Infrastructure Partnership must delay addressing these issues. Social Services should also identify and implement compensating controls to mitigate the risk to its sensitive data.

We bring this matter to the attention of Social Services' management, so that they can properly manage their risk and monitor corrective action.

Develop Procedures for Accounting Adjustments – First Year Finding

Based on accounting best practices, the Commonwealth's Comptroller requires that all agencies establish a routine schedule for accumulating and submitting adjustments. The Comptroller also requires that all adjustments have supporting documentation that notes the reason for the adjustment and provides any pertinent information needed to provide an adequate audit trail. Without adequate supporting documentation, managers cannot evaluate the validity of their accounting adjustments and question the accuracy of these transactions.

In fiscal 2007, we made Social Services' management aware of the lack of controls surrounding its accounting processes when it improperly transferred $28 million out of the Child Support Fund. And then in 2008, after their fiscal staff found $89 million in cash balances in question, we recommended they develop procedures going forward to prevent future errors. While Social Services has established detailed procedures and timelines for specific adjustments we tested in the prior year, they have not applied this same standard to the rest of their normal adjustments.

This year, we found adjustments with little to no supporting documentation. For some of these transactions management was able to research and provide proper support. However, there were other adjustments in which management indicated that they needed to move money and that the transfer of was allowable, but management did not provide adequate support for the specific amounts involved. In addition we found cases with inadequate supporting documentation where individuals entering the adjustments could not explain their adjustments and indicated that their supervisor, who is also the person approving the adjustment, directed them to make the entry.

By not having adequate procedures in place for preparing and entering adjustments Social Services increases the risk that required adjustments will not take place as well as increasing the risk of inappropriate adjustments. In addition, by not having adequate supporting documentation there is also the risk that expenses could become federal questioned costs.

We recommend that Social Services' management require its accounting staff to develop procedures for entering all adjustments. These procedures should be approved by management and contain a schedule of routine adjustments and a list of appropriate supporting documentation. To ensure that the accounting staff are adhering to these procedures, management should instruct the supervisors surrounding this process to bring any deviations from these procedures to their attention.

Continue Improving System Access – First Year Finding

Social Services' management did not follow the best practice of "least privileges" when establishing user access to its accounting and budget request systems. In both systems there are user groups that have the ability to enter and approve the same transactions. Auditors noted several instances where the same individual entered and approved transactions in the accounting system. Currently Social Services has no method of identifying and performing a post review for transactions

entered and approved by the same individual. Management should recognize the risk that they are incurring by having this type of access and either develop a method to review the transactions entered and approved by the same individual or give serious consideration to eliminating this type of access.

During our review, we also found terminated employees remained on the system for an extended period of time without having their access removed. In addition we found employee's actual system access exceed the access approved by the employee's supervisor. Social Services' recent review of employees' access did not identify these discrepancies.

Social Services has improved the controls surrounding access to its systems; but it needs to continue these improvements. Social Services should determine why their recent employee access review failed to identify inappropriate access and should continue to review system access periodically. Additionally, Social Services should follow best practices when establishing user groups and evaluate the current user groups against best practices.

Ensure Hours are Entered Correctly – First Year Finding

In two out of the ten cases tested, the hours recorded by the Local Social Services worker was greater than the hours supported by the supporting documentation in the case file. For one of these cases, the support for the hours worked was not obtained by Social Services until after it was requested by the auditors, however, Social Services stated that there was an extenuating circumstance in this case that caused the documentation to be lacking from the file. Federal regulations require Social Services to verify the work status for clients in the Temporary Assistance for Needy Families program and maintain supporting documentation for each client.

If the Local Social Services workers do not enter information about work participation into the system correctly, then Social Services will report inaccurate performance information to the Federal Government and could face financial penalties. Social Services should continue to improve its process for monitoring localities. Specifically, Regional Consultants should continue to perform case reading reviews to ensure the accuracy of all case files in the state's work participation rate.

Improve Coordination between Local Eligibility Workers and the Division of Child Support Enforcement – First Year Finding

Federal regulations require Social Services to consider reducing or eliminating a recipient's benefits in a timely manner if the recipient fails to cooperate with Support Enforcement. In six out of the 15 cases tested, there was no evaluation done to determine if Local Office staff should have reduced or eliminated benefits.

If Support Enforcement does not properly refer non-cooperating clients to the local social service office or if the local social service office does not document the referral and take action accordingly, Social Services cannot ensure compliance with federal regulations. By not complying with federal regulations, Social Services may face federal financial penalties.

Social Services should ensure that Support Enforcement and the Benefits Division work together with the local social service offices to develop a mutually agreed upon process for properly distributing referrals of non-cooperation and for providing the management at local social services offices the information they need to monitor their case workers to ensure they are retaining and acting on these referrals in a timely manner.

Health

Improve Application and Database Management – First Year Finding

Health needs to improve the controls and safeguards surrounding its applications and databases that store sensitive data. During our review of Health's application and database environments, we found several areas of improvement that Health should consider implementing. The following is a summarized list of recommendations. The detailed recommendations were communicated to Health in a separate Freedom of Information Act exempt document due to its sensitivity and description of weaknesses in a security system.

- Perform vulnerability scans either regularly or when changes are introduced into the production environment.
- Train IT staff that program web applications in secure web application coding.
- Strengthen database configuration.

The number of controls and safeguards should be commensurate with data sensitivity and determined based on Health's risk assessment and business impact analysis. Health should also consider the Commonwealth's security standards, federal regulations, and best practices to ensure implementing the recommended safeguards that properly meets the Commonwealth's needs and does not violate any federal regulations.

Improve Access Controls to Patient Information – First Year Finding

During our review of WebVISION, Health's patient billing and revenue system, we noted four users with improper access within the system. To help district directors control user access within this system, Health developed functions to allow the directors to review the level of access of each user. However, we noted that district directors were not either using these functions or delegating the function effectively.

Controlling employees' access is important because it determines what employees can view and do within the system. With improper access, employees could see information they should not or create errors in the system. Therefore, we recommend that Health should review access to its patient billing and revenue system to ensure that user access is consistent with management's expectation and determine why district directors are not utilizing the functions specifically developed for controlling user access.

Respond to Security Risks Associated with IT Infrastructure – First Year Risk Alert

For over a year, Health did not take fully effective actions to address known vulnerabilities to its information systems. The IT Infrastructure Partnership first reported the vulnerabilities in 2008; however, Health failed to receive a corrective action plan from the IT Infrastructure Partnership or implement its own compensating controls.

Both Commonwealth Security Standards and federal regulations require Health to provide for the security and safeguarding of all of its information technology systems and sensitive information. Over the past four years, the Commonwealth has moved the information technology infrastructure supporting Health's databases to the IT Infrastructure Partnership. In this environment, the IT Infrastructure Partnership and Health clearly share responsibility for the security of Health's information technology assets, systems, and information; and must provide mutual assurance of this safeguarding.

Health, by not taking actions to mitigate the risks of these known vulnerabilities to its HIPAA sensitive data, is in violation of HIPAA regulations. As a result of the IT Infrastructure Partnership not establishing and maintaining certain controls, Health's risks of potential misuse of assets increases. The overall effect of the reported weaknesses by the IT Infrastructure Partnership is an increased possibility of a data breach and violation of federal regulations.

Health needs to obtain an updated status report regarding the correction of issues identified by the IT Infrastructure Partnership, and needs to plan for and implement compensating controls in those areas where the IT Infrastructure Partnership is unable to address the issue in a timely manner.

CONTINUE IMPLEMENTATION OF CORRECTIVE PLANS FROM THE PRIOR YEAR

Department of Behavioral Health and Developmental Services

Improve Access to Timekeeping System.....First Year Follow-up
Continue Improving Monitoring Program over
Community Services Boards.....First Year Follow-up

Social Services

Establish Control Mechanisms for Foster Care and
Adoption Payments..... Third Year Follow-Up
Maintain Local Employee Tracking System (LETS) ..... Third Year Follow-Up
Align Plan for Monitoring Local Social Service
Offices with Best Practices..... Third Year Follow-Up

Complete and proper solutions to some prior findings may take time. Due to the size of the agency involved and the complexity of some of the issues highlighted in the prior year, we cannot reasonably expect some agencies to fully implement and evaluate their corrective action plan before the conclusion of this year's audit. In such instances, we followed up with the respective management of the agency; reviewed their revised policies, procedures, and other items related to the corrective actions taken; and evaluated their progress. From this review, we determined that management is making adequate progress through their corrective action plans.

Due to the long-term commitment required to implement, monitor, and evaluate management's corrective actions for these findings, we have provided updates on the progress that management is making below. We will continue to provide updates on these findings in future reports until management has had enough time to fully implement their corrective actions and have them evaluated for sustainability.

From our review of the prior findings, we determined that management is making adequate progress through their corrective action plans or modifying their plans to react to changing situations properly.

Department of Behavioral Health and Developmental Services (DBHDS)

Improve Access to Timekeeping System – First Year Follow-up

In the prior year, we recommended that management at the facilities evaluate everyone's access to the timekeeping system, Kronos, to ensure that all users have the minimal level necessary to fulfill their responsibilities and then, going forward, continuously monitor and review Kronos access. Additionally, we recommended providing training to staff on the process for establishing Kronos access. To ensure facilities are meeting Central Office expectations for controlling access to Kronos, we also recommended that the Central Office have the Internal Audit Division include Kronos access as part of its regularly scheduled reviews.

DBHDS concurred with our recommendations and is now adding controlling Kronos access to its performance evaluations for Facility Directors. However, due to the timing of last year's audit recommendations and DBHDS annual updates to performance evaluations, these performance

expectations were not effective until October 2009. While DBHDS had not fully implemented its corrective action plan, we did assess Kronos access this year and noted inconsistencies similar to those found in the prior year.

We recommend that the Central Office continue its efforts to hold Facility Directors accountable for how well they manage Kronos access. Additionally, we recommend that DBHDS supplement the Facility Directors expectations with detailed requirements on how to manage Kronos access using the principle of least privilege. We anticipate testing access controls surrounding DBHDS's timekeeping system as part of next year's audit to evaluate the effectiveness of their corrective actions.

Continue Improving Monitoring Program over Community Services Boards – First Year Follow-up

While DBHDS has made significant improvement in its monitoring program over Community Services Boards (Boards), DBHDS still needs to implement key components. Since last year, DBHDS has developed a system-wide risk based approach; however, the Office of Mental Health Services does not include its programmatic risks. Additionally, DBHDS now evaluates when to conduct site visits; however, DBHDS does not include in their annual performance contract whether the Boards have taken corrective actions on prior findings.

We recommend that DBHDS continue with its corrective action plan to prior year's recommendation, which management anticipates completing by December 31, 2009.

Social Services

Establish Control Mechanisms for Foster Care and Adoption Payments – Third Year Follow-Up

We first reported in 2005 that Social Services did not have a control mechanism to verify that only individuals determined eligible and included in the case management system were receiving foster care and adoption payments. Social Services' long term solution for this weakness has been to establish an automated control mechanism for these payments. Social Services has explored multiple long term automated solutions but currently does not have a plan in place to automate this process in the near future. In the interim Social Services has been instructing localities to reconcile semi-annually the children and caregivers receiving payments to those in the system and to submit a certification to central office to verify that the reconciliation has been done.

While Social Services is taking steps to address this issue we recommend that they reevaluate the risk of improper payments for foster care and adoption assistance and develop a long term plan to address this in the absence of an automated solution. If this plan includes continuing to have reconciliations performed at the local level Social Services should consider implementing a form of monitoring for this process as well as an enforcement mechanism to hold localities accountable, as localities are not completing these reconciliations.

Maintain Local Employee Tracking System (LETS) – Third Year Follow-up

Social Services is continuing to improve its certification process for the Local Employee Tracking System (LETS) however the system is still not up to date for all localities. In the two months that were reviewed during the audit Social Services self reported that ten localities one month and 12 localities another month did not have their LETS information up to date.

During fiscal 2009, Social Services developed an updated Employee Data Report for monthly certifications. This report includes an additional field that will help identify which area of Social Services an employee works in, therefore, helping Social Services ensure the accuracy of the statistics generated during Random Moment Sampling. Social Services' LETS team is continuing to monitor these reports.

Further, Social Services' Human Resource Management and Information System divisions have implemented an interface process for its four pilot agencies: Richmond City, Fairfax, Norfolk, and Virginia Beach. The interface process was set to go live in May, 2009. However, due to discrepancies between the localities payroll systems and LETS, Social Services has not fully implemented the interface. The intended implementation date for the interface process for the pilot agencies is November 30, 2009. All other localities will go live shortly after the pilot agencies interface process has been fully implemented

Align Plan for Monitoring Local Social Service Offices with Best Practices – Third Year Follow-Up

Social Services' corrective action plan is taking longer than expected because of organizational changes; but there is continued progress. Social Service' previous plan for corrective action was to have the Strategy Management Division serve as the lead for coordinating and overseeing sub-recipient monitoring. This plan included having a monitoring coordinator whose sole focus would have been cross divisional coordination of monitoring.

Due to lack of funding and as a part of the 2010 Budget Reductions, Social Services never filled the position and has changed its approach to sub-recipient monitoring. Effective October, 2009, Social Services has eliminated the Strategic Management Division. The Division of Community and Volunteer Services is now responsible for overseeing the department's sub-recipient monitoring practices. In addition Social Services has decentralized the Internal Audit function and relocated the internal auditors throughout the department to the various divisions to support sub-recipient monitoring efforts. These employees' sole focus and function is to manage their assigned division's monitoring efforts and serve as the lead monitor.

Social Services should ensure that all divisions have a risk based comprehensive monitoring plan that is aligned with best practices and should ensure that there is adequate oversight from the Division of Community and Volunteer Services to ensure that the individual division's plans are in line with the agency-wide approach.

RESOLVED FINDINGS FROM THE PRIOR YEAR

The following agencies have taken adequate corrective action with respect to the following findings listed below:

Health

Update and Expand Security Awareness Training
Improve and Test Contingency and Disaster Recovery Planning
Establish and Document Responsibilities for Securing Partnership's Equipment
Initiate Corrective Action Plan for Federal Reporting
Improve Information on Virginia Performs

Behavioral Health and Developmental Services

Improve Controls Over Capital Assets
Properly Record Construction in Progress
Properly Complete Employment Eligibility Verification Forms

Social Services

Reconcile Financial Reports
Improve Information on Virginia Performs
Continue Improving Cash Management

Medical Assistance Services

Improve Contract Monitoring
Continue Addressing Findings in Internal Audit Report

OTHER INFORMATION ABOUT FINDINGS

Statewide Reports

Many of the issues within this section of this report are not unique to the Secretary's agencies, as a result our Office, for the significant cycles below, has, or plans to issue statewide reports that cover the topics from the perspective of the entire Commonwealth. To view our reports or obtain electronic copies; these reports are available on our website: www.apa.virginia.gov.

Performance measures
Network security
Administrative processing

Managers, as they work to develop their corrective action plans, may want to review these reports to determine if there are opportunities for collaborating with other agencies to address these issues.

Classifications

The agency findings and recommendations within this section of this report fall into one or more of the following categories.

- First Year Finding – items brought to the attention of management during the course of this year's audit, and management has or is developing their plans for taking corrective actions.

