

OFFICE OF THE STATE INSPECTOR GENERAL

ANNUAL REPORT TO THE GOVERNOR  
AND THE GENERAL ASSEMBLY OF VIRGINIA

SEPTEMBER 2014



JUNE W. JENNINGS, CPA  
STATE INSPECTOR GENERAL  
REPORT No. 2014-ADM-002



**COMMONWEALTH OF VIRGINIA**  
**Office of the State Inspector General**

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September 18, 2014

The Honorable Terence R. McAuliffe  
Governor of Virginia  
Patrick Henry Building, Third Floor  
1111 East Broad Street  
Richmond, VA 23219

Members of the Virginia General Assembly  
General Assembly Building  
1000 Bank Street  
Richmond, VA 23219

Dear Governor McAuliffe and Senators and Delegates of the Virginia General Assembly:

Having been recently appointed as the State Inspector General, it is an honor to submit the Office of the State Inspector General's second annual report. This report has been prepared in order to provide you a meaningful summary of the OSIG's fiscal year 2014 activities and fulfills the statutory requirements found in the *Code of Virginia* [§ 2.2-313](#).

The Office of the State Inspector General (OSIG) is comprised of three divisions, which include Performance Review Services, Behavioral Health and Developmental Services, and Investigations and Law Enforcement Services. During the past fiscal year the OSIG conducted several performance reviews, inspections, and investigations of executive branch agencies. The OSIG provided agencies with recommendations for enhancing internal procedures and processes and preventing fraud, waste, and abuse in state government. All of our published reports can be found on the OSIG website at [www.osig.virginia.gov](http://www.osig.virginia.gov).

The General Assembly and the Office of the Governor have recognized the importance and value of a State Inspector General who acts with autonomy and have fostered an environment of full independence. In that light, the OSIG has worked to establish a strong foundation for effectively fulfilling our statutory mandates.

Sincerely,

A handwritten signature in black ink that reads "June W. Jennings".

June W. Jennings  
State Inspector General

CC: Paul Reagan, Chief of Staff for Governor McAuliffe  
Suzette Denslow, Deputy Chief of Staff for Governor McAuliffe

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## Our Mission, Vision, and Values

### Our Mission

The Office of the State Inspector General strives to promote integrity and accountability, as well as efficient and effective government, through the conduct of independent investigations, performance reviews, and other services designed to provide objective and useful information to the citizens of the Commonwealth and those charged with its governance.

### Our Vision

Through the execution of its legislative mandates, the OSIG will, on behalf of the citizens of the Commonwealth, strive to proactively:

- Enhance the efficiency, effectiveness, and economy of state government programs and operations.
- Hold government entities accountable for efficient and cost effective operations.
- Investigate and expose fraud, waste, abuse, corruption, and other illegal acts affecting the operations of state and non-state agencies.
- Provide timely assistance to the Commonwealth's citizens and employees.
- Establish standards to ensure robust independent state agency internal audit programs.

