

# South Carolina Vocational Rehabilitation Department



## Agency Budget Request 2014-2015

### *Mission:*

*To enable South Carolinians with disabilities to prepare for, achieve  
and maintain competitive employment.*

Barbara Hollis  
Commissioner  
bhollis@scvrd.state.sc.us  
(803) 896-6504

Mark Wade\*  
Assistant Commissioner  
mwade@scvrd.state.sc.us  
(803) 896-6503

*\* Primary legislative contact*

Richard Elam  
Assistant Commissioner  
relam@scvrd.state.sc.us  
(803) 896-6506

# Table of Contents

Transmittal Letter .....	3
Organizational Chart .....	4
“Where We Are Now” .....	5
Agency Budget Request for FY2014 .....	6
Federal Funds Overview .....	7
Other Funds Overview .....	9
Base Budget Expenditures and Appropriations .....	11
Major Program Areas .....	12
Key Results .....	13
Duplicative Activities .....	18
Cost-Saving Initiatives .....	18
Counter Measures for Fraud and Abuse .....	18
Audit Information .....	19
Fiscal Impact of ACA .....	31
Bills in House and/or Senate .....	31
Proviso Requests.....	31
Fees and Fines .....	31
I.T. Security Survey.....	32



## South Carolina Vocational Rehabilitation Department

*Enabling eligible South Carolinians with disabilities to prepare for,  
achieve and maintain competitive employment.*

Barbara G. Hollis, Commissioner

---

February 4, 2014

The Honorable G. Murrell Smith Jr., Chairman  
The Honorable William Clyburn  
The Honorable Tracy R. Edge  
The Honorable William G. Herbkersman

Ways and Means Healthcare Subcommittee  
South Carolina House of Representatives

Dear Representatives:

The Vocational Rehabilitation Department's budget request is hereby submitted for your consideration.

The department is requesting no additional recurring funding for 2014-2015. We are appreciative of the recurring funding that has been restored the past two years. However, there are still significant needs in deferred maintenance as a result of the years in which state budget reductions and accompanying federal penalties required us to delay facility maintenance projects. Our request for the upcoming year is for one-time funding of three deferred maintenance projects, totaling \$1.15 million.

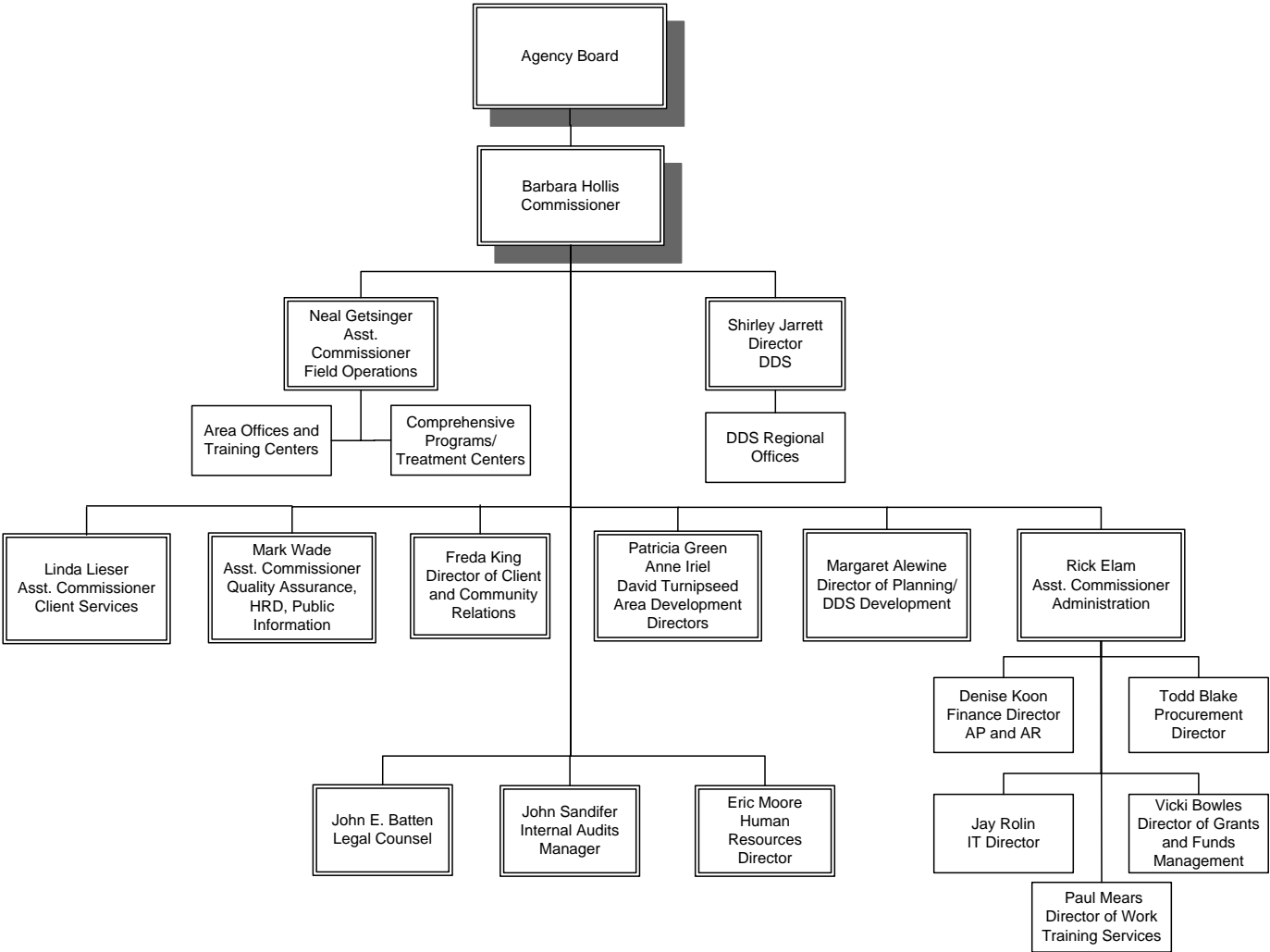
Vocational Rehabilitation services continue to generate an excellent return on investment for our state. If you consider just the state portion of the department's funding, only \$360 is spent on the average client served, and the state's cost for each successful employment outcome is only about \$2,500. Those SCVRD clients will, as taxpaying members of the state's workforce, pay back more than three dollars for every dollar spent on their services and will repay the cost of services in about six years. Employers and our communities will benefit from the skills and talents of job-ready people with disabilities.

Thank you for your support of people with disabilities and Vocational Rehabilitation. Please let me know if you have any questions about our request or our services.