- Repeat Finding – Management has either not started or needs to complete implementing corrective actions to address a prior year audit finding, and in the auditor's opinion progress is not adequate to reduce risk to an acceptable level;

- Risk Alert – issues beyond the corrective action of management and require the action of either another agency, outside party, or the method by which the Commonwealth conducts its operations to address the risk.

- Efficiency Recommendation – areas where management should consider altering the agency's operations to make better use of state resources.

VIRGINIA'S MEDICAID PROGRAM

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

In fiscal 2009, Virginia's General Fund received $372 million as result of temporary changes to the funding of the Medicaid program. The state started the fiscal year expecting to split Medicaid costs 50/50 with the federal government; however, the American Recovery and Reinvestment Act (ARRA) increased the federal share to 61.59 percent. This freed $372 million in general funds to help alleviate the state's budget shortfall.

Over the life of ARRA, the Commonwealth is expecting to receive $1.3 billion in extra Medicaid funding from the federal government. However, this extra funding will stop halfway through fiscal 2011 for the Medicaid program; after which, the federal matching rate returns to 50 percent. This means that in fiscal 2011, the state's General Fund will need to provide $360 million to cover the loss of ARRA funding, followed by another $720 million in fiscal 2012.

SERVICES

The more than ten percent change in funding split between the state and federal government has a large impact on the General Fund because of the size of the Medicaid program. In fiscal 2009, Virginia's Medicaid program totaled $5.77 billion, or nearly 14 percent of total state expenses, which were $41.8 billion, as shown in the table below.

	2005	2006	2007	2008	2009
Medicaid	4,394,414,236	4,772,677,271	5,042,199,846	5,342,630,889	5,772,295,365
Total State Expenses	33,574,675,000	35,855,455,000	39,169,893,000	38,418,200,097	41,812,984,226
% Medicaid	13%	13%	13%	14%	14%

Source: APA website, Commonwealth Data Point, Fiscal Year 2009 Statewide Expenditures

While Virginia's Medicaid program is nearly 14 percent of the state expenses, it is one of the smaller percentages when compared to other states. According to a national non-profit health policy research organization, the Commonwealth ranks fourth nationally at controlling Medicaid cost based on Medicaid expenses per capita. Virginia also ranks fourth in Medicaid enrollees as a percentage of the total state population at 11 percent, as compared to the national average of 20 percent. In addition to cost containment strategies adopted by the state to control increases in Medicaid spending, the state has been able to control cost by not offering many of the optional services that other states are funding. Because of this and the fact that the federal government sets the minimum requirements for services, there is little opportunity for the Commonwealth to control future cost by changing services.

The following list shows the optional services Virginia's Medicaid program covered in fiscal 2009.

- Routine dental care for people under age 21
- Prescription drugs
- Rehabilitation services such as occupational, physical, and speech therapy
- Intermediate care facilities for persons with developmental and intellectual disabilities and related conditions
- Medicare premiums
- Mental health and developmental services, and
- Substance abuse services

The services listed are optional as opposed to the mandatory services required by the federal government. As a result of budget reductions, the Commonwealth has reduced other optional services, not listed above. While the Commonwealth has not currently scheduled any of the items above for reduction in fiscal 2010, this could change if decision makers need to make additional reductions in expenses to balance the state's budget.

INTERDEPENDENCE

The Department of Medical Assistance Services (Medical Assistance Services) is not the only state agency receiving Medicaid funding to support services; however, as ARRA decreases the amount of general funds needed to support Medicaid, it is the only state agency that directly benefits from the change in the funding mix. This section details the impact that Medicaid dollars have throughout Virginia's government and its programs. These entities did not directly receive Medicaid ARRA funding, but did experience an indirect impact to the extent that they did not encounter additional budget reductions when the Commonwealth used general fund savings from ARRA funding to balance the budget. As such, this report only discusses ARRA's effect at the statewide level and not by individual entity.

The list on the following two pages shows the state agencies that have a funding relationship with Medical Assistance Services along with the services they provide using funding from Medicaid.

Medical Assistance Services' Relationship with Commonwealth Entities

Department of Rehabilitative Services

- Eligibility Determinations for the Disabled
- Medicaid Infrastructure Grant

Department of Social Services

- Eligibility Determinations for Medicaid, FAMIS, Medicaid Expansion and SLH
- Early and Periodic Screening, Diagnosis, and Treatment Outreach
- Identification of Recipients with Third Party Liability
- Client Medical Management Program
- Nursing Home Pre-admission Screenings
- Reimbursement of Medicaid Refugee Costs from a Federal Grant Provided to DSS
- Identification of Suspected Fraud and Non-Entitled Benefits
- Administer 211 Virginia for Money Follows the Person (MFP) Demonstration Grant
- Licensure for Adult Care Residence

Department of Health

- Licensure and Certification of Nursing Facilities
- Early and Periodic Screening, Diagnosis, and Treatment Outreach Support (Training)
- Nursing Home Pre-admission Screenings
- Resource Mothers Program - Support Persons for Indigent Young Pregnant Women
- Health Clinic Medical Services, Including Home Health Services
- Case Management Services for Pregnant Women and Children
- Teen Pregnancy Prevention Programs
- Certificate of Public Need Approvals – Nursing Homes and Hospitals
- Screening of Children for Lead Poison
- Data Sharing

Attorney General's Office

- Medicaid Legal Representative
- Medicaid Fraud Unit

Department for the Aging

- Case Management for the Elderly
- Quality Care Assurance-Nursing Facilities
- Relocation of Residents of Nursing Homes
- Outreach for Dual Eligibles
- Systems Transformation Grant

Department of Education

- School-Based Health Centers
- Rehabilitative Services
- Skilled Nursing Services
- Psychological Services
- Data Sharing

Department of Taxation

- Tax debt setoff for uncollectible accounts

Department of Behavioral Health and Developmental Services

- Inpatient Psychiatric and Community Services for Mental Health and Retarded Medicaid Recipients
- Nursing Home Pre-admission Screenings and Resident Reviews
- Certification of Providers of Behavioral Health and Developmental Services Case Management
- Early Intervention Services for Infants and Toddlers

UVA Hospital System and VCU Medical Center

- Inpatient and Outpatient Care
- Nursing Home Pre-admission Screenings
- Infrastructure Grant Projects
- Revenue Maximization Support
- Medicaid Buy-In Study
- Consumer Directed Services

Supreme Court of Virginia

- Payments to Hospitals and related providers of medical and health services for individuals subject to Involuntary Mental Commitment proceedings

Department of Health Professions

- Nurse Aide Certification
- Licensure of providers
- Investigation of complaints (Quality of Care)

State Police

- Medicaid Drug Fraud

Virginia Employment Commission

- Access to Virginia Employment Case Management Files

Department of Accounts

- Financial Reporting
- Compliance Audits
- Official record of DMAS financial transactions
- EDI – Travel Vouchers

Treasury Department

- Treasury issues DMAS checks and wire transfers for vendors and providers

Department of Planning and Budget

- Oversee the agency's administrative and medical budget

Office of Comprehensive Services

- Comprehensive Services Act

Library of Virginia

- Document Storage

Virginia Information Technology Agency

- Executive Summary of the VITA Transition

Medical Assistance Services is the state agency charged with the administration and management of the state's Medicaid program. Most Medicaid funds flow through Medical Assistance Services. Medical Assistance Services uses Medicaid funds to reimburse service providers.

As stated previously, the Commonwealth's Medicaid expenses totaled $5.77 billion in fiscal 2009. Of this amount, Medical Assistance Services paid over $1.2 billion in Medicaid funding to other state agencies and localities (Commonwealth entities) for the services they provide to individuals in the Medicaid program. The $1.2 billion represents approximately 21 percent of Virginia's total Medicaid expenses and accordingly, historically the federal government reimburses the state for about 50 percent of this amount, however, during fiscal 2009, the federal reimbursement for medical services temporally increased to 61.59 percent. However, the Medicaid administrative costs match remained at the original 50 percent rate. Several of the internal entities rely heavily on Medicaid funding to provide services and the following table list these entities along with an analysis of the amount of their funding that comes from Medicaid.

Internal Medicaid Payments for Services

Commonwealth Entity	Entity Provided Match	Funding from the Department of Medical Assistance Services	Total Medicaid Funding	Total Available Funding for Services	Medicaid Funding as a Percent of Total Funding
Department of Behavioral Health and Developmental Services	$14,811,891	$293,322,797	$308,134,688	$596,312,123	51.67%
Community Service Boards	-	322,781,590	322,781,590	968,539,292	33.33%
Office of Comprehensive Services	40,263,896	53,150,796	93,414,692	305,529,499	30.57%
Department of Social Services	52,479,812	52,482,232	104,962,044	748,384,015	14.03%
VCU Medical Center	-	215,295,656	215,295,656	1,559,976,999	13.80%
UVA Health System	-	123,049,787	123,049,787	964,346,188	12.76%
Local School Divisions	17,956,665	18,268,106	36,224,771	593,219,642	6.11%
Department of Health	469,188	10,860,724	11,329,912	236,679,481	4.79%
Department of Rehabilitative Services	855,771	1,101,990	1,957,761	94,620,022	2.07%
Department of Aging	264,918	264,918	529,836	30,569,224	1.73%
Woodrow Wilson Rehabilitation Hospital/Center	-	282,258	282,258	19,460,830	1.45%
Total	$127,102,141	$1,090,860,854	$1,217,962,995	$6,117,637,315	19.97%

IMPACT OF MEDICAID FUNDING ON INDIVIDUAL AGENCY BUDGETS

Department of Behavioral Health and Developmental Services (DBHDS) received $293.3 million in Medicaid funding from Medical Assistance Services in fiscal 2009. DBHDS matched funds to receive $14.8 million of those funds. The combined total of $308.1 million in Medicaid funding represents 51.7 percent of DBHDS's total funding for services. DBHDS uses Medicaid funds to provide in-patient behavioral health and developmental services at their facilities statewide. Historically, DBHDS has been able to generate sufficient cash through its billings to provide its own General Fund match; however, as DBHDS undergoes budget reductions in other areas of operation, DBHDS may find it harder to regenerate the cash to provide its own match. Later in the report is a discussion of the mechanics of how DBHDS provides its own match and the potential future cash flow issues.

Community Service Boards (Boards) received $322.7 million in Medicaid funding in fiscal 2009 to provide community care for mentally ill individuals and persons with disabilities. This funding represents 33 percent of the Boards' total funding. Without Medical Assistance Services having general funds to receive federal funds for the Medicaid program, the Boards could lose more than a third of their total funding.

Comprehensive Services received $93.4 million in Medicaid funding in fiscal 2009 for providing residential psychiatric treatments for foster care children. This funding is possible because Comprehensive Services transferred approximately $40.2 million of its General Fund monies to Medical Assistance Services. Without Comprehensive Services having the general funds to transfer to Medical Assistance Services, Comprehensive Services would lose $53.2 million or 30 percent of its total available funding for services.

Social Services agencies, both state and local, received $52.5 million in fiscal 2009 for providing outreach and determining Medicaid eligibility for potential clients. To receive these funds, state and local governments must spend an equal amount of their own general funds on these same services. The $52.4 million in federal funding from Medical Assistance Services represents seven percent of state and local administration expenses for social services.

For the services they provide to individuals in the Medicaid program and indigent patients, the University of Virginia (UVA) Health System and the Virginia Commonwealth University (VCU) Medical Center received $123 million and $215 million in Medicaid funding, respectively, in fiscal 2009. Medicaid funds represent 13 percent of the UVA Health System's, and 14 percent of the VCU Medical Center's, total revenues in fiscal 2009.

As illustrated above, many of the Commonwealth's entities rely not only on the federal portion of Medicaid funding but also the general funds required to provide services. Demands for these services and the funding that supports them is not likely to recede anytime soon as improvements to unemployment, state revenues, and Medicaid caseload growth usually lag by one or two years after a recession ends. Budget shortfalls and other fiscal challenges are likely to persist throughout fiscal 2011 and the end of ARRA funding during the same time period could have intensify these shortfalls.

SERVICES AND SELECTED FINANCIAL INFORMATION

AGENCIES OF THE SECRETARY HEALTH AND HUMAN RESOURCES

Services

Agencies in the Health and Human Resources secretariat are responsible for service delivery and responses to human resource issues. According to the 2009 Executive Budget document, the Secretariat's priorities are to promote self-sufficiency and independence, assure access to affordable quality health care, strengthen families, improve care and treatment for individuals who are mentally or physically impaired, increase awareness and accessibility of long-term care, and improve the quality of life for older Virginians. Additionally, the Secretariat's agencies ensure safety through inspection programs for food sanitation, environmental health, hospitals and nursing homes, as well as the oversight of certain health care professionals such as doctors, nurses, and counselors.

Financial Information

Analysis of Expenses by Agency

Agency	Expenses	Percent
Department of Medical Assistance Services	$6,118,574,041	61.6%
Department of Social Services	1,778,034,369	17.9%
Department of Department of Behavioral Health and Developmental Services	964,117,572	9.7%
Department of Health	534,794,644	5.4%
Comprehensive Services for At-Risk Youths and Families	224,613,285	2.3%
Department of Rehabilitative Services *	171,904,449	1.7%
Department for the Aging	51,653,559	0.5%
Department for the Blind and Vision Impaired **	43,050,684	0.4%
Department of Health Professions	25,301,072	0.3%
Department for the Deaf and Hard-of-Hearing	12,507,997	0.1%
Virginia Board for People with Disabilities	1,841,435	< 1%
Total Fiscal Year 2009 Expenses - Secretary of Health and Human Resources	$9,926,393,107	100.0%

* Includes Woodrow Wilson Rehabilitation Center Expenses of $31,618,943

** Includes Virginia Rehabilitation Center for the Blind and Vision Impaired expenses of $3,535,579

Source: Original Budget-Appropriation Action Chapter 879, Adjusted Budget and Actual Expenses – Commonwealth Accounting and Report System 1419D1 report as of June 30,2009

The secretariat's agencies spent approximately $9.9 billion in fiscal 2009. Of this amount, the Medicaid program accounted for about $6.1 billion or 62 percent of total expenses. The agencies listed above administer the programs that carry out the mission of the secretariat. These agencies accounted for about 24 percent of the Commonwealth's total state spending.

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES (MEDICAL ASSISTANCE SERVICES)

Services

The introductory section on Virginia's Medicaid program shows the impact of Medicaid funding throughout state government, and this section will focus on issues specific to Medical Assistance Services and its administration of Medicaid. Medical Assistance Services administers the federal and state-supported health care programs for eligible persons with limited income and resources. These programs include Medicaid, Family Access to Medical Insurance Security (FAMIS), and Medical Assistance for Low-Income Children (FAMIS Plus), the Income Assistance for Regular Assisted Living, Involuntary Mental Commitments, the Virginia Health Care Trust Fund, and other medical assistance services such as HIV assistance and state and local hospitalization. The largest program Medical Assistance Services administers is the Medicaid program.

Medical Assistance Services, across all programs, provided funding for services to over 1,000,000 persons during fiscal 2009. General population growth in Virginia and especially the growth of the aging population are key factors affecting its consumer base. Projections forecast that the number of Virginians age 65 and older will increase dramatically over the next ten years – over five times faster than the state's total population growth. An aging population within the state will place increased demands for services on Medicaid, especially in the areas of long-term care, waiver services, and Medicare premium assistance. Medical Assistance Services is serving increasing populations while at the same time trying to maintain or curtail costs.