### Our Values

Accountability

Efficiency

Excellence

Independence

Innovation

Integrity

Leadership

Respect

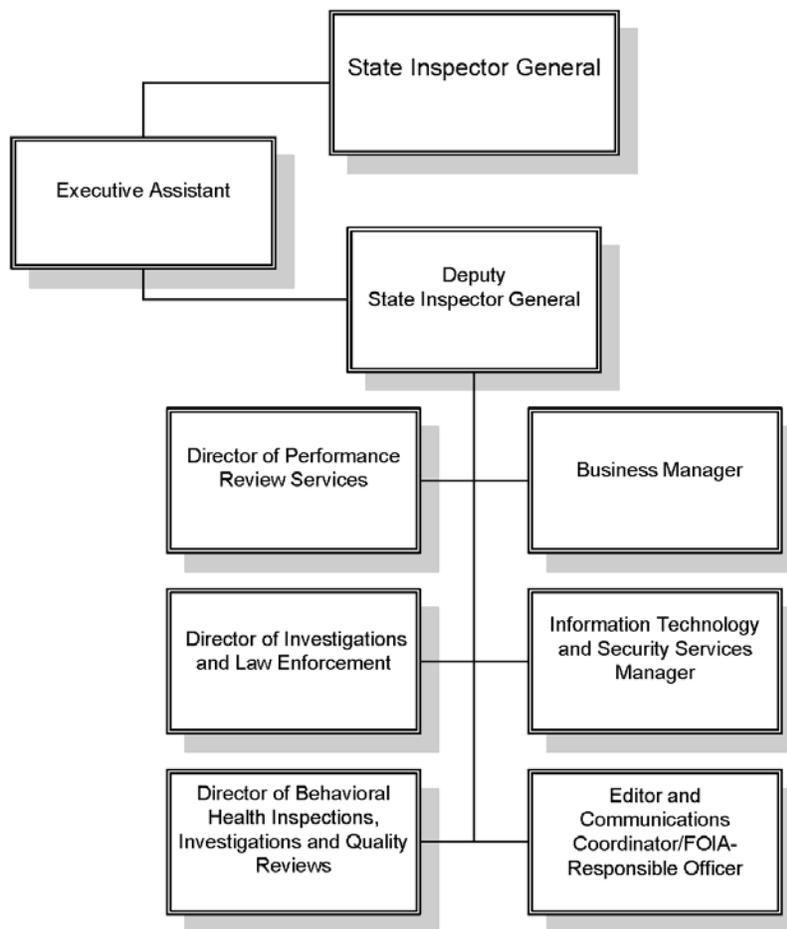
Teamwork

## Divisions of the Office of the State Inspector General

The organizational structure of the OSIG consists of three Divisions designed to accomplish its statutory mandates:

- Performance Review Services (including Internal Audit and Training Services)
- Behavioral Health and Developmental Services
- Investigative and Law Enforcement Services

### OFFICE OF THE STATE INSPECTOR GENERAL



## Performance Review Services Division—FY2014 Summary

The OSIG's Performance Review Services Division legislative mandates are delineated in *Code* [§ 2.2-309](#) [A](9)(11) and [§ 2.2-309.2](#) and include:

- Conducting performance reviews to assess the efficiency, effectiveness, and economy of executive branch agencies' programs and operations.
- Determining appropriated sums are used for intended purposes.
- Assessing the condition of the accounting, financial and administrative controls of state and non-state agencies as necessary.
- Reviewing the condition of the Tobacco Indemnification and Community Revitalization Commission's accounting, financial, and administrative controls.

This Division is also responsible for overseeing the Internal Audit and Training Services Unit, discussed later in this section.

### *Issued Report*

During FY2014 the OSIG's Performance Review Services Division published a review of the Tobacco Indemnification and Community Revitalization Commission (Commission).

#### Report No. 2014-PR-002

Pursuant to *Code* [§ 2.2-309.2](#) OSIG staff conducted a review of the Commission that examined internal controls over the Commission's grant award and payment process for monies expended from the Revitalization Fund. The review also included tests of transactions from grant projects that were initially opened between January 2011 and March 2013 or were closed between those same dates.

The review resulted in 15 observed issues for which OSIG provided recommendations. Management has taken corrective action to address seven of the recommendations. The OSIG plans to conduct a follow-up review during FY2015 to validate the corrective actions taken by management. The most significant findings include:

- *Issue 1*  
Lack of a Grant Documentation Central Storage Area and Incomplete Grant Documentation
  - *Recommendation*  
Adequate supporting documentation should be maintained in a central location for each grant to provide evidence that required information was obtained and reviewed and to ensure the history of the grant project is complete. The lack of complete documentation in the files contributed significantly to our findings in other areas.
- *Issue 2*  
Lack of Written Policies and Procedures
  - *Recommendation*  
Policies and procedures providing a record of the methods used by the Commission staff in administering the grant process should be developed, written, and implemented. These procedures should include a description of the processes followed for grant application scoring, [Tobacco Region Opportunity Fund] TROF administration and scoring, financial

reconciliations, invoice documentation reviews for reimbursement, site visits and the documentation of the visits, and outcome reviews and verification.