Sincerely,

Barbara G. Hollis  
Commissioner

South Carolina Vocational Rehabilitation Department 2014



## **“Where We Are Now”**

### **Funding:**

- Nearly 4 dollars in federal allotment for each state dollar.
- SCVRD receives no Medicaid dollars.
- SCVRD currently funded at base state level of \$13,748,902, which enables the agency to access its full federal allotment for 2013-2014 (\$49,074,806).
- It is anticipated that at its current base state level SCVRD will be able to access its full 2014-2015 federal allotment.

### **SCVRD Snapshot:**

- In SFY 2013, 5,413 South Carolinians with disabilities became successfully employed after receiving SCVRD services. A major factor in the decline in those outcomes has been the inability to maintain staffing levels for counselors and field support staff in recent years. Training new and inexperienced staff is a priority in re-establishing higher levels of successful employment outcomes.
- SCVRD exceeded state and regional averages in the percentage of clients who became competitively employed and in the percentage of clients who became self-supporting after receiving services.
- Return on Investment: successfully employed clients will pay back about \$3.24 dollars in taxes for every VR dollar spent on their rehabilitation and repay the cost of their rehabilitation in about 6.5 years.
- SCVRD cost effectiveness ranks high nationally. The agency has the third lowest total cost per rehabilitation in the U.S. and the fourth highest number of successful employment outcomes in proportion to population. Administrative costs are the second-lowest in the nation.
- The state’s cost is minimal. Only \$360 in state funding is spent per person served; the state’s cost per successful employment outcome is only about \$2,500.

# South Carolina Vocational Rehabilitation Department

*Enabling eligible South Carolinians with disabilities to prepare for,  
achieve and maintain competitive employment.*

## **Funding Request for SFY 2014-2015:**

### ***Recurring Funding:***

No request for increase.

### ***Non-Recurring Funding:***

Requests for Priority Deferred Maintenance Projects:

Gaffney Office/Work Training Center Roof \$ 350,000

The roof of this 23,000 square ft. building is more than 20 years old and in need of replacement before further deterioration of the roof deck, ceiling and damage to building contents occurs. Numerous leaks have been repaired but the problem has grown too large for short-term patching.

Oconee-Pickens Office/Work Training Center Pavement Repair \$ 400,000

Marlboro Office/Work Training Center Pavement Repair \$ 400,000

The parking lots, driveways and loading areas of these facilities in Seneca and Bennettsville are 24 and 25 years old respectively. The existing paving is in need of repair and resurfacing and is a safety hazard. A portion of the existing asphalt paving in the loading area would be replaced with concrete paving to better withstand the impact of large trucks that access the work training centers.

## **Federal Funds Overview (for State Fiscal Year 2014)**

*Title:*       **Rehabilitation Services—Vocational Rehabilitation Grants to States**  
*Source:*     U.S. Department of Education, Rehabilitation Services Administration  
*Amount:*    **\$ 48,984,182**  
*Summary:*   This grant funds the core program of the agency, which enables eligible people with disabilities to prepare for, achieve and maintain competitive employment. A 21.3% state match is required.

---

*Title:*       **Social Security Disability Determination Services**  
*Source:*     Social Security Administration  
*Amount:*    **\$ 41,029,501**  
*Summary:*   SCVRD's Disability Determination Services unit evaluates claims for disability benefits (SSI/SSDI) filed under the provisions of the Social Security Act. This program is fully funded by the Social Security Administration.

---

*Title:*       **Independent Living State Grant**  
*Source:*     U.S. Department of Education, Rehabilitation Services Administration  
*Amount:*    **\$ 257,049**  
*Summary:*   These funds support activities related to provision of Independent Living services to individuals with significant disabilities. Funds are passed through to the SC. Independent Living Council, Disability Action Center, Walton Options for Independent Living, and Disability Resource Center, all 501(c) 3 organizations, based on a budget and resource plan outlined in the State Plan for Independent Living. At 10% state match is required to support this grant.

---

*Title:*   **Rehabilitation Training—State V.R. Unit In-Service Training**

*Source:*     U.S. Department of Education, Rehabilitation Services Administration  
*Amount:*    **\$ 148,403** for FFY2013 (\$ 743,508 over 5 years)  
*Summary:*   This five-year grant funds training and staff development for the basic vocational rehabilitation services program. A 10% state match is required to support this grant, which equips staff to provide services leading to quality employment outcomes for people with disabilities. Recruitment and retention of qualified staff, and leadership development are other key areas of focus.

---

*Title:* **Supported Employment Services for Individuals with Severe Disabilities**  
*Source:* U.S. Department of Education, Rehabilitation Services Administration  
*Amount:* **\$ 297,496** for FFY2013  
*Summary:* This grant funds specialized services for people with the most significant disabilities who need assistance in learning job skills and in making the transition to the workplace. Job coaches employed by SCVRD work, for a limited period, side-by-side with these clients in an on-the-job setting at agency expense, giving the employer an incentive to hire the client and giving the client the support needed to succeed.

---

*Title:* **South Carolina Pathways Toward Employment**  
*Source:* Social Security Administration, Work Incentives Planning & Assistance Program  
*Amount:* **\$267,769** in FY2013 (\$ 1,551,076 total for 5-year award)  
*Summary:* In cooperation with the Social Security Administration, this project helps educate South Carolinians with disabilities who choose to work in making the transition from receiving SSI/SSDI benefits to employment and self support. A 5% state cost sharing is required.



## Other Funds Overview (for State Fiscal Year 2014)

*Title:*       **I. Administration**

*Sources:*   County revenues, program income from training centers

*Amount:*   **\$ 446,468**

*Summary:* These funds are used to help fund administrative functions in managing the vocational rehabilitation program and supporting activities such as training and staff development, human resources, financial management, budgeting, procurement and information systems.

---

*Title:*       **II.A Basic Services**

*Sources:*   Program income from training centers, residential center revenue, basic support match from the Department of Mental Health

*Amount:*   **\$ 7,242,011**

*Summary:* These funds support the basic client service delivery program, including counseling and guidance, vocational assessment, job readiness training, purchased services, and job placement services.

---

*Title:*       **II.B Special Projects**

*Sources:*   Program income from training centers, SSA reimbursements for successfully employed SSI/SSDI recipients

*Amount:*   **\$ 2,415,347**

*Summary:* These funds are utilized for special projects to augment the basic services program.

---

*Title:*       **II.C Work Training Center Production**

*Sources:*   Business and industry partners

*Amount:*   **\$ 21,000,000**

*Summary:* SCVRD has outsource agreements with more than 450 businesses and industries statewide. People with disabilities in 24 work training centers receive job readiness training that includes performance of contract work for business and industry. They learn job skills and work habits that prepare them for employment. These funds from private/public partnerships are used to offset the costs of running the facilities.