Financial Information

The table below summarizes Medical Assistance Services' budgeted expenses by program as compared with actual results for fiscal 2009.

Analysis of Budgeted and Actual Expense by Program - Fiscal 2009

Program	Original Budget	Adjusted Budget	Actual Expenses	FY10 Proposed Budget
Medicaid	$5,493,345,441	$5,456,687,566	$5,399,789,205	$5,817,721,129
Medicaid - ARRA	-	378,265,121	372,506,161	593,665,047
FAMIS	117,489,589	122,960,699	119,080,376	149,427,415
Administration and support services	111,979,815	116,083,577	109,987,981	104,816,575
FAMIS (PLUS)	85,863,515	91,084,110	89,773,934	98,425,541
Medical Assistance Services (Non-Medicaid)	13,687,481	14,239,670	13,433,505	846,702
Appellate processes	10,529,376	13,398,106	13,122,434	10,472,050
Indigent Health Care Trust Fund	7,485,831	-	-	-
Continuing Income Assistance Services	1,400,000	900,000	880,445	1,400,000
Total	$5,841,781,048	$6,193,618,849	$6,118,574,042	$6,776,774,459

Source: Original budget - Appropriation Act Chapter 781, Adjusted Budget and Actual Expenses - Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009; FY10 Proposed Budget - Commonwealth Accounting and Reporting System 1419D1 report as of September 30, 2009.

While Medical Assistance Services' expenses were one percent less than its adjusted budget, its expenses were eight percent higher than in the prior year. The increase between the years was largely a result of the unexpected increase in Medicaid and FAMIS enrollment as a result of the economic conditions that caused more individuals to be eligible for their programs. Average monthly enrollment in the Medicaid program in fiscal 2009 increased by 34,307 or 5.2 percent to 694,276 compared to 659,969 in fiscal 2008. Average monthly enrollment in the FAMIS and FAMIS Plus programs in fiscal 2009 increased by 8,706 or ten percent to 95,676 compared to 86,970 in fiscal 2008.

As a result of budget reductions, the Commonwealth eliminated the Indigent Care Trust Fund in fiscal 2009 and suspended the State and Local Hospitalization Program for fiscal 2010. Eliminating the Indigent Healthcare Trust Fund, which receives appropriations from the Commonwealth and contributions from hospitals and other sources for the purpose of distributing funds to hospitals with a disproportionate share of charity cases removed $7.4 million in budgeted expenses. In 2010, Medical Assistance Services is expecting to save over $12 million in its non-Medicaid Medical Assistance Services area from suspending the State and Local Hospitalization Program, which reimburses hospitals for providing care to indigent persons.

The table below summarizes Medical Assistance Services' program expenses by funding source for fiscal 2009.

Analysis of Actual Expenses by Funding Source

Program	Federal	General	ARRA	Virginia Health Care Fund	Other Special Revenue
Medicaid	$2,803,151,651	$2,290,837,554	$372,506,161	$305,800,000	$ -
FAMIS	77,711,211	27,303,538	-	14,065,627	-
Administration and support services	67,110,221	42,625,952	-	751	251,057
FAMIS (PLUS)	58,345,148	31,428,787	-	-	-
Appellate processes	-	13,122,434	-	-	-
Continuing Income Assistance Services	-	880,445	-	-	-
Medical Assistance Services (Non-Medicaid)	-	11,146,693	-	279,751	2,007,061
Total	$3,006,318,231	$2,417,345,403	$372,506,161	$320,146,129	$2,258,118

Source: Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009.

Combined, the General Fund and the Virginia Health Care Fund provided 45 percent of the funding for Medical Assistance Services' activities. This percentage is approximately six percent lower than in previous years due to ARRA. ARRA, which will end in fiscal 2011, is temporarily increasing the federal share of Medicaid expenses.

The Virginia Health Care Fund (Fund) is a special non-reverting fund established to support health care programs using money from tobacco taxes and the Commonwealth's allocation of a national settlement known as the Master Settlement Agreement. Additionally, the Fund also

receives general funds returned to the Medicaid program. Between fiscal 2008 and 2009 the Fund experienced an eight percent increase in revenues, going from $285.4 million to $307.5 million. This increase results mainly from refunds for the annual drug rebate, disproportionate share refund, and recoveries of prior year expenses. While other revenues increased, tobacco taxes continue to provide the Fund with a majority of its funding, 60 percent in fiscal 2009.

Medicaid Medical Expenses

Medical Assistance Services spent $5.7 billion on Medicaid services in fiscal 2009. The table below shows total medical expenses for the Medicaid program by provider type fiscal years 2006-2009. Medical Assistance Service paid Medicaid claims for over 900,000 individuals during the fiscal 2009.

Medicaid Expenses by Service Category - Fiscal Years 2006-2009

Service Category	2006	2007	2008	2009
Managed Care	$1,091,040,018	$1,190,959,577	$1,226,308,082	$1,272,036,608
Community-Based Waiver Services	517,767,803	600,169,213	725,812,816	819,849,477
Nursing Facility	697,984,269	718,375,124	725,778,161	758,983,543
Inpatient Hospital	553,129,491	547,650,686	582,746,239	630,727,574
Mental Health	352,128,633	395,562,682	482,792,977	577,515,125
Public ICF/MR Facilities	197,872,439	201,079,045	209,167,315	237,154,422
Pharmacy	458,755,750	228,301,049	225,800,238	226,253,909
All Other Services	175,044,363	179,022,939	192,568,569	223,903,730
Medicare Premiums	176,132,821	194,307,374	204,298,114	173,387,667
Physician Services	153,891,820	143,310,705	158,676,673	164,638,890
Medicare Part D Clawback Payments	47,704,174	151,605,379	156,982,201	164,158,320
Outpatient	115,024,648	105,546,509	108,401,630	115,533,703
Dental	55,624,772	80,698,293	89,826,908	99,376,362
Enhanced DSA - UVA & MCV	92,198,332	141,026,423	38,235,261	92,591,331
Regular DSA - General Hospital and Rehab	44,046,764	47,648,530	79,203,301	85,695,040
Transportation Services	63,166,758	67,054,128	71,013,498	73,079,331
Private ICF/MR Facilities	40,532,655	43,526,395	46,059,682	54,172,473
Public MH Facilities	50,553,407	48,862,334	54,333,949	47,578,369
Other Long-Term Care	3,312,742	5,142,146	4,394,756	9,429,354
Home Health	5,018,912	4,787,051	5,841,652	6,228,493
Supplemental Drug Rebates	(13,732,363)	(2,088,208)	(1,807,235)	(1,994,890)
Drug Rebates	(104,520,939)	(50,347,527)	(43,803,898)	(58,003,465)
Total	$4,772,677,270	$5,042,199,846	$5,342,630,889	$5,772,295,366

Source: Department of Medical Assistance Services

Administrative Expenses

In addition to medical services, Medical Assistance Services spent $110 million on administrative costs. The table below summarizes the administrative expenses by major categories for fiscal 2009.

Administrative Expenses - Fiscal Year 2009

	Expenses	Percent
Contractual Services	$ 62,974,644	57.3%
Personal Services	30,149,780	27.4%
Dental and Medical Services	13,827,243	12.6%
Continuous Charges	2,323,076	2.1%
Supplies and Materials	399,240	0.4%
Equipment	162,683	0.1%
Transfer Payments	151,315	0.1%
Total	$109,987,981	100.0%

Source: Commonwealth Accounting and Reporting System

Contracted services include eligibility determination, claims processing, recipient enrollment, prior authorization of medical services, brokered transportation services, cost settlement and audit reviews, managed care enrollment, and actuarial services. The key contractual relationship for Medical Assistance Services is with First Health, who has the main duties of processing claims payments and enrolling providers. Payments to First Health in fiscal 2009 totaled $24.5 million, representing 39 percent of total contractual expenses. The contract concludes with First Health at the end of fiscal 2010 and Medical Assistance Services has contracted with a new vendor, Affiliated Computer Services, to take over fiscal agent services starting at the beginning of fiscal 2011.

DEPARTMENT OF SOCIAL SERVICES (SOCIAL SERVICES)

Services

Social Services' administers over 40 programs that provide benefits and services to low-income families, children, and vulnerable adults. Both the state and local governments share in the administration of these social service programs. Social Services has a Central Office, five regional offices, eight licensing offices, and 21 Child Support Enforcement offices. There are also 120 locally operated social service offices across the state, which report to the local governments, but receive direction and support from Social Services.

The Central Office has primary responsibility for the proper administration of all federal and state-supported social service programs. The Central Office establishes policies and procedures that ensure adherence to federal and state requirements, which local offices implement. Both the Central Office and regional offices enforce these policies and procedures by monitoring the local offices.

The Central and regional offices often provide technical assistance to local offices and the regional offices serve as a liaison between the Central and local offices. In addition, the Central Office distributes benefits to eligible households and vendors under the Temporary Assistance for Needy Families (TANF), Supplemental Nutritional Assistance Program (SNAP) (formally Food Stamps), and Energy Assistance programs.

Child Support Enforcement is a state-administrated and operated program. Child support offices process custodial parent information, help locate non-custodial parents, establish paternity, enforce both administrative and court orders, and collect and distribute child support monies.

Licensing offices regulate licensed child and adult care programs including the following programs: certified preschools, child day centers, family day homes, child placing agencies, and children's residential facilities. They also regulate adult day care centers and assisted living facilities. In fiscal 2009, the Central, regional, child support, and licensing offices disbursed approximately $1.1 billion or 61 percent of Social Services' total funding. This amount includes benefit assistance amounts paid directly to individuals.

Local social service offices deal directly with consumers. They perform a variety of functions including eligibility determination, case management, and "service" program administration such as Foster Care, Child/Adult Daycare, Adoption, and Child/Adult Protective Services. Local offices also provide information to consumers transitioning from dependency to independence.

Financial Information

The tables entitled *Analysis of Budgeted and Actual Expenses by Funding Source* and *Analysis of Budgeted and Actual Expenses by Program and Funding Source* summarize Social Services' budgeted revenues and expenses compared with actual results for fiscal 2009.

Analysis of Budgeted and Actual Expenses by Funding Source

Funding Source	Original Budget	Adjusted Budget	Actual Expenses	Proposed Budget for 2010
General	$ 416,910,279	$ 382,056,423	$ 380,321,523	$ 384,972,764
Special	661,821,577	693,074,887	661,881,362	709,551,022
Federal	688,254,321	784,278,913	713,136,023	742,835,222
ARRA	-	24,853,701	22,695,461	27,033,901
Total	$1,766,986,177	$1,884,263,924	$1,778,034,369	$1,864,392,909

Source: Original budget-Appropriation Act Chapter 879, Adjusted Budget and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009 Proposed Budget – Appropriation Act Chapter 781.

While Social Services' General Fund budget decreased by eight percent during fiscal 2009, the total budget increased by seven percent because of anticipated increases in federal funding, (stimulus and non-stimulus) and special revenues. However, not all increases were realized in actual expenses because historically Social Services over budgets for federal expenses because of difficulty in forecasting local expenses as a result of the varying case loads and changes in federal

reimbursement policies. If this trend continues, it is unlikely that actual expenses for 2010 will be near its starting budget. This makes it difficult for decision makers to discern the amount of resources that will be used to support social programs.

Over the life of ARRA that ends in fiscal 2011, Social Services estimates that its available ARRA funds will total $192.9 million. The table below shows the programs that will receive this additional federal support. Of the $79.1 million for TANF, Social Services estimates that it will receive $30 million from caseload growth with the remaining $43.3 million becoming available if the Commonwealth agrees to increasing its general funds for this program.

However, in other programs ARRA decreases the amount of required state funding. For example Child Support Enforcement can now use incentive payments it earns from the federal government as its match, instead of using general funds. Additionally, the state required match rate for the Foster Care and Adoption Assistance Programs were decreased from 50 cents of each dollar spent, to 43.8 cents of each dollar, a temporary 12.4 percent decrease in state required match for these programs that will end in fiscal 2011.

Program	Estimated ARRA Funding
Temporary Assistance to Needy Families (TANF)	$79.1M
Child Support Enforcement	$40.4M
Child Care and Development Block Grant	$37.9M
Community Services Block Grant	$ 16M
Foster Care/Adoption Assistance	$13.4M
Supplemental Nutrition Assistance Program (SNAP)	$ 5.3M
Americorps	$ 750K

Source: www.stimulus.virginia.gov

After ARRA ends, Social Services estimates that it will need $11.5 million in general funds between fiscal 2011 and 2012 to provide the required match for the Foster Care and Adoption Programs. However, for the Child Support Enforcement program there is currently a proposal at the federal level to continue using incentive payments as match after ARRA. Other ARRA funds supported one time initiatives in Child Care and SNAP, therefore Social Services does not anticipate a need for additional general funds in the future for these initiatives.

Unfortunately, Social Services cannot currently predict the effect of ARRA funding ending on the TANF program. This effect will depend on caseload levels and on whether the Commonwealth agrees to make permanent some of the expanded program benefits.

Social Services' has the following sources of funding: 21 percent general funds, 37 percent special revenue, which includes child support enforcement funds, and 42 percent federal grants. General fund expenses include state matching dollars spent in order to receive federal funds.

Analysis of Budgeted and Actual Expenses by Program and Funding Source

Program	Original Budget	Final Budget	Actual
Child Support Enforcement Services	$ 718,285,512	$ 761,557,431	$ 717,837,177
Financial Assistance for Local Social Services Staff	345,694,432	369,006,534	357,570,806
Financial Assistance for Self-Sufficiency Programs and Services	282,536,535	276,613,403	257,690,194
Child Welfare Services	163,057,764	164,783,781	161,492,749
Administrative and Support Services	72,602,051	78,350,063	71,659,638
Adult Programs and Services	44,912,949	43,708,427	40,827,547
Financial Assistance for Supplemental Assistance Services	44,646,641	95,593,012	92,992,885
Program Management Services	44,109,917	38,607,465	32,173,517
Financial Assistance to Community Human Services Organizations	36,873,074	40,154,067	31,369,482
Regulation of Public Facilities and Services	14,267,302	15,889,741	14,420,374
TOTAL	$1,766,986,177	$1,884,263,924	$1,778,034,369

Program	General Fund	Special Revenues	Federal Grants	ARRA Funds
Child Support Enforcement Services	$ 1,616,871	$657,988,655	$ 40,574,192	$ 17,657,459
Financial Assistance for Local Social Services Staff	115,959,059	2,077,042	239,534,705	-
Financial Assistance for Self-Sufficiency Programs and Services	94,393,637	-	163,296,557	-
Child Welfare Services	78,108,116	228,624	78,118,008	5,038,002
Administrative and Support Services	34,516,376	45,272	37,097,990	-
Adult Programs and Services	24,490,339	-	16,337,208	-
Financial Assistance for Supplemental Assistance Services	2,998,699	-	89,994,186	-
Program Management Services	15,062,570	-	17,110,947	-
Financial Assistance to Community Human Services Organizations	8,605,170	-	22,764,312	-
Regulation of Public Facilities and Services	4,570,685	1,541,770	8,307,919	-
TOTAL	$380,321,523	$661,881,362	$713,136,023	$22,695,461

Source: Original budget-Appropriation Act Chapter 879, Final Budget, and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009.