- *Issue 3*  
Application Approval without a Committee Recommendation
  - *Recommendation*  
The Commission should follow established protocol and policy when awarding grants to ensure grant applications are fairly and consistently evaluated.
- *Issue 4*  
Appearances of Conflicts of Interest
  - *Recommendation*  
Commission members should take significant care to avoid even the appearance of a conflict of interest in order to maintain integrity and accountability when conducting Commission business.
- *Issue 5*  
Grantee Conflict of Interest
  - *Recommendation*  
The standard Letter of Agreement should be strengthened to prohibit conflicts of interest from being allowed, even when disclosed.

The final report was issued in third quarter FY2014. A management letter with additional issues and recommendations, none of which necessitated inclusion in the report, was issued to the interim Executive Director of the Commission for his review and possible implementation.

### ***Performance Reviews Initiated***

During FY2014, the Performance Review Services Division initiated reviews of high risk areas in the following agencies:

- **University of Virginia**
  - Review the effectiveness and efficiency of operations in the state General Fund Appropriations risk area.
  - Review the effectiveness and efficiency in the Accounting and Financial Reporting risk area.
  - Determine the adequacy of the University's oversight and planning for investment in Science, Technology, Engineering and Math (STEM).
  - Review the effectiveness of University's administration of the AccessUVA financial aid program.
  - Review the effectiveness of the University's efforts to improve faculty recruitment, retention, and compensation.
- **Department of Medical Assistance Services**
  - Confirm that third party relationships increase efficiency through meaningful improvements to processes or providing constituent services.
  - Review performance measures and commitments contained in third party contracts for opportunities to decrease contractual risk and increase the ease of contractual oversight.
  - Determine if established internal controls over contract management policies provide reasonable assurance that the contract administration process is managed in the most efficient, economical, and effective way.

- Confirm that agency appropriations are being expended appropriately.
- Evaluate whether preventive and detective controls are in place to identify symptoms of fraud, waste, and abuse and to follow-up for resolution as needed.
- Evaluate the interagency agreement between DMAS and DSS for effectiveness and efficiency.
- **Department of Social Services**
  - Review the impact of Human Resource management on the effectiveness and efficiency of operations.
  - Review the impact of systems availability on the effectiveness and efficiency of operations.
  - Determine the adequacy of oversight to ensure localities comply with state and federal guidelines.
  - Review effectiveness and efficiency of state and local employee training.
  - Review effectiveness and efficiency of the Human Resource function.
- **Department of Transportation**
  - Review the effectiveness and efficiency of VDOT's governance processes to include communications, policies and procedures and training for executive team members and Commonwealth Transportation Board (CTB) members.
  - Review the effectiveness and efficiency of operations in the Construction, Maintenance, and Environment areas.
  - Review the effectiveness and efficiency of Third Party Administrator/Contract Management Processes.
- **Department of Motor Vehicles**—The planning process for the Department of Motor Vehicles performance review was initiated, and an entrance conference to discuss the review objectives was held with management.

### *Special Projects*

- **Tobacco Indemnification and Community Revitalization Commission Review**—see *Issued Report* section above.
- **Virginia Employment Commission**—A special review was conducted and completed in FY2014 concerning the Virginia Employment Commission (VEC) to determine if a number of purchases made from a vendor had gone through the solicitation process as required by the state's procurement policy. The VEC addressed most issues in the corrective action plan from the special review, with only three items remaining open (unresolved) for FY2015.

#### *VEC's Efforts for FY2015 Outstanding Items*

1. The VEC is deciding whether to go with in-house development of an inventory system to track and account for goods purchased or to purchase one from an outside vendor.
2. The VEC staff responsible for making or approving federally funded purchases will receive training and periodic reminders on appropriate documentation procedures.

3. The VEC will provide training for all procurement staff to be certified as Virginia Contracting Officers (VCOs). These VCOs will then ensure, in accordance with the *Agency Procurement and Surplus Property Manual*, vendors are solicited when required.

All three items should be resolved by the end of first quarter FY2015.

- **Secretary of Natural Resources**—The review on law enforcement overlap among the Department of Game and Inland Fisheries, the Virginia Marine Resources Commission, and the Department of Conservation and Recreation was completed and released to Secretary Ward in July 2014.