---

*Title:*       **III. Disability Determination Services**

*Sources:*   S.C. Department of Health and Human Services, S.C. Retirement Systems,  
Homestead Exemption Act

*Amount:*   **\$ 3,351,216**

*Summary:* In addition to its core function of adjudicating disability claims for the Social Security Administration, the Disability Determination Services (DDS) also processes Medicaid disability claims for HHS, retirement disability claims for the state retirement systems, and disability claims filed under the Homestead Exemption Act. The earmarked funds from those three entities account for only 6 percent of DDS funding, the remainder of which is federal funding from the Social Security Administration.

---

# Base Budget Expenditures and Appropriations

(from Agency Accountability Report SFY2013)

Major Budget Categories	FY 11-12 Actual Expenditures		FY 12-13 Actual Expenditures		FY 13-14 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$ 50,296,425	\$ 6,455,245	\$ 51,550,306	\$ 9,458,553	\$ 64,897,739	\$ 9,092,773
Other Operating	\$ 29,392,755	\$ 37,227	\$ 30,668,871	\$ 33,020	\$ 41,774,360	\$ 66,557
Special Items	\$ 46,164					
Permanent Improvements	\$ 110,499		\$ 6,316			
Case Services	\$ 19,609,545		\$ 20,323,789	\$ 1,000,000	\$ 26,489,138	\$ 1,000,000
Distributions to Subdivisions						
Fringe Benefits	\$ 15,787,690	\$ 2,091,533	\$ 16,930,802	\$ 3,219,939	\$ 21,154,447	\$ 3,656,129
Non-recurring						
<b>Total</b>	\$ 115,243,078	\$ 8,584,005	\$ 119,480,084	\$ 13,711,512	\$ 154,315,684	\$ 13,815,459
		<b>Other Expenditures</b>				
		<b>Sources of Funds</b>	<b>FY 11-12 Actual Expenditures</b>	<b>FY 12-13 Actual Expenditures</b>		
		Supplemental Bills				
		Capital Reserve Funds	\$ 2,500,000	\$ 9,722		
		Bonds				

# Major Program Areas

(from Agency Accountability Report SFY2013)

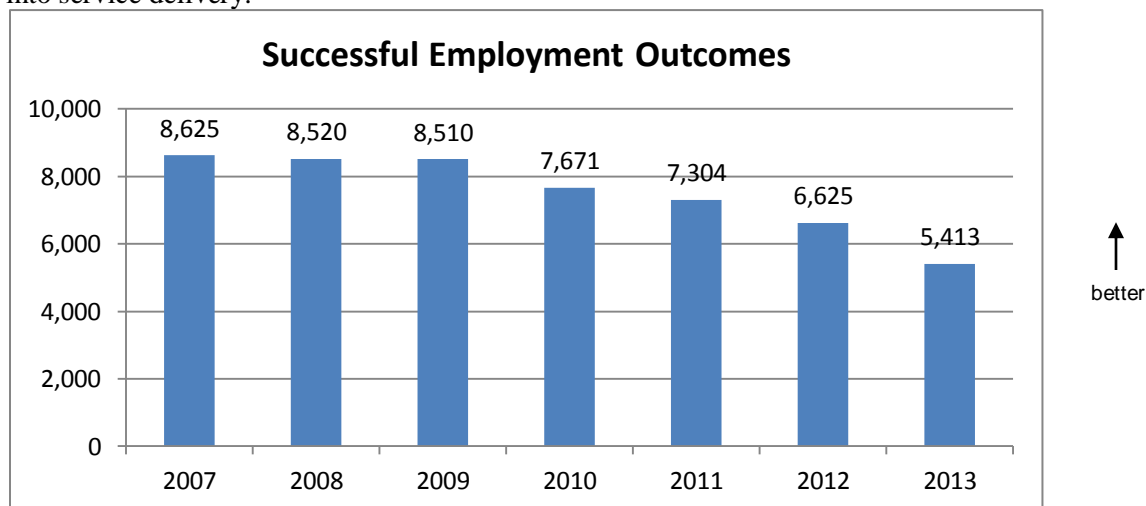
Program Number and Title	Major Program Area Purpose (Brief)	FY 11-12 Budget Expenditures		FY 12-13 Budget Expenditures		Key Cross References for Financial Results*
01000000 Administration	General operation and support of all agency programs.	State: 658,321.00		State: 638,571.00		7.3-1 thru 7.3-7
		Federal: 5,336,447.00		Federal: 5,283,351.00		7.4-2
		Other: 136,315.00		Other: 135,402.00		7.4-5 thru 7.4-6
		Total: 6,131,083.00		Total: 6,057,324.00		7.6-3
		% of Total Budget: 5.19%		% of Total Budget: 5.06%		
05100000 Basic Services	Delivery of services to people with disabilities enabling them to prepare for, achieve and maintain competitive employment.	State: 5,786,443.00		State: 8,811,015.00		7.1-1 thru 7.1-9
		Federal: 29,691,037.00		Federal: 30,376,441.00		7.5-1
		Other: 1,822,416.00		Other: 2,020,113.00		7.5-4
		Total: 37,299,896.00		Total: 41,207,569.00		
		% of Total Budget: 31.68%		% of Total Budget: 34.49%		
05250000 Special Projects	Grant programs, extended rehabilitation services, in-service training, Independent Living.	State: 47,708.00		State: 41,986.00		7.2-3
		Federal: 1,269,840.00		Federal: 950,424.00		7.3-7
		Other: 1,220,006.00		Other: 1,166,159.00		7.5-2
		Total: 2,537,554.00		Total: 2,158,569.00		
		% of Total Budget: 2.16%		% of Total Budget: 1.81%		
05300000 Workshop Production	Program income from work training centers.	State:		State:		
		Federal:		Federal:		
		Other: 16,961,735.00		Other: 16,612,106.00		7.3-5
		Total: 16,961,735.00		Total: 16,612,106.00		
		% of Total Budget: 14.41%		% of Total Budget: 13.90%		
25000000 Disability Determination Services	Adjudicate SS/SSDI claims for the Social Security Administration.	State:		State:		
		Federal: 34,803,173.00		Federal: 33,777,476.00		7.1-10
		Other: 1,611,447.00		Other: 1,729,921.00		
		Total: 36,414,620.00		Total: 35,507,397.00		
		% of Total Budget: 30.93%		% of Total Budget: 29.72%		
<b>Below: List any programs not included above and show the remainder of expenditures by source of funds.</b>						
95000000 Employer Contributions, 98010000 Non-Recurring Proviso Funds and 99000000 Capital Projects						
	<b>Remainder of Expenditures:</b>	State: 2,091,533.00		State: 4,219,940.00		
		Federal: 12,631,412.00		Federal: 12,430,461.00		
		Other: 3,675,245.00		Other: 1,296,440.00		
		Total: 18,398,190.00		Total: 17,946,841.00		
		% of Total Budget: 15.63%		% of Total Budget: 15.02%		

\* Key Cross-References are a link to the Category 7 - Business Results. These References provide a Chart number that is included in the 7th section of this document.