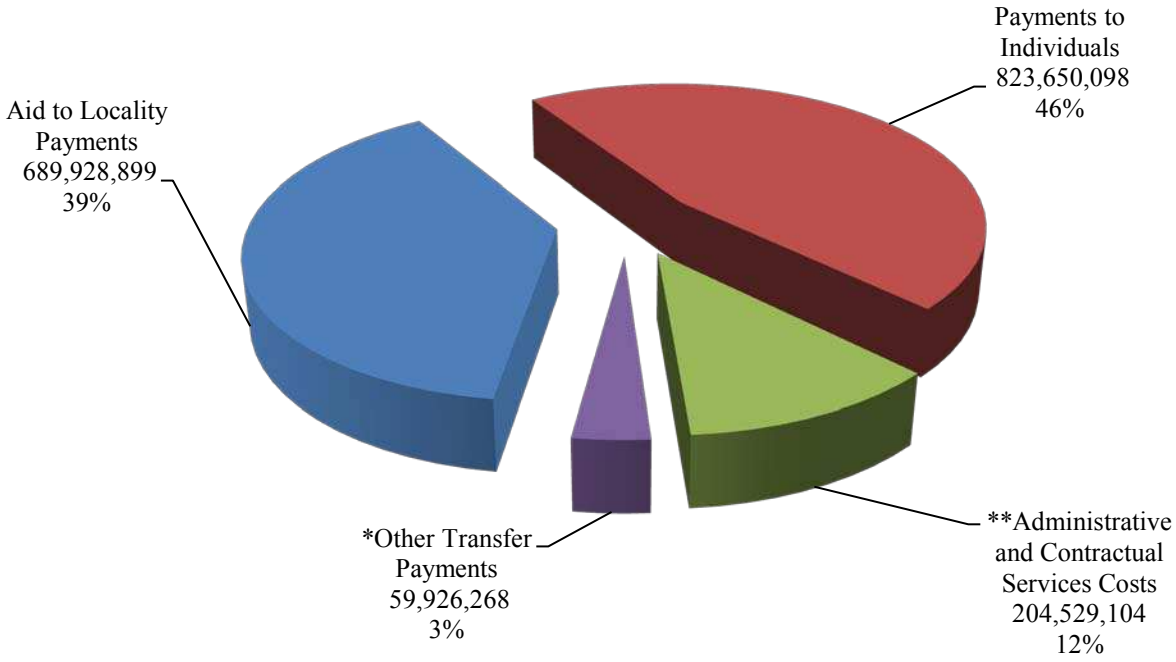
In October of 2008, Congress increased the grant award for the Low Income Home Energy Assistance Program from $43 million to over $100 million. As a result, Social Services increased the amount of benefits clients could receive for heating equipment and maintenance. This change resulted in an additional $50 million of expenses in the Financial Assistance for Supplemental Assistance Services area over the original budget.

The Supplemental Nutrition Assistance Program (SNAP), a sub-program under the Financial Assistance for Sufficiency Programs and Services, does not include the benefits that recipients

receive as direct benefits. The individual benefits are 100 percent federally funded and go directly from the federal government to individuals through the Commonwealth's electronic benefits transfer contractor, Affiliated Computer Systems (ACS). During fiscal 2009, ACS disbursed approximately $807.7 million in SNAP benefits, which are not part of Social Services' fiscal activities. ARRA funding increased the SNAP monthly benefit by 13.6 percent during fiscal 2009, and this increase will result in approximately $350 million in additional benefits to clients.

The following figure summarizes Social Services' expenses by type for fiscal 2009.

Analysis of Expenses by Type



*Includes payments to nongovernmental and intergovernmental organizations and community service agencies

**Includes payments for personal services, supplies, rent, equipment, property and improvements

Source: Commonwealth Accounting and Reporting System

Approximately $1.6 billion (88 percent) of Social Services' expenses are transfer payments to local governments, individuals, and other organizations. In fiscal 2009, Social Services paid $690 million (39 percent) to local social service agencies and $823 million (46 percent) to individuals as direct benefits. Administrative and contractual service costs are 12 percent of total expenses. Social Services spent $112 million (six percent) on personal service expenses and $93 million (five percent) on contractual services.

The following table summarizes the aid to locality payments by subprogram for fiscal 2009.

Aid to Locality Expenses by Subprogram

	Expenses	Percent
Benefit programs administration	$182,475,191	26%
Direct social services	173,674,526	25%
Day care (non-TANF)	67,318,113	10%
Foster care	80,271,137	12%
Financial assistance for child and youth services	68,133,410	10%
Individual and family economic independence services through day care support (TANF)	51,606,080	7%
Individual and family economic independence services through employment assistance services	28,741,491	4%
Supplemental income assistance to the aged, blind, and disabled	22,926,309	3%
Other	14,782,642	2%
Total	$689,928,899	100%

Source: Commonwealth Accounting and Reporting System

A portion of the $690 million paid to the localities is for administrative costs. In addition to the benefit programs administration, the Foster Care and Financial Assistance for Child and Youth Services subprograms also include some administrative costs. Also the other aid to locality expenses includes regional and area-wide assistance administration and Comprehensive Services Act administration.

The table below summarizes the payments to individuals by subprogram for fiscal 2009.

	Expenses	Percent
Nonpublic assistance child support payments	$625,599,427	76%
Temporary Assistance for Needy Families (TANF)	113,843,509	14%
Emergency assistance	84,207,162	10%
Total	$823,650,098	100%

Source: Commonwealth Accounting and Reporting System

Of the $823 million paid directly to individuals, approximately 76 percent is non-public assistance child support payments. These payments are to custodial parents from the child support special revenue fund. Once Social Services collects the child support payment from the non-custodial parent, Social Services distributes the money to the custodial parent.

TANF payments represent 14 percent of Social Services' payments to individuals. These are cash payments made directly to eligible families to help meet basic monthly needs.

Emergency assistance payments account for ten percent of Social Services' payments made to individuals. Historically, these payments have supported the Low Income Home Energy

Assistance Program. Under this program, Social Services pays energy vendors and individuals directly.

DEPARTMENT OF BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES (DEPARTMENT)

Services

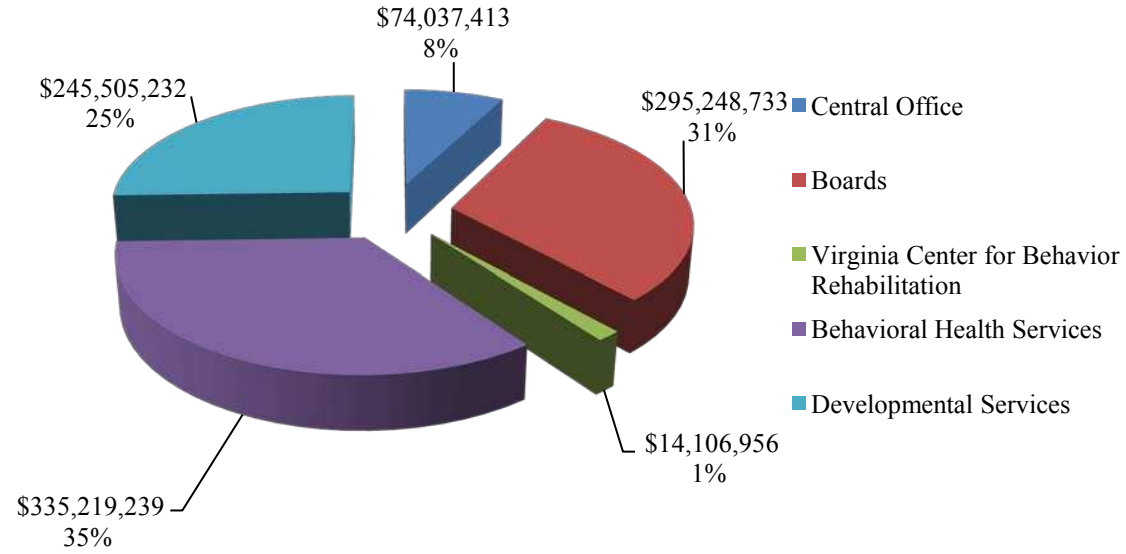
The Department's name changed from the Department of Mental Health, Mental Retardation, and Substance Abuse Services on July 1, 2009. Throughout this section, we will refer to it as the Department.

The Department funds and provides treatment, habilitation, and prevention services for individuals and their families whose lives are affected by mental illness, mental retardation, or substance use disorders. The Department provides these services directly in 16 state-operated facilities and indirectly through its funding of community services throughout the Commonwealth.

The Department consists of a central office and 16 facilities. While the Central Office provides oversight to the facilities, the facilities provide most of their own administrative functions and provide all direct services to the Department's consumers. In addition, the Central Office contracts, funds, and monitors 40 local Community Service Boards (Boards) that provide services within the community.

The chart below summarizes the Department's expenses between the facilities (Hospitals and Training Centers), the Boards, and the Central Office. In fiscal 2009, the Department spent $927,605,832.

Analysis of Expenses by Service Areas



Source: Commonwealth Accounting and Reporting System

Central Office

The Central Office has direct responsibility for the programmatic, financial, and administrative operations of the state facilities. It also has responsibility for monitoring and overseeing the programmatic and financial activities of the Boards. Additionally, there is the Office of Inspector General housed within the Central Office that independently investigates and monitors human rights issues at the facilities and Boards. In fiscal 2009, the total expenses of the Central Office were about $73.5 million or eight percent of the Department's total expenses. This is a decrease of 35.7 percent over the prior year, which is primarily due to a $41 million decrease in construction expenses the Central Office pays on behalf of facilities. In fiscal 2009, the Central Office paid $36.5 million, 51 percent of its total expenses, for construction expenses at the facilities.

The overall management and direction the Central Office provides to the facilities includes, developing an overall budget, financial management policies, Medicare and Medicaid cost reports, and reimbursement rates. The Central Office also performs architectural and engineering services, administers capital outlay projects, provides internal audits and pharmaceutical services, manages the information systems and budgets, and licenses all providers of mental health, mental retardation, and substance abuse services throughout the state. Further, the Central Office provides regional assistance on human resource issues and billing services to the facilities.

Financial Information

Analysis of Budgeted and Actual Expenses by Funding

	Original Budget	Adjusted Budget	Actual Expenses	Fiscal 2010 Proposed Budget
General Funds	$586,641,828	$520,214,489	$514,188,296	$574,360,830
Special Funds	306,017,153	357,770,948	344,496,725	307,773,722
Federal Funds	70,710,030	71,786,030	68,400,704	71,786,030
ARRA Funds	-	818,936	520,107	-
Total	$963,369,011	$950,590,403	$927,605,832	$953,920,582

Source: Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009; FY10 Proposed Budget - Commonwealth Accounting and Reporting System 1419D1 report as of September 30, 2009.

As a result of normal transfers and budget reductions, the Department's General Fund budget decreased by 11 percent or $66.4 million during fiscal 2009. Approximately $40 million of the reduction was a result of the Department transferring general funds to Medical Assistance Services to meet state Medicaid match requirements. The remaining decrease of $24.4 million results from budget reductions in the following areas: $12.4 million for Boards, $7 million for facilities, and $5 million for the Central Office. The Department accomplished the budget reductions taking the following actions: layoffs, reductions in outside contracts, elimination of vacant positions, and consolidating selected support services at state facilities.

The Department increased its budget for special funds by $51.7 million during fiscal 2009. To spend Medicaid funding, there was a requested $40 million increase to use the additional revenues generated by increasing the general funds match transfer to Medical Assistance Services.

The remaining budget increase for special revenue funds results from the Department not closing facilities. The original budget assumed savings from the anticipated closure of three state facilities: Southeastern Virginia Training Center in Chesapeake, the Commonwealth Center for Children and Adolescents in Staunton, and the adolescent unit at Southwestern Virginia Mental Health Institute in Marion, which the Department did not close.

Facilities – Hospitals and Training Centers

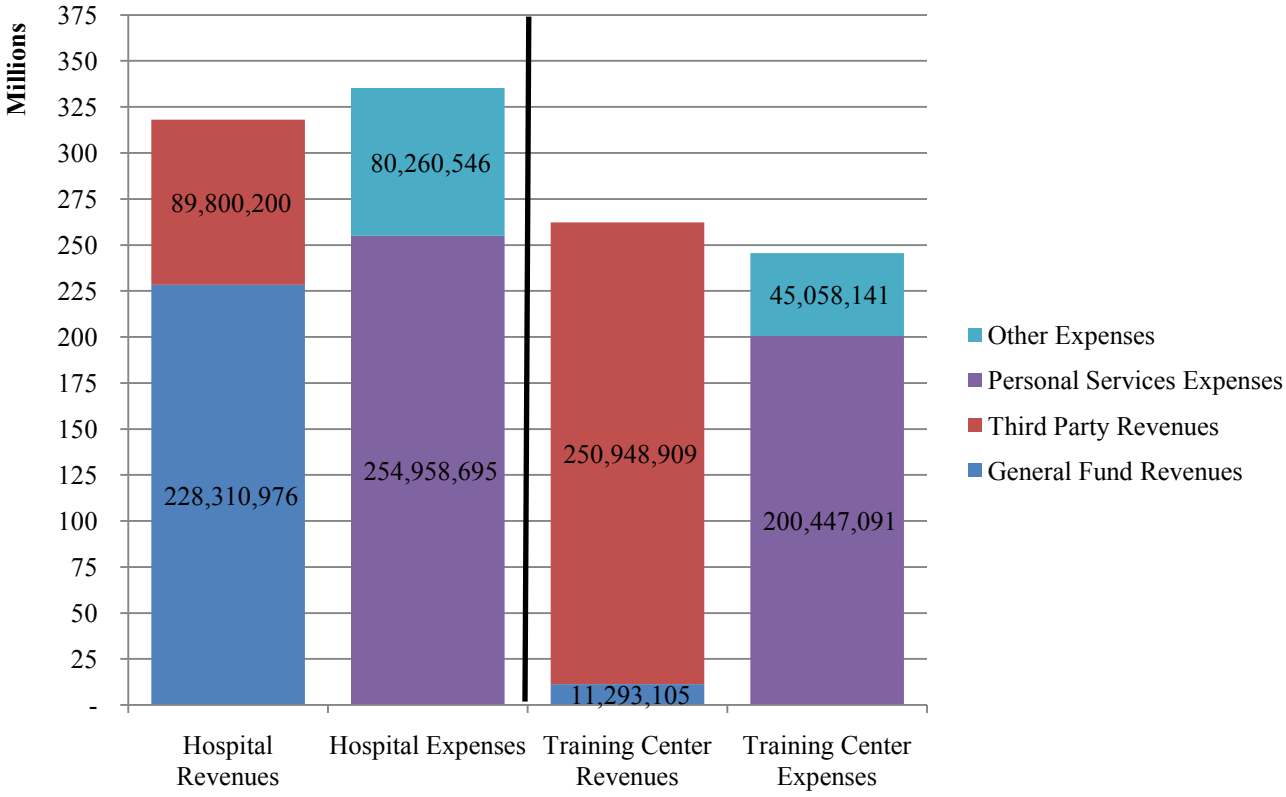
Services

Fifteen facilities provide consumer care to about 2,743 individuals. Ten behavioral health facilities, referred to as "Hospitals", provide acute care and chronic psychiatric services to children, adults, and the elderly. There are also five developmental services facilities, referred to as "Training Centers", that offer residential care and training in such areas as language, self-care, independent living, academic skills, and motor development.