A second review of potential overlap in water pollution prevention activities and other areas remains in progress. The specific objectives for the review include determining whether the requirements in the Agricultural Stewardship Act are handled efficiently and effectively; whether the state has developed a statewide environmental plan that addresses short-term and long-term environmental efforts across all applicable agencies; and whether water pollution prevention activities, such as grant funding and data sharing, are adequately coordinated across all applicable agencies.

- **VDOT Special Review**—The OSIG partnered with VDOT’s Office of Assurance and Compliance to perform a special review of the VDOT U.S. Highway 460 project located in southeast Virginia. The review was completed, and the report was issued in June 2014. Objectives included determining whether:
  - The project was properly classified as a public-private partnership (P3) project as outlined in the PPTA (Public-Private Transportation Act).
  - The project followed standard environmental procedures.
  - The payments made to date for project expenditures were reasonable.

Several recommendations were made to improve the administration of a P3 contract.

### ***Project Timekeeping***

Performance Review Services Division management identified a need to improve project timekeeping within the Division. After considering several options, including an internally developed system and several third party systems, it was evident that a consistent system was needed agency-wide and not just within one Division. As a result, the Performance Review Services Division is using an interim, internally developed system, and during FY2015 will lead an effort to identify needs across the agency in order to implement a new timekeeping system before the beginning of FY2016.

### ***Policy and Procedure Review Committee***

Some Performance Review Services Division staff members serve on the Policy and Procedure Review Committee, which is currently updating and editing OSIG policies and procedures to ensure they adequately reflect the agency’s needs, including policies and procedures such as *Return to Work*, *Tuition Reimbursement*, and *OSIG Vehicle Policy*.

### ***Internal Audit and Training Services Unit—FY2014 Summary***

The OSIG’s Internal Audit and Training Services Unit legislative mandates are delineated in *Code § 2.2-309 [A](10)(12)* and include:

- Coordinating and requiring standards for those internal audit programs in existence as of July 1, 2012.

- Coordinating and requiring standards for other internal audit programs in state agencies and non-state agencies as needed in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls.
- Assisting agency internal auditing programs with technical auditing issues and coordinating and providing training to the Commonwealth's internal auditors.

### Internal Audit Structure Advisory Committee

The internal audit structure advisory committee, which is comprised of Chief Audit Executives (CAEs) from seven executive branch agencies, developed nine different reporting structures for Internal Audit Departments (IAD). The committee plans to meet with the SIG in the new fiscal year to discuss the strengths and weaknesses of the various reporting structures and to select the reporting structure that provides the greatest level of organizational independence to the IADs and best complies with the Institute of Internal Auditors' (IIA's) Internal Auditing Standard related to Independence and Objectivity. The committee will take into consideration the existing reporting structures within state government to ensure that the structure selected can be implemented without undue expense and effort. The committee plans to issue a formal recommendation to the SIG by the end of the first quarter of FY2015.

### Quality Assessment Review Committee

In the fall of 2013, the Quality Assessment Review (QAR) committee, which is comprised of six CAEs, met to discuss and develop a plan to provide an inexpensive means for agencies to meet the IIA QAR requirement. Prior to the creation of OSIG, there were a number of executive branch internal audit agencies that did not have a QAR performed in accordance with IIA standards. The goal of the committee was to have CAEs from the QAR committee perform five QARs during the next 12 months for agencies whose five-year QAR requirement had either not been met or was going to expire in the next year.

There are two types of acceptable QARs under IIA standards. The first is a self-assessment performed by the agency's IAD and a validation of the assessment performed by an independent party. The second is an external evaluation performed by an independent party. The committee decided they would only perform independent validations after the agency had completed its own self-assessment and would not perform full external evaluations due to the time and effort involved. The committee developed a draft policy manual for agencies to use as a guide when performing the self-assessments with independent validations. Two QARs were performed in late 2013, which then led to changes in the draft policy manual. Three additional QARs were scheduled to be conducted in calendar year 2014. By using the QAR process, each agency will save approximately \$5,000.

### Completed FY2014 QARs

- **Virginia Department of Alcoholic Beverage Control**—An onsite Self-Assessment with Independent Validation QAR was performed on the Virginia Department of Alcoholic Beverage Control's (ABC) Internal Audit Department. The ABC Internal Audit Department received the "generally conforms" rating, the highest rating a department can receive.
- **Christopher Newport University**—An onsite Self-Assessment with Independent Validation QAR was performed on Christopher Newport University's (CNU) Internal Audit Department. The CNU Internal Audit Department received the "Generally Conforms" rating, the highest rating a department can receive.