## Key Results

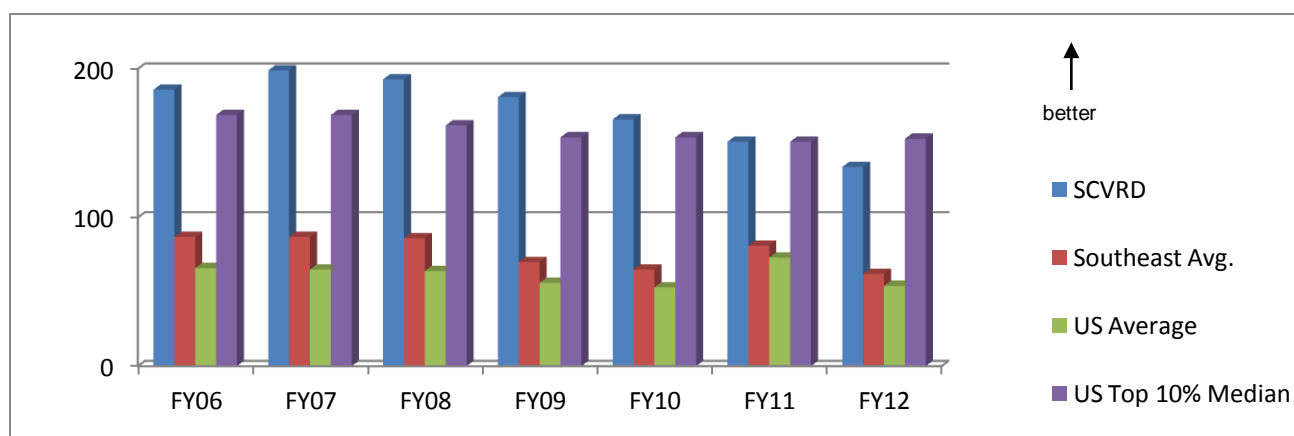
### SUCCESSFUL EMPLOYMENT OUTCOMES

A key performance effectiveness result is the number of people with disabilities that have successful employment outcomes after receiving SCVRD services. In FY2013 the number of successful rehabilitations decreased as the department experienced the residual effects of several years of state budget reductions. This especially impeded outreach to itinerant and rural areas. High unemployment rates have impacted job placement efforts, as has the need to integrate new, inexperienced SCVRD staff into service delivery.



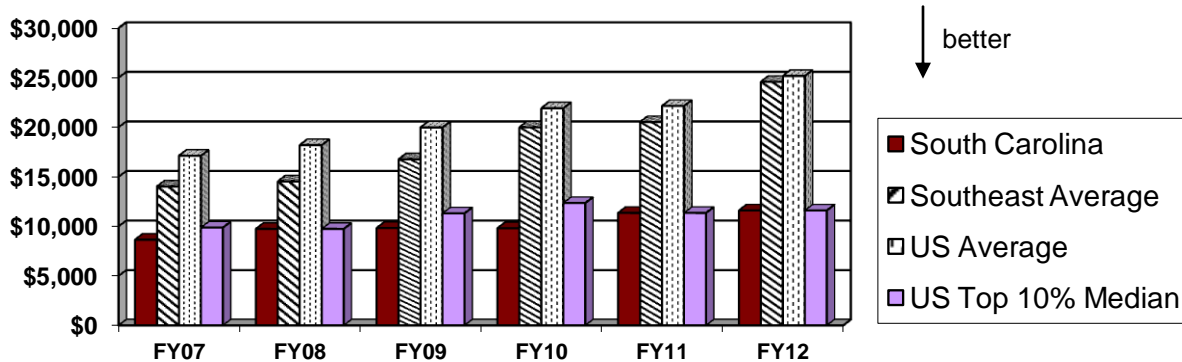
### REHABILITATIONS PER 100,000 POPULATION

For many years SCVRD has consistently ranked at or near the top among the nation's public vocational rehabilitation programs in the number of people rehabilitated per 100,000 population. The latest national figures from federal FY2012 show SCVRD at **134** people rehabilitated per 100,000, **fourth highest in the nation**, trailing only Vermont, which had 286, West Virginia (183) and Mississippi (153). SCVRD was second in the Southeast region. The Southeast average was **81**, the national average was **73**.



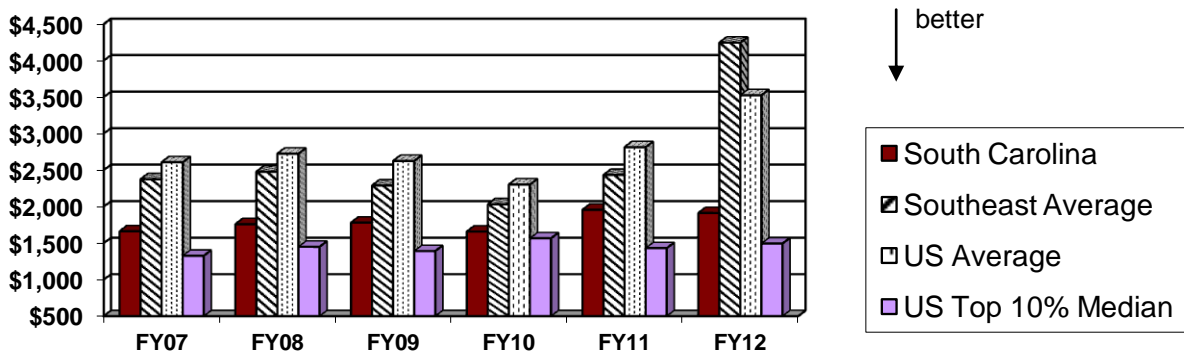
## AVERAGE COST PER CLIENT REHABILITATED

The department's efficiency and effectiveness is reflected in its national prominence among VR agencies in cost per rehabilitation based on agencies' total expenditures. For each successfully employed client in federal FY2012, the department's average cost was **\$11,592, the third lowest in the entire nation** and lowest in the Southeast. Idaho was the lowest at \$8,393. Mississippi had the second lowest cost in the Southeast region at \$14,897.