Financial Information

The following chart summarizes the sources and uses of revenues for the Hospitals and Training Centers.

Analysis of Revenues by Funding Source and Expenses by Type



Source: Commonwealth Accounting and Reporting System

The General Fund provides $240 million or 41 percent of facilities' total resources, with Hospitals receiving $228 million or 95 percent of these funds. The largest source of revenue for Training Centers is billing and collections from third-party payers, primarily Medicaid. In fiscal 2009, these third-party payers represented about $341 million or 59 percent, of the facilities' total available resources, with Training Centers receiving 74 percent of their revenue from third-party payers.

Personal services are the facilities' single largest expense. In fiscal 2009, the Hospitals and Training Centers spent over $455 million or 78.4 percent, of their total expenses on payroll and other related expenses.

AVERAGE DAILY EXPENSES AND PATIENT CENSUS

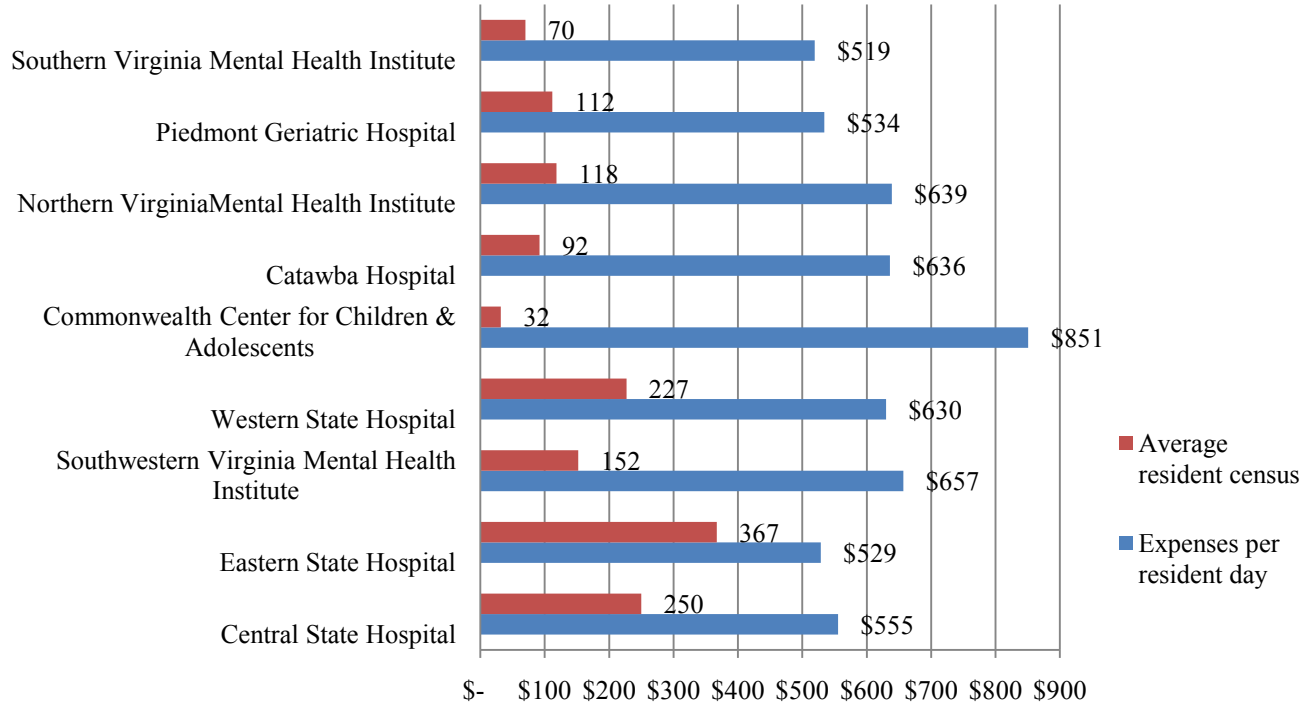
The following section analyzes the average daily expenses and census of residents for each hospital and training center.

HOSPITALS

The Hospitals listed below have expenses per resident day ranging from $519 to $851 with an average cost per resident day of $627, and an average daily census ranging from 32 to 367 residents. The Commonwealth Center for Children and Adolescents reflects the lowest average daily census with the highest cost per patient day. As their census decreases, their cost per day would increase, since most of the cost is fixed-costs associated with salaried positions.

Hiram Davis Medical Center (not shown) has the highest daily cost per resident day of $1,885 due to the severe nature of its residents' physical and psychiatric conditions and costs associated with housing the Community Resource Pharmacy that provides pharmaceuticals to consumers of the Community Service Boards. Furthermore, the entire pharmacy budget for the Petersburg campus, which also includes the facilities of Central State Hospital and Southside Virginia Training Center, is within Hiram Davis that has an average daily census of 47.

Analysis of Hospitals Census and Cost per Day

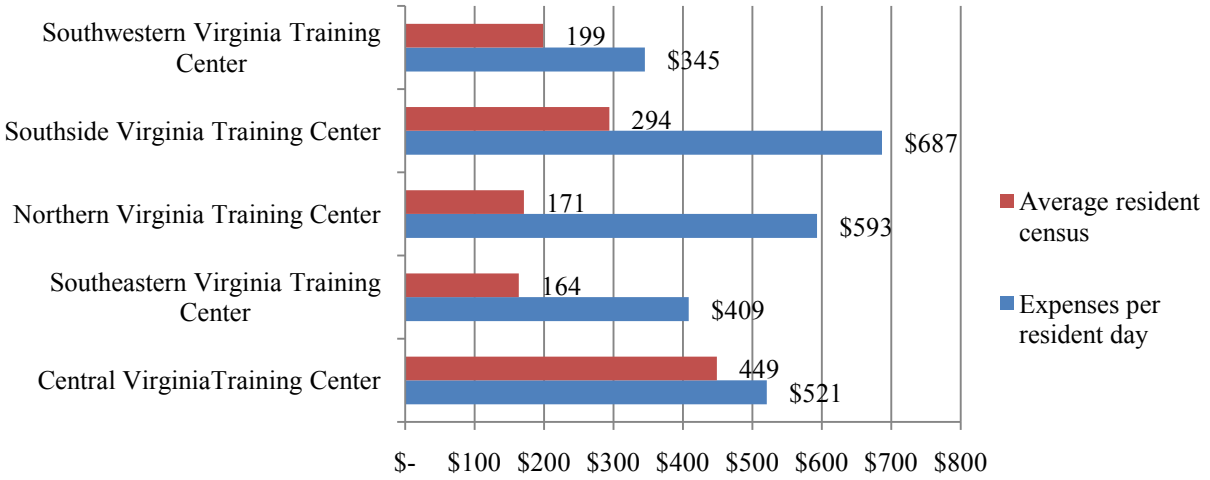


Source: Department of Behavioral Health and Developmental Services

TRAINING CENTERS

Training Centers' expenses per resident day range from $345 to $687 with an average cost per resident day of $527, and an average daily census ranging from 164 to 449 residents. As can be seen from the chart below, Southside Virginia Training Center has the highest cost per resident day at $687; however, this facility pays for all the support services of the facilities at the Petersburg campus.

Analysis of Training Centers Census and Cost per Day



Source: Department of Behavioral Health and Developmental Services

Transfers and ARRA Effect on Future Budgets

In prior years and in fiscal 2009, the Department used cash balances in its special funds to provide their annual general fund transfers to Medical Assistance Services for Medicaid match. These cash balances arose over time, because the Department paid for certain expenses from its General Fund, but later could recover these amounts from third party payers such as Medicaid.

Historically, the Commonwealth limits the amount of general funds available at Medical Assistance Services for reimbursing the Department for services. This process occurred because the Department normally had cash balances to provide some matching funds. This practice has been effective at controlling the amount of general funds needed by the Department and Medical Assistance Services, by not allowing the Department's facilities to keep all of their revenues from Medicaid services.

The use of the cash balances for budget reductions reduces the amount the Department's facilities have available for providing Medicaid match. However, as a result of ARRA temporarily reducing the amount of general funds required for Medicaid match, the Department is not anticipating needing any additional general funds for their match in fiscal 2010 and 2011. Additionally, the Department believes that because of ARRA requiring less matching funds that it will be able to rebuild its special revenue cash balances.

If the Department does not reduce its expenses, specifically at Training Centers, these transfers along with ARRA, are masking the need for potential future increases in general funds to provide services at the facilities or meet the Medicaid match.

Here are two examples of how the facilities accumulated the cash balances. One, the Department paid all expenses of the Central Office using general funds. Later, the Department allocated some of these costs to the Medicaid program at each facility and received a partial reimbursement of these costs, which remained in the cash balance of each facility. Second, the General Fund originally paid for capital outlay project expenses, and as the facilities each year depreciated the project, this funding remained at the facilities.

The following five year analysis illustrates the amount of special revenues the Training Centers transferred to the Hospitals, which then in turn used the cash to free-up their general funds for Medicaid match. Prior to fiscal 2009, the special revenue transfers for the Hospitals and Training Centers relatively balanced with netting within a few million dollars of each other. This changed in fiscal 2009, when net transfers jumped to a negative $17 million; this change is the result of the Department implementing budget reductions that caused the Training Centers to make additional transfers that did not go to the Hospitals.

Analysis of Special Revenue Transfers In/(Out)

2005	Hospitals	$12,056,972
	Training Centers	(14,413,430)
	Net Transfers	(2,356,458)
2006	Hospitals	5,548,236
	Training Centers	(8,309,123)
	Net Transfers	(2,760,887)
2007	Hospitals	15,700,000
	Training Centers	(18,727,146)
	Net Transfers	(3,027,146)
2008	Hospitals	18,289,525
	Training Centers	(17,845,146)
	Net Transfers	444,379
2009	Hospitals	9,592,050
	Training Centers	(26,854,375)
	Net Transfers	$(17,262,325)

Virginia Center for Behavioral Rehabilitation

Services

The Virginia Center for Behavioral Rehabilitation (Behavioral Rehabilitation) houses convicted sex offenders who are civilly committed at the end of their prison sentence if the Department of Corrections deems them "sexually violent predators". Behavioral Rehabilitation opened in October 2003 in response to an immediate need to accommodate these individuals, and could provide individualized rehabilitation services in a secure environment. The immediacy of the need resulted in the Department retrofitting an existing building on their Petersburg complex to accommodate an initial operating capacity of 36 individuals.

Behavioral Rehabilitation's capacity requirements increased dramatically based upon an imposed change in the screening criteria for facility placement. The Department oversaw the construction of a $62 million, 300-bed facility in Nottoway County. The Department constructed the facility in two phases; the completion of the first phase in February 2008 opened 100 beds and the second phase of construction, completed in September 2008, opened another 200 beds.

Financial Information

The following table summarizes the sources and uses of Behavioral Rehabilitation's funding for fiscal 2008 and 2009. Behavioral Rehabilitation receives all of its funding from the General Fund. The per diem costs decreased from $461 to $341, or 26 percent, due an increase in population from an average daily census of 60 in fiscal 2008 to 114 in fiscal 2009.

Virginia Center for Behavioral Rehabilitation	2008	2009
Average resident census	60	114
Total resident days	22,009	41,428
Revenue:		
Adjusted General Fund appropriations	$10,687,680	$14,951,965
Expenses:		
Personal services	7,768,664	10,193,831
Contractual services	917,401	1,380,783
Supplies and materials	916,367	1,581,722
Equipment	362,061	442,575
Continuous charges	158,669	444,126
Plants and improvements	8,655	36,333
Transfer payments	3,311	22,322
Property and improvements	2,550	5,266
Total expenses	10,137,678	14,106,956
Excess (deficiency) of revenues over expenses	$ 550,002	$ 845,009
Expenses per resident	$ 168,125	$ 123,745
Expenses per resident day	$ 461	$ 341
Revenues per resident	$ 177,246	$ 31,158
Revenues per resident per day	$ 486	$ 361

Source: Commonwealth Accounting and Reporting System

Community Service Boards

Services

Community Service Boards (Boards) are the single point of entry into the Commonwealth's behavioral health and developmental services system, which includes providing access to state hospitals and training centers, as well as community programs. Individuals who seek services from a Board receive an intake evaluation to determine the type and duration of services needed. The Boards provide pre-admission screening and discharge planning services for consumers entering or leaving state facilities.

In addition, the Boards function as providers of services (directly or contractually), advisors to their local government, client advocates, community educators, and planners on issues related to behavioral health and developmental services. In contrast to hospitalization, the Boards provide services by drawing on community resources and support systems, such as the family and friends of residents.

Financial Information

During fiscal 2009, the Department transferred $295 million, about 31 percent of its total budget to the Boards. Additionally, the Boards access state funding through medications provided for eligible consumers from the Community Resource Pharmacy located within the Hiram Davis Medical Center in Petersburg. The Boards provide medications for individuals who have been discharged or diverted from state facilities and have Medicaid or cannot pay for medications to treat or prevent a recurrence of their condition. Each year, the Department provides the Boards with a capped amount of state-funded medication. The Department bases these amounts on the historical costs of covering prescription drugs for those individuals who are unable to pay. The Boards direct individuals eligible for Medicare Part D benefits to outside pharmacies.

Other Items of Interest

System Transformation Initiative

The Central Office has been working with both the facilities and the Boards as part of the state's System Transformation Initiative (Initiative). The Initiative includes funds to rebuild Eastern State Hospital, which completed Phase I and began Phase II in fiscal 2008 with an anticipated completion date of July 2010. In addition, plans are underway for the replacement of Western State Hospital with a completion date for the spring of 2013. Further, the initiative includes funds to renovate existing buildings, resize and consolidate the campus of Central Virginia Training Center and build community housing. Lastly, plans are underway to rebuild and resize Southeastern Virginia Training Center and develop community housing.

The table below reflects the status of the construction projects related to the Initiative.

Construction Projects

Facility	Location	Maximum Bed Capacity	Operational Bed Capacity	Fiscal Year 2009 Average Daily Census	Planned Bed Capacity	Funding Source	Funding Approved (Rounded in Millions)	Amount Spent as of 6/30/09 (Rounded in Millions)
Central Virginia Training Center	Lynchburg	718	558	449	300	Bond / General Funds	$24.5 Bond / $0.7 General Funds	$ 0.8
Eastern State Hospital	Williamsburg							
Phase I – Hancock Geriatric Center		150	150	148	150	Bond / General Funds	$23 Bond / $5.3 General Funds	$28.0
Phase II – Adult Mental Health Center		262	235	219	150	General Funds	$59.7M	$26.0
Southeastern Virginia Training Center	Chesapeake	200	200	164	75	Bond / General	$ 23.8 Bond / $0.65 General Funds	$ 0.7
Virginia Center for Behavioral Rehabilitation	Burkeville	312	312	114	300	Bond	$62 Bond	$ 62
Western State Hospital	Staunton	263	260	227	246	Bond / General / Special Funds	$110 Bond / $2.2 General / $20 Special Funds	$ 2.0

Source: Department of Behavioral Health and Developmental Services, Office of Architecture and Engineering

These initiatives seek to reduce state facility capacity and increase the capabilities of community services. To ensure the success of this transformation, the Department will need to work with facility leadership to identify opportunities for cost efficiencies, locally and centrally, to adjust to reductions in funding that will occur with decreased capacity. Additionally, the Department will have to collaborate with external stakeholders to identify and support community improvements for providing more services in the community.