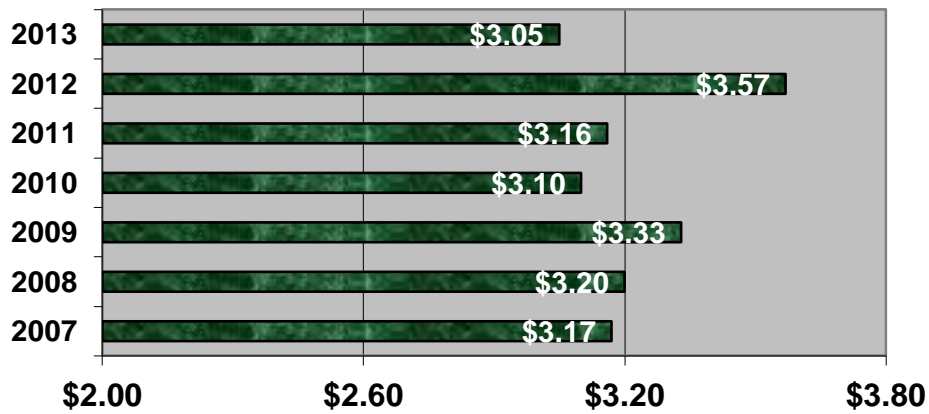
## AVERAGE COST PER CLIENT SERVED

SCVRD has consistently ranked among the nation's best programs in the average cost per client served based on the agencies' total expenditures. In federal FY2012, the department had the **11<sup>th</sup> lowest** cost per client served (**\$1,912**) among state VR programs in the U.S, moving up from 12<sup>th</sup> the previous year. SCVRD also had the third-lowest average cost among the eight Southeastern regional states (Kentucky led at \$1,494).



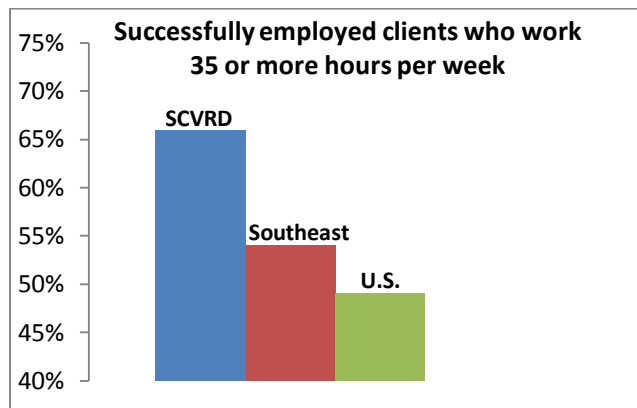
## Taxpayer Payback Cost/Benefit Ratio

(How much each rehabilitated client will pay back in taxes for each dollar spent on his/her VR services)



## FULL-TIME EMPLOYMENT OF CLIENTS

While the extent of work schedules vary for people with disabilities based on their own circumstances, working longer hours enhances the independence and employment success for many, and increases the state's return on investment. A higher percentage of rehabilitated SCVRD clients work 35 or more hours per week than clients in most other states. SCVRD's rate of 66% for FFY2012 far exceeded regional and national averages for VR agencies.

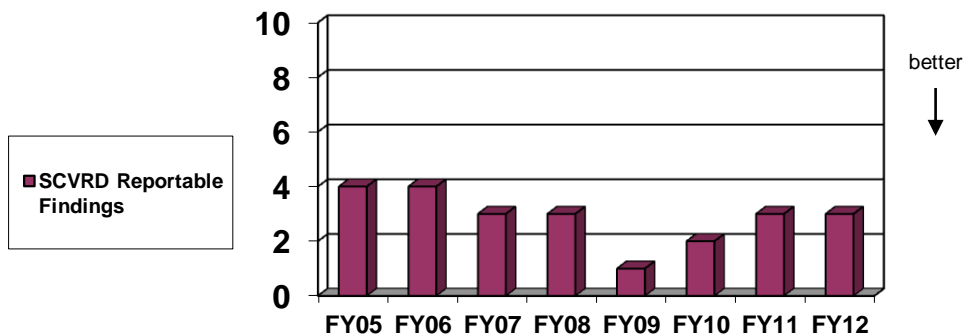


↑  
better

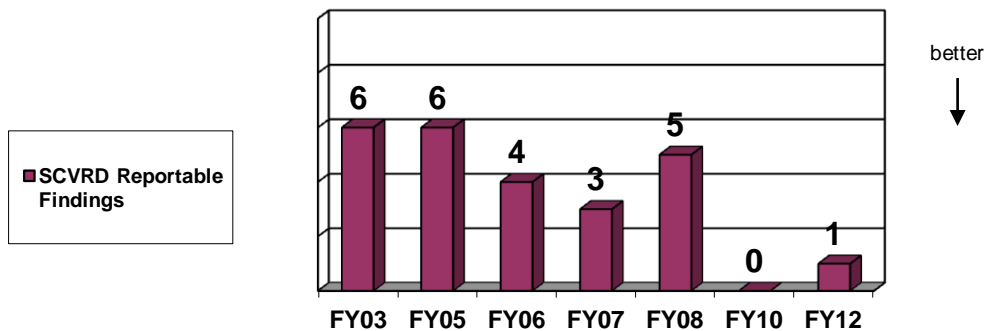
## FISCAL ACCOUNTABILITY

The department must adhere to budgeting and procurement codes, building codes, and various other state and federal regulations that any government agency would be subject to. Fiscal accountability is established through internal and external audits. Financial audits are conducted annually by the State Auditor's office and any findings are addressed through corrective actions. The most recent procurement audit and benefits audit were both very favorable. In the most recent single audit SCVRD showed only three reportable findings. The most recent State Agreed-Upon Procedure Audit (FY2012) contained one finding.

State of South Carolina Single Audit Results



State of South Carolina Agreed Upon Procedures Audit

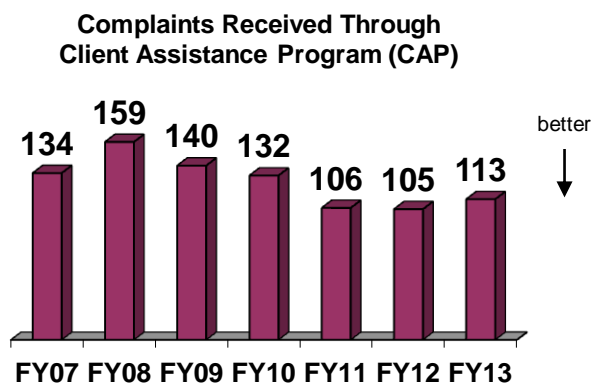




## CLIENT COMPLAINTS

In its “Annual Report on Appeals Process” to the RSA, U.S. Department of Education, the department reported no new requests for mediation with SCVRD clients during the year and no disputes needing resolution in an impartial hearing process (formal administrative review). The client relations specialist, staff attorney, human resources department, commissioner’s office and the Client Assistance Program (CAP) in the Governor’s office work closely together to ensure ethical and fair treatment of agency clients before extreme measures would become necessary.