DEPARTMENT OF HEALTH (HEALTH)

Services

Health seeks to promote and protect the health of individuals and communities by emphasizing disease prevention, bioterrorism preparedness, promoting healthy lifestyles through education and by reducing environmental hazards. Health administers the state's system of public health.

The State Board of Health, appointed by the Governor, provides planning and policy development to enable Health to implement coordinated, prevention-oriented programs that promote and protect the health of the population. In addition, the Board serves as the advocate and representative of citizens in health issues.

Health, through its local public health delivery system, provides services in the following areas: communicable disease control, child and maternal health, family planning, environmental health, and oversight of hospitals, nursing homes, and adult homes. In addition to patient visits at local health departments, health districts are also responsible for inspecting restaurants and drinking water, and issuing permits for sewage systems, wells, and waterworks operations.

Health's public health delivery system consists of a central office and 35 health districts that operate 119 local health departments. These districts and departments provide a variety of environmental services and both mandated and non-mandated community healthcare services, respectively. Except as noted below, the 119 local health departments are extensions of Health and operate under Cooperative Agreements (Agreements) between Health and local governments.

The Agreements cover both mandated and non-mandated health services that each local jurisdiction provides. The Code of Virginia requires Health to fund at least 55 percent of the mandated services. Health also funds a limited amount of some non-mandated services. Additionally, a locality can opt to provide services unique to its jurisdiction; local governments must fund 100 percent of any of these unique local services. In addition to services covered by the Agreements with local governments, the districts operate other programs for the state and federal government.

In two localities, Arlington and Fairfax, local governments manage their own health programs as locally administered health districts. The significant difference between these offices and the other 33 health districts is in their administrative functions. Employees in Fairfax and Arlington are employees of those two local governments and subject to local personnel policies. Health is still required to reimburse these two local governments for 55 percent of the expenses incurred for mandated services.

The following table details the total expenses to administer the health districts and the funding sources that support these services, excluding Arlington and Fairfax's local funds.

Analysis of Health District Statewide Expenses

	Amount	% of Total
Total Expenses for Local Health Districts	$231,028,925	100%
Cooperative Agreement Expenses	179,158,682	78%
State Portion of Shared Expenses	*88,441,957*	*38%*
Localities' Portion of Shared Expenses	*50,646,651*	*22%*
District Earned Revenue	*31,063,227*	*14%*
100% Locally-funded Services	*9,006,847*	*4%*
Non Cooperative Agreement Expenses	51,870,243	22%
Federal Fund Expenses	*38,488,480*	*17%*
General Fund Expenses	*7,289,143*	*3%*
Special Revenue Fund Expenses	*6,092,621*	*2%*

Source: Commonwealth Accounting and Reporting System

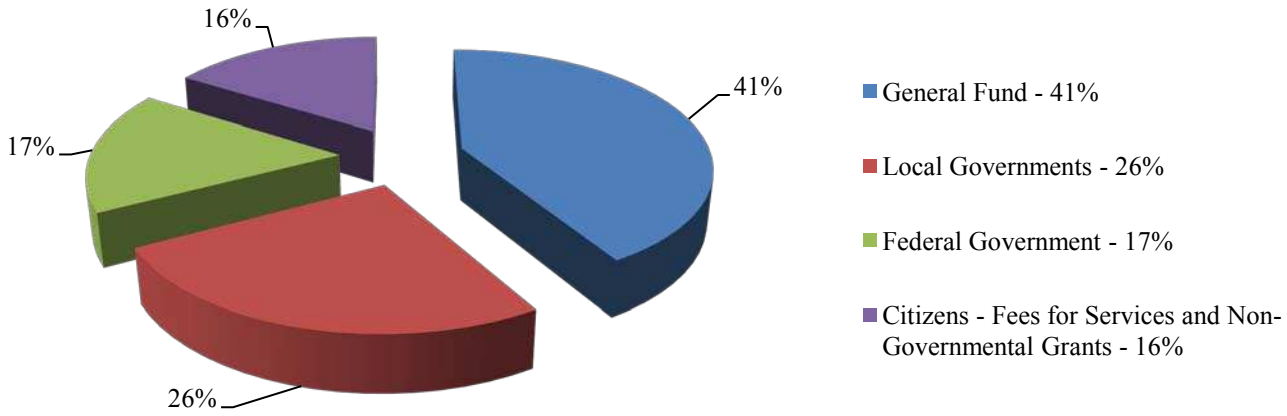
Management estimates that about eight percent of the $179 million in total cooperative agreement expenses are for non-mandated services such as local dental, personal care, and lab and pharmacy services. Non-mandated service expenses comprise about eight percent of the state portion of shared expenses and nine percent of both the localities' portion of shared expenses and district earned revenue. Management is expecting total expenses for non-mandated services to decrease as Health incorporates its budget reduction strategies; however, localities could continue to support these services using 100 percent local funds.

Total expenses to operate the 35 local health districts were about $231 million. Of this amount, more than $179 million were for expenses related to the services in the Agreements between Health and local governments. Health pays a specified percentage of these expenses after subtracting locally supported services and fees collected for services. The state's percentages for shared services, which range from a minimum of 55 percent to as much as 79 percent, considers several factors including the average adjusted gross income for the locality. At a statewide level, Health supported about $88.4 million out of $139 million in shared expenses with local governments during fiscal 2009, or roughly 64 percent.

The remaining $51.9 million in expenses were for services provided by health districts that are not included in the Cooperative Agreements. Examples of such services include the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and Emergency Preparedness programs that are funded primarily through federal grants.

The following chart shows the funding sources used to operate the health districts.

Actual Sources Supporting $231 Million in Health District Expenses



Source: Commonwealth Accounting and Reporting System

The General Fund amount of $95.7 million includes the $88.4 million Health paid to or on behalf of local governments and an additional $7.3 million to support other public health programs. The Local Government amount of $59.7 million includes about $9 million to provide services specific to individual localities. In addition to the federal expenses that are discussed above, fees for services paid by citizens and non-governmental grants support about 16 percent of the total expenses to operate the local health system.

Financial Information

Health expended $534.8 million throughout thirteen programs in fiscal 2009. The following table summarizes Health's original and adjusted budgets and actual expenses for fiscal 2009. Six of the 13 programs account for 88 percent of Health's total expenses.

Analysis of Budget to Actual Expenses by Program

Program	Original Budget	Adjusted Budget	Actual Expenses
Community Health Services	$246,647,592	$236,679,481	$223,018,588
State Health Services	119,758,739	118,672,255	103,530,933
Communicable and Chronic Disease Prevention and Control	50,482,056	51,842,465	51,000,734
Emergency Medical Services	36,848,204	40,422,229	35,941,959
Emergency Preparedness	34,958,274	33,084,308	30,184,507
Drinking Water Improvement	32,774,958	31,836,148	26,247,021
Financial Assistance To Community Human Services Organizations	17,007,022	16,452,724	16,373,094
Administrative and Support Services	15,549,158	14,822,241	13,861,150
Health Research/Planning/Coordination	13,051,364	13,340,345	12,014,016
Medical Examiner and Anatomical Services	8,208,676	8,935,398	8,885,630
Environmental Health Hazards Control	7,848,724	8,509,452	7,263,228
Vital Records And Health Statistics	6,779,897	6,772,860	5,949,546
Higher Education Student Financial Assistance	2,008,196	1,012,232	524,237
Total	$591,922,860	$582,382,138	$534,794,644

Source: Original Budget - Appropriation Act, Chapter 879; Adjusted Budget and Actual Expenses – Commonwealth Accounting and Reporting System

While Health's expenses were $47.6 million or 8.9 percent below its adjusted budget, expenses still increased by nearly $13 million or 2.5 percent from fiscal 2008. This increase was mainly due to a $9.4 million increase in state health services, which includes federal funding for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The increase in WIC expenses is attributable to an increase in federally-mandated and funded benefit payments.

Revenue

Health receives funding primarily from three sources; federal grant awards, the General Fund, and through the collection of special revenue. Health collected about $219 million in federal revenue, received $161.9 in general funds, and generated special revenue of about $157.8 million in fiscal 2009.

Of the $157.8 million the Department generates in special revenue, four revenue streams generate $136.3million (86 percent); locality reimbursement for health services, Department of Motor Vehicle and local court transfers, patient collections for health services, and non-medical permits, license, and fee revenue.

Analysis of Material Special Revenue Sources

Revenue Type	Amount
Locality Reimbursement for Health Services	$ 61,469,779
Department of Motor Vehicle Transfers	38,180,548
Patient Collections for Health Services	19,719,256
Non-medical Permits, Licenses, Fees, etc.	16,889,661
Vital Statistics Fees	9,854,641
Other Revenue (Fines, Penalties, Refunds, etc.)	7,404,948
Private Donations, Gifts, and Grants	4,253,264
Total	$157,772,097

Source: 2009 Commonwealth Accounting and Reporting System Revenue Summary

About $61.5 million represents local governments' share of funding for local health departments. Another $29 million is the "4 for Life" vehicle registration fee collected by the Department of Motor Vehicles and transferred to Health. Health uses the "4 for Life" funding to support, train, and provide grants to local rescue squads. Additionally, Motor Vehicles collected $9.1 million in fees paid by individuals to have their driver's license reinstated after a DUI conviction, which Health awards as grants to qualifying trauma centers.

Approximately $19.7 million comes from patient collections for services at the local health departments. Another $16.9 million is permit and license fees collected by various offices within Health, such as the Offices of Drinking Water and Environmental Services. About $9.8 million represents monies that Health collected for vital statistics (birth and death certificates and marriage licenses and divorce decrees). The Department also received about $4.3 million in private grants and all remaining special revenue totaled $7.4 million.

Expenses

Health's expenses consist primarily of payroll and related fringe benefit costs ($233.4 million), the non-payroll costs of administering its federal programs ($166.1 million), and non-payroll expenses used to support emergency medical services at the local level ($32.8 million). These three expense categories constitute nearly 81 percent of Health's total expenses.

The Department administered 63 federal programs in fiscal 2009. Seven of the programs accounted for over 83 percent of the agency's total federal expenses. Health did not expend any ARRA funds in fiscal 2009 but expects to receive about $26.4 million in ARRA funding in fiscal 2010. The state budget for 2010 apportioned about $20.8 million of ARRA to the Drinking Water State Revolving Fund, to support drinking water improvement programs and about $5.6 million in immunization funding to support vaccination programs.

Federal Program Expenses

Federal Program	Expenses
Special Supplemental Nutrition Program for Women, Infants, and Children	$ 93,247,566
Immunization Grants	48,200,072
HIV Care Formula Grants	30,986,142
Public Health Emergency Preparedness	19,668,722
National Bioterrorism Hospital Preparedness Program	14,324,811
Maternal and Child Health Services Block Grant to the States	11,781,092
Capitalization Grants for Drinking Water State Revolving Funds	11,700,139
Total of 56 Other Federal Programs	46,298,171
Total Federal Expenses	$276,206,715

Source: Department of Health 2009 Schedule of Expenditures of Federal Awards

COMPREHENSIVE SERVICES FOR AT-RISK YOUTH AND FAMILIES

Services

The Office of Comprehensive Services for At-Risk Youth and Families (Office) administers the Comprehensive Services Act for At-Risk Youth and Families (Act), which provides services and funding to address the needs of emotionally and behaviorally disturbed youth and their families. The Office works to return at-risk youth back to their homes and schools through a collaborative effort of local government, private providers, and family members that address each child's and family's individual needs.

The State Executive Council (Council) oversees the Office and establishes interagency programmatic policy development and fiscal policies, identifies and establishes goals for comprehensive services, and advises the Governor on proposed policy changes. The Department of Education serves as the fiscal agent and has assigned one employee in the central office to process disbursements under the Act. The Office has 11 employees that are employees of the Department of Social Services and two employees of the Department of Behavioral Health and Developmental Services.

Program delivery under the Act occurs through management of the cases at the local level and includes funding sources other than those disbursed through the Office. This report discusses other funding sources below in the section entitled, "Financial Information." The Office uses three teams to manage the collective efforts state and local agencies.

State and Local Advisory Team

The State and Local Advisory Team makes recommendations to the Council on interagency programs and fiscal policies and advises the Council on the impacts of proposed policies, regulations, and guidelines. They also offer training and technical assistance to state agencies and localities.

Community Policy and Management Team

The Community Policy and Management Team (Community Team) serves as the community's liaison to the Office. The Community Team coordinates long-range, community-wide planning, which ensures the development of resources and services needed by children and families in the community. It is their duty to establish policies governing referrals and reviews of children and families to the Family Assessment and Planning Teams. Each Community Team establishes and appoints one or more Family Assessment and Planning teams based on the needs of the community. The Community Team also authorizes and monitors the disbursement of funds by the Family Assessment and Planning Team.

Family Assessment and Planning Team

The Family Assessment and Planning Team (Family Team) assesses the strengths and needs of troubled youth and families and develops an individual family service plan to ensure appropriate services. The Family Team recommends expenses to the Community Team.

Financial Information

The Office receives funding from the Commonwealth's General Fund and federal grants. In fiscal 2009, funding increased more than 23 percent from fiscal 2008 due to increased costs of serving children mandated for care under the Act. During the year, the Office served an estimated 17,644 children. The following table summarizes 2009 budget and actual activities.

Analysis of Budget and Funding Sources

Funding Source	Original Budget	Adjusted Budget	Actual Expenses	Proposed Budget for 2010
General Fund appropriations	$307,917,687	$252,054,476	$215,764,562	$322,640,564
Federal grants	53,573,325	9,419,998	8,848,723	53,573,325
Total	$361,491,012	$261,474,474	$224,613,285	$376,213,889

Source: Commonwealth Accounting and Reporting System

As in prior years, the Office's original budget includes all General and federal funds for the Act for a fiscal year. However, the Department of Medical Assistance Services actually makes the payments to the provider from its federal Medicaid funds and the Office matches these federal funds by transferring a portion of the Act's general funds to Medical Assistance Services. For fiscal 2009, these transfers were $32.5 million in general funds that Medical Assistance Services then used to match $43.2 million in federal funds.

Aside from the normal transfers to Medical Assistance Services, the adjusted budget for fiscal 2009 included several additional reductions, including additional transfers to Medical Assistance Services of about $11.5 million needed for treatment foster care services. Additionally, as part of the

budget reduction strategies, aid to localities included as part of the Office's funding was reduced by $4.1 million, and Chapter 781, the Appropriation Act, included a loss of about $8.2 million in executive management decision and other mandated reductions.

The Office separates state and federal expenses into two funds: state pool and administrative. The Office allocates the funds based on Appropriation Act requirements, and classifies the majority of its funds as pool funds. For pool funds, the Office uses state and federal funds to reimburse localities for the costs of providing private residential or day special education, foster care, and foster care prevention services for eligible children and their families.

Administrative funds offset the additional cost localities incur for implementing the Act and represent about $1.5 million, or less than one percent, of total expenses for the year. Localities may use these funds for administrative and coordinating expenses or direct services to eligible youth and families.

During fiscal 2009, the Appropriation Act changed the locality match rates to encourage more community-based treatment for children. Local match rates for community-based services effective July 1, 2008, were half of the previous rate to promote this effort. In conjunction with this rate change, the local match rate for non-Medicaid services increased 15 percent, and there is an additional increase planned for fiscal 2010.

DEPARTMENT OF REHABILITATIVE SERVICES (REHABILITATIVE SERVICES)

Services

Rehabilitative Services helps Virginians with physical, mental, and emotional disabilities become employable, self-supporting, and independent. Rehabilitative Services uses the definition of "disabled" found in the *Americans with Disabilities Act,* which 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 provides the following services: Vocational Rehabilitation, Social Security Disability Determination Program, Community Rehabilitation Program, and Management and Administrative Support Services.

Financial Information

The table below summarizes Rehabilitative Services' original and adjusted budget and actual expenses for fiscal 2009.

Analysis of Budgeted to Actual Expenses by Program

Program	Original Budget	Final Budget	Actual Expenses
Rehabilitation Assistance Services	$ 96,584,729	$ 94,620,022	$ 89,626,822
Continuing Income Assistance Services	35,996,635	46,541,635	38,667,773
Administrative and Support Services	9,407,465	16,785,708	11,990,911
Total	$141,988,829	$157,947,365	$140,285,506

Source: Original budget-Appropriation Act Chapter 879, Adjusted Budget and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009.

During fiscal 2009, Rehabilitative Services' final budget increased within two of its programs: Administrative and Support Services and Continuing Income Assistance Program Services. The creation of additional administration and support services as well as the implementation of an information system special project caused the increase in the Administrative and Support Services. On the other hand, increased expenses within the Social Security Determination Program and expansion and renovation of local offices contributed to the increase within the Continuing Income Administrative Support Services.

The following table illustrates the type of expenses Rehabilitative Services made in fiscal 2009.

Analysis of Expenses by Type

	Expenses	Percent
Transfer payments	$ 56,774,641	40.5%
Personal services	55,359,601	39.5%
Contractual services	19,797,266	14.1%
Continuous charges	5,391,228	3.8%
Equipment	1,548,124	1.1%
Supplies and materials	1,284,296	0.9%
Plant and improvements	130,350	0.1%
Total	$140,285,506	100.0%

Source: Commonwealth Accounting and Reporting System

Rehabilitative Services makes transfer payments to a number of state and non-state entities such as Community Services Boards, Independent Living Facilities, and Colleges and Universities.

Services and programs provided by these entities assist individuals with significant disabilities to maximize their education, independence, employment, and full inclusion into society.

Woodrow Wilson Rehabilitative Center (Center)

Services

The Center, which is a sub-agency of Rehabilitative Services, provides residential, outpatient, and community based medical rehabilitation services for individuals with functional limitations and physical disabilities through the Center's comprehensive rehabilitation facility.

Financial Information

Rehabilitative Services transferred approximately $15 million to the Center during fiscal 2009 to help administer the Center's Vocational and Medical Service Programs. Transfers from Rehabilitative Services account for approximately 90 percent of the Center's total revenue. Revenues collected include Third Party Medical Reimbursements from insurers, such as Medicare and Medicaid. Additionally, revenues include charges collected from private insurance carriers, private funds, and student financial aid assistance. In addition to the revenues received from Rehabilitative Services, the Center received approximately $6.5 million in general funds and $300,000 in federal funds during fiscal 2009.

Additionally, Rehabilitative Services also received slightly more than $7 million for renovations to one of its facilities. Bonds from the Virginia Public Building Authority have been the major source of funding for this project.

The table below summarizes the Center's expenses by type in fiscal 2009.

Analysis of Expenses by Type

	Expenses	Percent
Personal services	$18,500,724	58.5%
Contractual services	9,655,730	30.5%
Supplies and materials	1,822,500	5.8%
Continuous charges	1,198,087	3.8%
Equipment	412,340	1.3%
Transfer payments	28,375	0.1%
Property and improvements	1,187	< 0.1%
Total	$31,618,943	100.0%

Source: Commonwealth and Reporting System

Personal services account for approximately 59 percent of the Center's expenses. Total personal service expenses decreased by approximately two percent between fiscal 2008 and 2009. These reductions are the direct result of the budget reductions. As of the beginning of fiscal 2009,

there were approximately 363 classified, wage, and contract employees. Additionally, payments for contractual services on behalf of the clients and for the Center make up a little over 30 percent of expenses.

DEPARTMENT FOR THE AGING (AGING)

Services

Aging fosters the independence and well-being of older Virginians and supports their caregivers through leadership, advocacy, and oversight of state and community programs, and guides the Commonwealth in preparing for an aging population. Aging is the federally recognized state unit for the Older Americans Act (Act). The Act contains objectives that address the inherent dignity of older people, and the duty and responsibility of governments of the United States to assist older Americans. The objectives cover the areas of adequate income, availability of mental and physical services, suitable housing, long-term care needs, employment opportunities, transportation, and protection against abuse, neglect, and exploitation.

Aging, in its role as state administrator of the Act, is responsible for the implementation of a plan and delivery of services that accomplishes the objectives of the Act. Aging accomplishes its mission through the receipt of federal funds and General Fund appropriations. Additionally, Aging receives special revenue funds through state tax refund contributions and miscellaneous grants.

Area Agencies on Aging

Aging contracts with 25 Area Agencies on Aging (Area Agencies) to provide services to older Virginians. The Area Agencies, directly or through their contractors, provide a variety of services including; delivered meals, congregate meals, transportation, homemaker services, personal care services, care coordination, volunteer programs, disease prevention and health promotion and information and assistance, a long-term care ombudsman, and other services that foster the independence and meet the care needs of older Virginians.

Of the Area Agencies, 14 are private nonprofit corporations, five are local government units, five consist of two or more local governments that exercise joint powers to create the Area Agency, and one is part of a Community Services Board. All Area Agencies must first submit to Aging an annual "area plan" of service provision. Once Aging approves the area plan, it signs a contract with the Area Agency, which receives funding in accordance with the approved plan.

The Older Americans Act requires Aging to allocate a portion of its federal funds to the Area Agencies based on a formula that weighs several factors related to the population of older Virginians in each locality. The U.S. Administration on Aging contracts with the U.S. Bureau of the Census once every ten years to perform a special tabulation of the weighted factors. The weighted factors are as follows.

Weighting of Factors for Allocating Federal Funding
Under the Older Americans Act

Population 60+	30%
Population 60+ in Rural Jurisdictions	10%
Population 60+ in Poverty	50%
Population 60+ Minority in Poverty	10%
Total Allocation	100%

The Bureau of the Census completed its special tabulation of the 2000 census in fiscal 2005. Aging began using the 2000 census statistics to allocate funds at the beginning of the federal fiscal year 2007. The new tabulation revealed a significant shift in the population demographics of older Virginians since the previous census. To "hold harmless" those Area Agencies that would have experienced funding shortfalls as a result of the census information, the 2006 budget added $1.2 million into Aging's base budget which Aging provides to the affected Area Agencies. The "hold harmless" provision remains a short-term solution. If the population demographic of older Virginians continues to shift in the future, the Area Agencies will face the same issue once the special tabulation of the 2010 census is complete.

Financial Information

The table below shows an analysis of Aging's budgeted and actual expenses as well as the proposed budget for fiscal 2010. The only significant change from the original budget is an additional appropriation for ARRA funding. The final expenses were below the budgeted amount because the entire additional ARRA award was appropriated, but the agency only spent a portion of the award in fiscal 2009 and has until September of 2010 to spend the remaining funds.

Analysis of Budgeted and Actual Expenses by Funding Source

	Original Budget	Adjusted Budget	Actual Expenses	Proposed Budget for 2010
Federal	$31,626,632	$33,672,978	$32,588,872	$31,626,632
General	18,878,992	18,546,088	8,473,687	18,492,316
Special	100,000	536,615	506,909	298,529
ARRA	-	2,800,767	84,091	2,716,676
Total	$50,605,624	$55,556,448	$51,653,559	$53,134,153

Source: Commonwealth Accounting and Reporting System

The table below shows an analysis of expenses by program and funding source. The majority of ARRA appropriation went to the Nutritional Services program which explains the increase from the original to the final budget and the difference between the final budget and actual expenses.

Analysis of Budgeted and Actual Expenses by Program Funding Source

Program	Original Budget	Final Budget	Actual	General Fund	Special Revenues	Federal Grants	ARRA
Individual Care Services	$30,343,128	$30,569,224	$29,394,963	$11,363,088	$506,909	$17,483,132	$41,834
Nutritional Services	17,212,165	21,624,968	19,071,372	5,787,363	-	13,241,752	42,257
Administrative and Support Services	3,050,331	3,362,256	3,187,224	1,323,236	-	1,863,988	-
Total	$50,605,624	$55,556,448	$51,653,559	$18,473,687	$506,909	$32,588,872	$84,091

Source: Original budget-Appropriation Act Chapter 879, Final Budget and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1

As depicted in the next table, approximately 93 percent of Aging's total expenses are transfer payments for grants to Area Agencies and other contractors and service providers. For fiscal 2009, Aging had the following operating expenses:

Expenses by Type

Type of Expenses	2009	Percent
Transfer payments	$48,046,712	93%
Personal services	1,964,969	4%
Contractual services	1,357,932	3%
Continuous charges	203,227	<1%
Supplies and materials	42,007	<1%
Equipment	38,712	<1%
	$51,653,559	100%

Source: Commonwealth Accounting and Reporting System

DEPARTMENT FOR THE BLIND AND VISION IMPAIRED (BLIND AND VISION IMPAIRED)

Services

Blind and Vision Impaired enables blind, deaf-blind, and visually impaired individuals to achieve their maximum level of employment, education, and personal independence. Blind and Vision Impaired 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. Blind and Vision Impaired 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. Blind and Vision Impaired provides these services and devices through a variety of entities such as Vocational Rehabilitation, Rehabilitation Teaching and Independent Living, Educational Services, Virginia Industries for the Blind, the Library and Resource Center, Randolph Sheppard Vending Program, and Virginia Rehabilitation Center for the Blind and Vision Impaired.

Financial Information

The following table summarizes Blind and Vision Impaired total expenses for fiscal 2009. As indicated in the table below, Blind and Vision Impaired spends approximately 44 percent of its funds on supplies and materials. These expenses are mostly for merchandise and manufacturing supplies used in the enterprise division, Virginia Industries for the Blind.

Analysis of Expenses by Type

	Expenses	Percent
Supplies and materials	$17,199,966	43.5%
Personal services	12,974,402	32.8%
Contractual services	3,111,781	7.9%
Transfer payments	4,304,478	10.9%
Equipment	853,220	2.2%
Continuous charges	961,746	2.4%
Plant and improvements	109,512	0.3%
Total	$39,515,105	100.0%

Source: Commonwealth Accounting and Reporting System

Virginia Rehabilitation Center For The Blind And Vision Impaired (Blind And Vision Impaired Center)

Services

The Blind and Vision Impaired Center is a sub-agency of Blind and Vision Impaired that provides comprehensive services to severely visually impaired Virginians. The Blind and Vision Impaired Center provides a program of evaluation, adjustment, and prevocational training, which enables students to learn skills necessary for greater independence and efficiency and safety on the job, at home, and in social settings.

The Blind and Vision Impaired Center provides specialized training and evaluation in computer technology, Braille technology, and customer service representative training. The Blind and Vision Impaired Center has cooperative programs with other community agencies to meet the needs of the students in evaluation and training. A 40-bed dormitory is available to students who are receiving services at the Blind and Vision Impaired Center, with several rooms adapted to accommodate individuals with physical limitations.

Financial Information

Personal services, plant and improvements, and contractual services made up approximately 90 percent of all expenses during fiscal 2009. Plant and improvement expenses decreased dramatically from fiscal 2008 because the Blind and Vision Impaired Center recently completed a dorm renovation project. The plant and improvement expenses incurred during fiscal 2009 are for renovations made to the Administrative and Activity Buildings.

The table below summarizes the Blind and Vision Impaired Center's expenses for fiscal 2009.

Analysis of Expenses by Type

	Expenses	Percent
Personal services	1,396,215	39.5%
Plant and improvements	1,169,987	33.1%
Contractual services	617,197	17.5%
Supplies and materials	129,587	3.7%
Continuous charges	114,842	3.2%
Equipment	98,662	2.8%
Transfer payments	9,089	0.3%
Total	3,535,579	100.0%

Source: Commonwealth Accounting and Reporting System

VIRGINIA INDUSTRIES FOR THE BLIND (INDUSTRIES)

Services

Industries works in conjunction with the Division for Services at Blind and Vision Impaired and the Virginia Rehabilitation Center for the Blind and Vision Impaired to provide employment, training, and other vocational service to blind individuals across the Commonwealth. Services provided by Industries include vocational evaluation, work adjustment, on-the-job training, skill enhancement, and cross training, placement counseling, and a summer work program.

Industries' is a self-supporting division of that manufactures and sells items to military bases and government offices. Currently, Industries maintains 16 satellite operations across the state, including 11 office supply stores on military bases and federal administration locations. Industries' has manufacturing locations in Charlottesville and Richmond. Products manufactured by Industries include gloves, mattresses, writing instruments, mop heads and handles, and physical fitness uniforms. Industries also operate a full service mail handling service.

DEPARTMENT OF HEALTH PROFESSIONS (HEALTH PROFESSIONS)

Services

Health Professions, the Board of Health Professions (Board), and Virginia's 13 health regulatory boards have responsibility for ensuring the safe and competent delivery of healthcare services through the regulation of the health professions. The Board recommends policy, reviews Health Professions' budget matters and monitors its activities, adopts standards to evaluate the competency of the professions and occupations, and certifies compliance with those standards. The Board has one member from each of the 13 health regulatory boards and five citizen members. The Governor appoints all members, who may serve up to two four-year terms.

Health Professions provides administrative services, coordination, and staff support to the following regulatory boards.

Audiology and Speech Pathology	Optometry
Counseling	Pharmacy
Dentistry	Physical Therapy
Funeral Directors and Embalmers	Psychology
Long-term Care Administrators	Social Work
Medicine	Veterinary Medicine
Nursing	

Each of the health regulatory boards determines which applicants meet the necessary requirements for licensure, certification, and registration and is responsible for the adjudication of complaints against regulated healthcare providers. Licensure or certification typically requires the completion of a board-approved professional education program and the passage of approved examination in the professional field.

Systems Security

On April 30, 2009, Health Professions experienced a cyber attack on their Prescription Monitoring Program application. This attack remains under investigation by the Federal Bureau of Investigation and the Virginia State Police.

Financial Information

Health Professions uses a dedicated special revenue fund to account for the daily operations of the agency. The largest source of revenue comes from licensing application and renewal fees. The following table summarizes Health Professions' budgeted expenses compared with actual results for fiscal 2009.

Analysis of Budgeted and Actual Expenses by Program and Funding Source

Program	Original Budget	Final Budget	Actual Expenses
Regulation of Professions and Occupations	$27,200,701	$26,308,701	$25,286,409
Higher Education Student Financial Assistance	65,000	65,000	14,663
Total	$27,265,701	$26,373,701	$25,301,072

Source: Original budget-Appropriation Act Chapter 879, Adjusted Budget, and Actual Expenses – Commonwealth Accounting and Reporting System 1419D1 report as of June 30, 2009.