Despite the large number of clients served (about 38,000) the number of complaints registered through CAP remains relatively small—totaling 113 during FY2013.



## **Duplicative Activities with Other State Agencies**

- SCVRD does not have duplicative services. It does partner with several other agencies to provide complementary services focused on employment for citizens with disabilities who are served by those agencies.

## **Cost Saving Initiatives**

- SCVRD has reached agreements with participating pharmacies to reduce costs on prescriptions.
- Costs for eyeglasses have been lowered through the establishment of a process with a specific selection of glasses for clients.
- Strong focus on safety has had significant cost savings. Injury rates for staff and for clients in the work training centers have continued to improve and are well below national industry levels. This helps the agency keep workers' compensation premiums low.

## **Counter Measures for Fraud and Abuse**

- The agency has been proactive for a number of years in implementation of computer security measures. Added protections have been put into place to help protect agency clients' Personally Identifiable Information (PII), including the removal of Social Security numbers from multiple forms and applications and logs created when information is accessed by agency staff. IT staff completed 11 network-wide changes tied to DSIT's Cyber Security Action Plan. The agency also purchased and configured a new Internet firewall, upgraded web and email filtering servers, enhanced capabilities of its disaster recovery site and began evaluating multi-factor authentication equipment for potential upgrades.
- SCVRD's Disability Determination Services partnered with U.S. Office of Inspector General, Social Security field offices and SLED to form Cooperative Disability Investigations to identify people who fraudulently accessed Social Security and Medicaid disability benefits. In federal fiscal year 2013 more than \$40 million was saved through these investigations in the Columbia CDI unit.
- A portal for anyone wishing to "Report Suspected Fraud" is located on the main menu of the agency's website.
- The agency has an internal audits department, which operates independently of other units and reports directly to the Commissioner.
- An e-mail tool for clients, families or other customers of the department to contact the agency, or to report problems, complaints or wrongdoing, is prominently displayed on the agency website.
- The agency provides all clients with information on how to contact the Office of the Governor's Client Assistance Program to report issues with the department's staff.

## **Audit Information**

- There have been no recent Legislative Audit Council reports focused on SCVRD.
- Recent state financial audits have been positive. The most recent state audit of Agreed-Upon Procedures resulted in one exception for SCVRD. The finding and agency response is shown on page 20.
- The most recent Single Audit had three findings. The findings and agency's response are shown on page 29.

South Carolina Vocational Rehabilitation Department

Columbia, South Carolina

Independent Accountant's Report on

Applying Agreed-Upon Procedures

*for the year ended June 30, 2012*



## Independent Accountant's Report on Applying Agreed-Upon Procedures

Mr. Richard H. Gilbert, Jr., Deputy State Auditor  
South Carolina Office of the State Auditor  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the governing body and management of the South Carolina Vocational Rehabilitation Department (the "Department") and the South Carolina Office of the State Auditor (the "State Auditor"), solely to assist you in evaluating the performance of the Department for the fiscal year ended June 30, 2012, in the areas addressed. The Department's management is responsible for its financial records, internal controls and compliance with State laws and regulations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

### 1. Cash Receipts and Revenues

- We inspected 25 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 25 recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.
- We compared current year recorded revenues at the subfund and account level from sources other than State General Fund appropriations to those of the prior year. We investigated changes in the earmarked, restricted and federal funds to ensure that revenue was classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$150,000 – earmarked fund and \$420,000 – federal fund) and +/- 10 percent.

- We made inquiries of management pertaining to the Department's policies for accountability and security over permits, licenses, and other documents issued for money. We observed Department personnel performing their duties to determine if they understood and followed the described policies.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

## **2. Non-Payroll Disbursements and Expenditures**

- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected 25 recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.
- We compared current year expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$60,000 – general fund, \$150,000 – earmarked fund and \$420,000 – federal fund) and +/- 10 percent.

The individual transactions selected were chosen randomly. Our findings as a result of these procedures are presented as finding Expenditure Cut-Off in the Accountant's Comments section of this report.

## **3. Payroll Disbursements and Expenditures**

- We inspected 25 recorded payroll disbursements to determine if the selected payroll transactions were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; payroll transactions were properly authorized and were in accordance with existing legal requirements and processed in accordance with the Department's policies and procedures and State regulations.
- We inspected payroll transactions for 9 new employees and 25 employees who terminated employment to determine if the employees were added and/or removed from the payroll in accordance with the Department's policies and procedures, that the employee's first and/or last pay check was properly calculated and that the employee's leave payout was properly calculated in accordance with applicable State law.

- We compared current year payroll expenditures at the subfund and account level to those of the prior year. We investigated changes in the general, earmarked and federal funds to ensure that expenditures were classified properly in the Department's accounting records. The scope was based on agreed upon materiality levels (\$60,000 – general fund, \$150,000 – earmarked fund and \$420,000 – federal fund) and +/- 10 percent.
- We compared the percentage change in recorded personal service expenditures to the percentage change in employer contributions and computed the percentage distribution of recorded fringe benefit expenditures by fund source and compared the computed distribution to the actual distribution of recorded payroll expenditures by fund source. We investigated changes of +/- 5 percent to ensure that payroll expenditures were classified properly in the Department's accounting records.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

#### **4. Journal Entries, Operating Transfers and Appropriation Transfers**

- We inspected 25 journal entries, 5 operating transfers, and 11 appropriation transfers to determine if these transactions were properly described and classified in the accounting records; they agreed with the supporting documentation, the purpose of the transactions was documented and explained, the transactions were properly approved, and were mathematically correct; and the transactions were processed in accordance with the Department's policies and procedures and State regulations.

The individual transactions selected were chosen randomly. We found no exceptions as a result of the procedures.

#### **5. Composite Reservoir Accounts**

##### *Reconciliations*

- We obtained the year-end reconciliation and one other prepared by the Department for the year end June 30, 2012, and inspected selected reconciliations of balances in the Department's accounting records to those reflected on the State Treasurer's Office monthly reports to determine if accounts reconciled. For the selected reconciliations, we determined if they were timely performed and properly documented in accordance with State regulations, recalculated the amounts, agreed the applicable amounts to the Department's general ledger, agreed the applicable amounts to the State Treasurer's Office monthly reports, determined if reconciling differences were adequately explained and properly resolved, and determined if necessary adjusting entries were made in the Department's accounting records.