DEPARTMENT FOR THE DEAF AND HARD-OF-HEARING (DEAF AND HARD-OF-HEARING)

Services

Deaf and Hard-of-Hearing works to reduce communication barriers between individuals who are deaf or hard-of-hearing, their families, and the professionals who serve them. All of Deaf and Hard of Hearing's programs deal with 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). Deaf and Hard of Hearing provides services through the following programs: Relay Services; Interpreter Services Coordination; Quality Assurance Screening; Technology Assistance Program; and Outreach, Information, and Referral. Deaf and Hard of Hearing receives special revenue funds from the State Corporation Commission from earmarked tax collections.

Financial Information

In fiscal 2007, Deaf and Hard of Hearing and the Virginia Information Technologies Agency (VITA) jointly entered into contracts with both Sprint and the AT&T Cooperation to open, staff, and operate a telecommunications Relay Center in Norton, Virginia. The Relay Center provides telecommunication relay services for the deaf and hearing-impaired population across the Commonwealth. Deaf and Hard of Hearing serves as the oversight agency for the operation of the telecommunications relay services in the state.

The table below summarizes Deaf of Hard of Hearing's expenses for fiscal 2009. Contractual services make up approximately 91 percent of Deaf of Hard of Hearing's fiscal 2009 expenses. Of that total, payments made to the Sprint and AT&T Corporations make up approximately 95 percent of all contractual service payments.

Analysis of Expenses by Type

	Expenses	Percent
Contractual services	$11,409,064	91.2%
Personal services	729,295	5.8%
Equipment	243,091	1.9%
Continuous charges	112,401	0.9%
Supplies and materials	14,146	0.1%
Total	$12,507,996	100.0%

Source: Commonwealth Accounting and Reporting System

VIRGINIA BOARD FOR PEOPLE WITH DISABILITIES (BOARD)

Services

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's *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. The Board's total expenses for fiscal 2009 were $1.8 million.

Financial Information

The Board receives the majority of its funding through State General Funds and federal grants issued by the Administration of Child and Families. In addition, the Board also receives periodic donations to the Youth Leadership Forum.

Expenses of the Board consist mainly of personal services and transfer payments to run the boards programs including, but not limited to the Partners in Policy Making Program, Youth Leadership Forum, Disability Policy Fellowship, and Developmental Disabilities Competitive Grant Program.

The table below summarizes the Board's expenses for fiscal 2009.

Analysis of Expenses by Type

	Expenses	Percent
Personal services	$ 911,830	49.5%
Transfer payments	430,116	23.4%
Contractual services	305,563	16.6%
Continuous charges	144,683	7.9%
Equipment	19,848	1.1%
Supplies and materials	29,394	1.6%
Total	$1,841,435	100.0%

Source: Commonwealth Accounting and Reporting System

Commonwealth of Virginia

Walter J. Kucharski, Auditor

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

December 9, 2009

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable M. Kirkland Cox
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Agencies of the Secretary of Health and Human Resources**, as defined in the Audit Scope and Methodology section below, for the year ended June 30, 2009. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to evaluate the accuracy of the Agencies of the Secretary of Health and Human Resources financial transactions as reported in the Comprehensive Annual Financial Report for the Commonwealth of Virginia for the year ended June 30, 2009 and test compliance for the Statewide Single Audit. In support of this objective, for those agencies with significant cycles, as listed below, we evaluated the accuracy of recording financial transactions on the Commonwealth Accounting and Reporting System, their accounting systems, and other financial information they reported to the Department of Accounts, reviewed the adequacy of their internal control, tested for compliance with applicable laws, regulations, contracts, and grant agreements, and reviewed corrective actions of audit findings from prior year reports.

Audit Scope and Methodology

Management at the Agencies of the Secretary of Health and Human Resources have 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.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, account balances, and systems.

Department of Medical Assistance Services

- Medicaid revenues and expenses
- Accounts receivable
- Accounts payable
- System access controls
- System penetration
- Contract management

Department of Social Services

- Federal revenues and expenses
- Payroll expenses
- Monitoring of Local Social Services
- Performance measures
- Budgeting and cost allocation
- Network security and system access
- Oracle financial system

Department of Behavioral Health and Developmental Services

- Federal revenues and expenses
- Accounts receivable
- Payroll expenses
- Institutional revenues
- AVATAR System
- Monitoring of Community Service Boards
- Network security
- Financial Management System
- Capital construction and reporting

Department of Health

- Payroll expenses
- Support for local rescue squads
- Aid to local governments
- Collection of fees for services
- Payments from localities
- Federal revenues and expenses
- Network security
- Financial and Accounting system

Comprehensive Services for At Risk Youth and Families

- Administrative controls at the Department of Education
- Revenues and expenses

Department of Health Professions

- Revenues and expenses
- I-9 compliance
- Small Purchase Charge Card
- Board cash balances
- System controls

Our Office, for certain significant cycles listed below, has or is planning to issue statewide reports that cover the topics from the perspective of the entire Commonwealth. To view these reports or request electronic copies as they come available go to: www.apa.virginia.gov.

Performance measures
Network security
Administrative processing

The Department of Health Professions was audited for the years ended June 30, 2008, and June 30, 2009.

At the request of the Department of Medical Assistance Services' management, we completed penetration testing of its information systems in fiscal year 2009. Given the sensitive nature of these results, they are not included in this report; however, detailed results were provided to management in a separate report.

Our audit did not include the Department of Aging or the Department of Rehabilitative Services, which we will audit and report on our results under a separate report. Audits and reports for the Department of Rehabilitative Services historically include the six agencies that it provides administrative services for, which are: Woodrow Wilson Rehabilitation Center, Department for the Blind and Vision Impaired, Virginia Industries for the Blind, Virginia Rehabilitation Center for the Blind and Vision Impaired, the Department for the Deaf and Hard-of-Hearing, and the Virginia Board for People with Disabilities. Additionally, Comprehensive Services for At Risk Youth and Families receives administrative services from the Department of Education, which were audited and reported on under a separate report.

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. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, contracts, reconciliations, board minutes, and the Code of Virginia, and observation of the Agencies' operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses. Where applicable, we compared an agency's policies to best practices and Commonwealth standards.

Conclusions

We found that the Agencies of the Secretary of Health and Human Resources properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and in other financial information reported to the Department of Accounts for inclusion in the Comprehensive Annual Financial Report for the Commonwealth of Virginia. The Agencies record their 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 or from the Agencies.

We noted certain matters involving internal control and its operation and compliance with applicable laws and regulations that require management's attention and corrective action. These

matters have been categorized by agency and are described in the section entitled "Internal Control and Compliance Findings 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.

Exit Conference and Report Distribution

We discussed this report with management at the Agencies of the Secretary of Health and Human Resources between January 6 and 12, 2010. Management's responses have been included at the end of this report.

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.

AUDITOR OF PUBLIC ACCOUNTS

GDS/clj

COMMONWEALTH of VIRGINIA

DEPARTMENT OF
BEHAVIORAL HEALTH AND DEVELOPMENTAL SERVICES

JAMES S. REINHARD, M.D.
COMMISSIONER

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Voice/TDD (804) 371-8977
www.dbhds.virginia.gov

MEMORANDUM

To: Walter J. Kucharski
Auditor of Public Accounts

From: James S. Reinhard, M.D.

Subject: **Responses to APA Audit for FY 2009**

Date: January 12, 2010

Attached is the Department of Behavioral Health and Developmental Services responses to the APA Audit for FY 2009.

If you have any questions, please do not hesitate to contact me. Thank you.

JSR/bm
Attachment

Virginia Department of Behavioral Health and Developmental Services
Response to Auditor of Public Accounts Audit
For the Fiscal Year Ended June 30, 2009

Presented below are the responses of the Department of Behavioral Health and Developmental Services (DBHDS) to the Auditor of Public Accounts audit for the fiscal year ended June 30, 2009.

Risk Alert-Efficiency Recommendation

DBHDS agrees that further consolidation of functions will be needed as the current budgetary situation grows worse. Because the Central Office has been reduced by 84 staff (approximately one third of its original staffing level) and 31.5% of its appropriation during the last three rounds of budget reduction, we feel that consolidation and regionalization of functions among facilities holds more promise than centralizing these functions as part of our Central Office.

During the next ten months DBHDS will develop a plan to further consolidate functions among facilities with the goal of implementation by the outset of fiscal year 2012. Such adjustments will need to be made carefully to ensure that appropriate controls remain in place throughout the process. Implementation of any regionalization and consolidation cannot occur prior to the outset of fiscal year 2010 due to the limited staffing levels currently n place at the Central Office.

Parties Responsible for Implementation: Deputy Commissioner and All Facility Directors

Implementation Date: July 1, 2011

Improve Information Systems Security Program Governance

Beginning in June 2009 work began to increase the oversight by the agency ISO of facility implementation of the information security program. Facilities were required to submit documentation to the ISO on data retention requirements, facility information security risk assessments, and application business impact analyses. This information is being reviewed by the agency ISO to work with facilities on developing a corrective action plan to ensure compliance with COV security standards.

In January 2010 the ISO will work with the DBHDS Deputy Commissioner and the Assistant Commissioner for Public relations and Quality Improvement to develop and implement a more comprehensive information security governance program to be rolled out to facilities by the Spring of 2010. This will include more active onsite monitoring of

state facilities by the ISO and a more formal reporting relationship between the ISO and Facility Security Officers.

Parties Responsible for Implementation: Deputy Commissioner, Assistant Commissioner for Public Relations and Quality Improvement

Implementation Date: June 30, 2010

Improve Security Awareness Training Documentation

Security awareness training was developed and implemented per the agency corrective action plan developed as a result of the previous year's findings. This was done via the Learning Management System during the summer of 2009. Documentation was provided to the APA regarding the implementation of this program. We, therefore, do not completely agree with this finding and have demonstrated our compliance via documentation submitted to the APA earlier.

We do plan to implement further improvements which will include monthly reports to the ISO of new employees hired by state facilities with the intent to monitor compliance with the completion of the IT Awareness Training. Annual training implementation and tracking will include bi-weekly updates to the ISO during annual training deployment in order to monitor security awareness training compliance by 100% of agency staff assigned to the network.

Parties Responsible for Implementation: Assistant Commissioner for Public Relations and Quality Improvement, Information Security Officer

Implementation Date: June 30, 2010

Continue Improving IT Continuity of Operations and Disaster Recovery Plans

DBHDS concurs with this finding. As of December, 2009 all DBHDS facilities submitted IT COOP and Disaster Recovery Plans to the ISO. The ISO will begin testing facility COOP/Disaster Recovery Plans in January 2010 and work with Facility Security Officers to develop corrective action plans attributable to any issues that are uncovered. COOP/Disaster Recovery Plans will be updated annually.

Parties responsible for Implementation: DBHDS ISO

Implementation Date: June 30, 2010

Improve System Access Controls

DBHDS concurs with this finding.

Responsible Parties for Implementation: Deputy Commissioner and Facility Directors

Date of Implementation: June 30, 2010

Strengthen Timekeeping Operations

This finding relates specifically to Central Virginia Training Center. DBHDS concurs with this finding.

Responsible Party for Implementation: CVTC Finance Director

Date of Implementation: Immediately

Require Independent Peer Reviews

DBHDS concurs. Additional guidance will be sought from CMHS regarding peer reviews or acceptable alternatives.

Responsible Party for Implementation: Director, Mental Health Services

Date of Implementation: Immediately

Reinforce Reporting Requirement

The deadline of October 1 for the completion of final independent audits of our community services boards is not reasonable. While it is true that the Code requires October 1, the numerous year end reporting requirements applicable to community services boards makes this nearly impossible. DBHDS will work with community services boards to expedite the completion and submission of independent audits and will include this requirement in the annual performance contract.

Responsible Party for Implementation: Director, Office of Community Contracting, Director, Office of Budget and Financial Reporting

Date of Implementation: May 1, 2010 (Date of the New CSB Performance Contracts)

Improve Access to Timekeeping System

DBHDS concurs with this recommendation.

Responsible Party for Implementation: Deputy Commissioner, Facility Directors

Date of Implementation: Effective Immediately

Continue Improving CSB Monitoring Program

DBHDS will continue its current practice of reviewing each CSB independent audit; assigning a risk factor and using this assessment as the basis for field site reviews. We have implemented a review program that includes our program staff as they are part of the field site review team. Because our Internal Audit function has been reduced to one staff person, this process will become more challenging. Also, as the Office of Budget and Financial Reporting forwards its risk matrix to the Assistant Commissioner, Services and Supports, a follow up will be done to ensure that that division also assesses program risks and includes such risks in the annual performance contract with each CSB.

Responsible Party for Implementation: Assistant Commissioner, Services and Supports

Date of Implementation: March 31, 2010

COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

Office of the Commissioner

Anthony Conyers, Jr.
COMMISSIONER

January 6, 2010

Walter J. Kucharski
Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Mr. Kucharski:

We have reviewed your Report on Audit for the year ended June 30, 2009. We concur with your findings and have initiated corrective actions.

If you have questions, please contact J. R. Simpson, Chief Financial Officer.

Sincerely,

Anthony Conyers, Jr.

AC:jrs

cc: VDSS Leadership Team

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http://www.dss.state.va.us
(804) 726-7000 Fax: (804) 726-7015 TDD: (800) 828-1120

COMMONWEALTH of VIRGINIA

Karen Remley, MD, MBA, FAAP
State Health Commissioner

Department of Health
P O BOX 2448
RICHMOND, VA 23218

TTY 7-1-1 OR
1-800-828-1120

January 8, 2010

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

Dear Sir:

We are providing this letter in response to your report on audit of the financial records of the Virginia Department of health for the fiscal year ended June 30, 2009.

We confirm that we have reviewed the findings, conclusions and recommendations and have prepared a response and corrective action plan which is attached.

Sincerely,

Karen Remley, M.D.,M.B.A., FAAP
State Health Commissioner

CC: Department of Accounts

Virginia Department of Health

1) Improve Application and Database Management – First Year Finding

Management Plan for Corrective Action

Due to the sensitive nature of the corrective action plans necessary to implement changes to address these recommendations, the Department of Health communicated its detailed corrective action plans to the Auditor of Public Accounts in a separate Freedom of Information Act exempt document.

Responsible Party: *Dr. James Burns, Chief Information Officer*

Completion Date: *February 28, 2010*

2) Improve Access Controls to Patient Information – First Year Finding

Management Plan for Corrective Action

The Department of Health has already removed improper access roles. Health is also investigating several alternatives to keep its active directory current for its Patient Information system and to monitor conflicting user roles.

Responsible Party: *Tim Dunk, Information Security Officer*

Completion Date: *June 30, 2010*

COMMONWEALTH of VIRGINIA

Sandra Whitley Ryals
Director

Department of Health Professions
Perimeter Center
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Henrico, Virginia 23233-1463

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FAX (804) 527- 4475

January 12, 2010

Mr. Walter J. Kucharski
Auditor of Public Accounts
P. O. Box 1295
Richmond, Virginia 23218

Dear Mr. Kucharski:

Please accept this letter as our response to the audit of the Department of Health Professions for Fiscal Years 2007-08 and 2008-097.

I would like to express appreciation for the quality of the staff work done on our audit. Your staff was courteous, thorough, understanding of the additional workload their efforts had on DHP's finance staff, and fair.

We had an exit conference with your staff on January 7, 2010, and have no unresolved issues.

Thank you.

Sincerely,

Sandra Whitley Ryals

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as of June 30, 2009

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