*Cash Receipts and Revenues*

- We inspected 5 recorded receipts to determine if these receipts were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations.
- We inspected 5 recorded receipts to determine if these receipts were recorded in the proper fiscal year.
- We made inquiries and performed substantive procedures to determine if revenue collection and retention or remittance were supported by law.

*Non-payroll Disbursements and Expenditures*

- We inspected selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, and were paid in conformity with State laws and regulations; if the acquired goods and/or services were procured in accordance with applicable laws and regulations.
- We inspected selected recorded non-payroll disbursements to determine if these disbursements were recorded in the proper fiscal year.

The selections were chosen randomly. We found no exceptions as a result of the procedures.

**6. Appropriation Act**

- We inspected Department documents, observed processes, and/or made inquiries of Department personnel to determine the Department's compliance with Appropriation Act general and Department specific provisos.

We found no exceptions as a result of the procedures.

**7. Reporting Packages**

- We obtained copies of all reporting packages as of and for the year ended June 30, 2012, prepared by the Department and submitted to the State Comptroller General. We inspected them to determine if they were prepared in accordance with the Comptroller General's Reporting Policies and Procedures Manual requirements and if the amounts reported in the reporting packages agreed with the supporting workpapers and accounting records.



Mr. Richard H. Gilbert, Jr., Deputy State Auditor  
South Carolina Office of the State Auditor  
June 28, 2013

We judgmentally selected samples from the Department's reporting packages based on the number of items in the detail to the individual reporting package. Our findings as a result of these procedures are presented in finding Expenditure Cut-Off in the Accountant's Comments section of this report.

#### **8. Status of Prior Findings**

- We inquired about the status of the findings reported in the Accountant's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 2010, to determine if the Department had taken corrective action. We applied no procedures to the Department's accounting records and internal controls for the year ended June 30, 2011.

There were no findings reported in the Accountant's Comments section of the State Auditor's Report on the Department resulting from our engagement for the fiscal year ended June 30, 2010.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Governor, Members of the Department's governing body and its management, and the South Carolina Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Scott and Company LLC*

Columbia, South Carolina  
June 28, 2013

### **Expenditure Cut-Off:**

#### **Condition:**

We inspected twenty-five non-payroll disbursements to determine if these disbursements were described and classified in the accounting records in accordance with the Department's policies and procedures and State regulations, were bona fide disbursements of the Department, were paid in conformity with State laws and regulations, and if the acquired goods and/or services were procured in accordance with applicable laws and regulations.

Four of the twenty-five transactions were recorded in the incorrect fiscal year. These transactions were for expenditures incurred in June 2011 (FY11), however, they were improperly recorded in July 2011 (FY12).

Also, we inspected an additional twenty-five non-payroll disbursements to determine if they were recorded in the correct fiscal year. Thirteen of the twenty-five transactions were recorded in the incorrect fiscal year. These transactions were for expenditures incurred in fiscal year 2012; however, they were improperly recorded in fiscal year 2013.

Reporting packages for the year ended June 30, 2012 were also inspected and the transactions noted above were not properly included in accounts payable for expenses incurred during fiscal year 2012 but not paid until fiscal year 2013.

#### **Cause:**

In the first sample of twenty-five non-payroll disbursements, two transactions were to pay clients for work performed related to on the job training at private employers' offices. The expenditures were paid out of the revolving fund, which had an expenditure cut-off date in the first week of July 2011. The documentation for these expenditures was received by the Department after the cut-off date. Thus, the expenditures were incurred in fiscal year 2011, but improperly recorded in fiscal year 2012.

Two transactions were for doctor records requested by the Department for clients. The records were received by the Department during fiscal year 2011 and therefore the expenditures were incurred during fiscal year 2011. However, the expenditures were improperly recorded in fiscal year 2012 as the invoices were not received until fiscal year 2012. These transactions should have been included in the June 30, 2011 accounts payable reporting package.

In the second sample of twenty-five non-payroll disbursements, eight of these transactions were to pay clients for work performed related to on the job training at private employers' offices. The expenditures were paid out of the revolving fund, which had an expenditure cut-off date in the first week of July 2012. The expenditures were incurred during the last two weeks of fiscal year 2012, but the documentation for these expenditures was received by the Department after the cut-off date. Thus, they were improperly recorded in fiscal year 2012.

**Expenditure Cut-Off (continued):****Cause (continued):**

Five transactions were for doctor records requested by the Department for clients. The records were received by the Department during fiscal year 2012 and therefore the expense was incurred during fiscal year 2012. However, the expense was improperly recorded in fiscal year 2013 as the invoices were not received until fiscal year 2013. These transactions should have been included on the June 30, 2012 accounts payable reporting package.

**Effect:**

Expenditures were incorrectly classified within each fiscal year as noted above. This resulted in the incorrect amount of expenditures being classified in the accounting records. Additionally, the fiscal year 2012 reporting packages had accounts payable that was understated as fiscal year 2012 expenses were recorded in fiscal year 2013.

**Criteria:**

An effective internal control system includes procedures designed to properly record expenditures in the correct fiscal year as well as recording the related accounts payable.

**Recommendation:**

We recommend the Department improve procedures to ensure that expenditures are recorded in the correct fiscal year. The Department could compile a listing of all expenditures occurring after year end for the above described type of services and record a journal entry to record them in the correct fiscal year. This will ensure accurate financial reporting as well as allowing the Department to properly report those items on the reporting packages



## South Carolina Vocational Rehabilitation Department

*Enabling eligible South Carolinians with disabilities to prepare for,  
achieve and maintain competitive employment.*

Barbara G. Hollis, Commissioner

---

July 9, 2013

Scott and Company  
702 Pettigru Street  
Greenville, SC 29601

Please accept the following as our response to the 2012 Agreed Upon Procedures audit finding.

**Expenditure Cut-Off**

We agree with the finding of the auditors engaged for this Agreed Upon Procedures Audit. We have identified the processes that lead to the issue, and have taken corrective actions to prevent future occurrences. We will continue reviewing the process throughout year to ensure appropriate controls are in place so that expenditures and related accounts payable are reported in the correct fiscal year.

Sincerely,

Richard G. Elam  
Assistant Commissioner, Administration

cc: Barbara G. Hollis, Commissioner

## **South Carolina Vocational Rehabilitation Department (H730)**

**July 1, 2011 – June 30, 2012**

### **Single Audit – Response**

#### **12H73-1. Maintenance of Effort**

We recommend the Department continue its efforts to implement procedures to ensure that it meets grant maintenance of effort compliance requirements.

**Response:** We concur with the finding and will continue to monitor and report to management, as we have in the past, the yearly maintenance of effort requirement and what has been met year to date.

#### **12H73-2. Reporting**

We recommend the Department develop and implement procedures to ensure the accuracy of the information reported on the RSA-2 report.

**Response:**

We concur with the finding. Although the report documentation was independently reviewed, not all backup documentation was footed and there were formula errors. To ensure the amounts reported on the RSA-2 are properly classified, accurate and agree to supporting documentation, we have created a checklist for an independent reviewer to follow when reviewing the report prior to submission. The checklist provides detail items that should be reviewed on each schedule. The reviewer is required to check “Yes” or “No” for each item regarding its compliance with the checklist. A “No” response will require further action by the preparer. The RSA-2 will only be submitted after all items have been satisfactorily addressed with a “Yes” response.

#### **13H73-3. Eligibility**

We recommend the Department implement procedures to ensure that eligibility determinations are timely in accordance with applicable federal regulations.

***Response:***

We concur with the finding, and have processes in place to deal with these types of issues. The two cases in question were reviewed. While both exceeded the 60 day requirement to determine eligibility, one had an extension letter extending the time to 06/01/2009. This was exceeded by a little over a month. This practice is not supported by policy which is clear in describing what is necessary to extend the time needed to determine eligibility. Both cases had mitigating circumstances that caused the delay, but informing the applicant should have taken place.

In addition, the local staff are required to monitor all cases in status 02, 06, and 10 every week, and the need to send an extension letter should have been identified. Another tool is the caseload listing screen which shows time in status as well as compliance messages. One of the messages notifies the counselor and support staff that the 60 day eligibility time limit is approaching.

Our quality assurance unit caught both of these findings when they reviewed the cases and the absences of the extension letters were noted.

## **Fiscal Impact of ACA**

- At this time the potential impact of the Affordable Care Act on the agency is still unknown.

## **Significant Bills in House and/or Senate**

- At this time there are no bills that would have significant impact specifically for SCVRD.

## **Proviso Requests 2014-2015**

- ***The agency requests no new provisos or changes to existing provisos.*** Base provisos from the 2013-2014 Appropriations Act are shown below for reference:

### **SECTION 32 - H73-DEPARTMENT OF VOCATIONAL REHABILITATION**

**32.1.** (VR: Production Contracts Revenue) All revenues derived from production contracts earned by people with disabilities receiving job readiness training at the agency's Work Training Centers may be retained by the State Agency of Vocational Rehabilitation and used in the facilities for Client Wages and any other production costs; and further, any excess funds derived from these production contracts may be used for other operating expenses and/or permanent improvements of these facilities.

**32.2.** (VR: Reallotment Funds) To maximize utilization of federal funding and prevent the loss of such funding to other states in the Basic Service Program, the State Agency of Vocational Rehabilitation be allowed to budget reallotment and other funds received in excess of original projections in following State fiscal years.

**32.3.** (VR: User/Service Fees) Any revenues generated from user fees or service fees charged to the general public or other parties ineligible for the department's services may be retained to offset costs associated with the related activities so as to not affect the level of service for regular agency clients.

**32.4.** (VR: Meal Ticket Revenue) All revenues generated from sale of meal tickets may be retained by the agency and expended for supplies to operate the agency's food service programs or cafeteria.

**32.5.** (VR: Basic Services Program - Educational Scholarships) For those persons with disabilities who are eligible for and are receiving services under an approved plan of the South Carolina Vocational Rehabilitation Department (consistent with the 1973 Rehabilitation Act, as amended) tuition costs at state supported institutions (four year, technical, or trade schools) will not increase beyond the 1998 tuition rate, will be provided, or will be waived by the respective institution after the utilization of any other federal or state student aid for which the student is eligible. Persons eligible for this tuition reduction or sponsorship must meet all academic requirements of the particular institution and be eligible for State need-based scholarships as defined in Chapter 142, Title 59, Code of Laws of South Carolina, 1976.

## **Fees and Fines**

- SCVRD collected no fees or fines in FY2013.

## Healthcare Budget Subcommittee- Survey of Agencies Regarding I.T. Security

---

Agency Name: Vocational Rehabilitation    Person Completing Form: Rick Elam    Date: 01/17/2014

1. Is your agency in the process of reviewing and implementing the security policies issued by the Division of Information Security (Risk Management; Mobile Security; Information Systems, Acquisitions, Development, and Maintenance; HR and Security Awareness; Access Control; Asset Management; and Data Protection and Privacy)?

Yes

2. Does the agency director or his non-IT designee attend the monthly statewide IT security meetings for agency directors hosted by the Division of Information Security and Deloitte?

Yes

3. Does the agency IT director and CISO attend the monthly IT security meetings for IT professionals hosted by the Division of Information Security and Deloitte?

Yes

4. As a first step in helping agencies identify and categorize data they manage and maintain, the Division of Information Security has provided tools and guidance to help agencies create an inventory of all IT assets (servers, network equipment, computers, mobile devices, etc.) Has your agency started this process?

Yes

5. Through the Budget and Control Board's project to improve cyber security in our state, funding was provided to complete 18 agency risk assessments? Was your agency one of the 18 to complete this risk assessment? If so, has the assessment been completed? If your assessment has been completed, is your agency working on a corrective action plan to address the issues identified through the assessment?

No

6. If your agency has not been scheduled to receive one of the 18 assessments, are you using the self assessment tool (provided by DIS) to identify areas of risk within your agency? If your self-assessment has been completed, are you working on a corrective action plan to address the issues identified in the self-assessments?

Yes, South Carolina Vocational Rehabilitation Department has not been scheduled but is using the self assessment tool to identify areas of risk



7. Are you aware of the enterprise security services that DIS is in the process of deploying for state agencies?
- a. VPN/2Factor
  - b. Laptop Encryption
  - c. Privileged User Management
  - d. Patch Management
  - e. Security Awareness Training
  - f. Unified Threat Manager (UTM)

Have you reviewed these offerings and is your agency working with DIS to take advantage of these free services?

Yes, we are aware of and we are interested in these offerings. We are awaiting their availability for review and details.

8. In an effort to build a professional development/training program for agency security officers, DIS has requested that each agency identify all employees who play a role in managing Cyber Security. Is your agency working to complete this request?

Yes, we have completed this process and have sent the information to DIS.