## Legislative Committee

In the fall of 2013 the Legislative committee, comprised of three Chief Audit Executives from executive branch agencies, raised issues of whether or not working papers prepared during internal investigations were exempt under FOIA, and if OSIG had authority to investigate fraud, waste, and abuse claims made against public institutions of higher education. These two issues were considered during the 2014 General Assembly legislative session and incorporated as [House Bill 1053](#).

## SharePoint Progress (for FY2014)

A CAE SharePoint collaborative site was developed for CAEs in FY2014. In FY2015, two CAE SharePoint training classes will be offered. The CAE SharePoint site has a blog function that allows CAEs to discuss important issues or concerns and best practices related to Internal Auditing. The SharePoint site also provides storage for audit documents and templates for use among IADs, increasing audit efficiency throughout the Commonwealth.

## Training Statistics

During FY2014, OSIG offered 12 training classes that provided 2,792 continuing professional education credit hours to a majority of state employees, but also some local employees. Two hundred ninety-seven state employees from 52 state agencies and seven employees from three local governments attended the training classes. Through selecting and procuring the training classes and by negotiating the prices with instructors, OSIG saved the Commonwealth and local governments over \$332,000 in training costs.

## Agency Risk Management and Internal Control Standards

In accordance with the DOA's Agency Risk Management and Internal Control Standards (ARMICS) directive, OSIG began Phase 1 of 3 of the ARMICS requirements. OSIG will complete Phases 2 and 3 in FY2015.

### *Phase 1*

- Perform risk and financial assessments of the agency control environment
- Document the assessments.

### *Phase 2*

- Identify and document the agency's significant fiscal processes.
- Perform a risk assessment of the significant fiscal processes.
- Identify internal controls used to accomplish agency business processes.
- Test the internal controls.
- Record the exceptions (internal control weaknesses)

### *Phase 3*

Create an action plan to address the internal control weaknesses.

## Behavioral Health and Developmental Services Division—FY2014 Summary

The OSIG's Behavioral Health and Developmental Services Division legislative mandates are delineated in *Code* [§ 2.2-309.1](#) and include:

- Conducting annual unannounced inspections of the 16 state facilities operated by the Department of Behavioral Health and Developmental Services (DBHDS).
- Inspecting, monitoring and reviewing the quality of services at the state-operated facilities and providers of behavioral health and developmental services.
- Assuring that the General Assembly and the Joint Commission on Health Care are fully and currently informed of significant problems.
- Investigating specific complaints of abuse, neglect, or inadequate care.
- Reviewing, commenting on, and making recommendations about, as appropriate, any reports prepared by DBHDS.

### *Issued Reports*

During FY2014, the BHDS Division issued four reports.

- [2014-BHDS-006: Critical Incident Investigation, Bath County, Virginia, November 18, 2013](#)
- [2014-BHDS-005: Department of Behavioral Health and Developmental Services Discharge Assistance Program Performance Review](#)
- [2014-BHDS-004: A Review of Mental Health Services in Local and Regional Jails](#)
- [2013-BHDS-003: Inspections of the State Facilities Operated by the Department of Behavioral Health and Developmental Services \(DBHDS\)](#)

### Report No. 2014-BHDS-006

Pursuant to *Code* [§ 2.2-309.1](#) [B](1), Report No. 2014-BHDS-006 sets forth the results of the investigation into a critical incident that occurred in Bath County, Virginia on November 18, 2013. The incident involved an individual, who, despite meeting the criteria for a temporary detention order (TDO) for hospitalization, was released because an inpatient bed could not be located within the emergency custody order (ECO) time frame as mandated by the *Code*.

The investigation yielded 21 findings and identified four contributing factors. Based on the results, the OSIG made several recommendations. Some of the most significant recommendations are to:

- Create a web-based psychiatric bed registry for the Commonwealth.
- Develop policies, procedures, and guidelines with respect to coordination among community services boards (CSB)s, law enforcement, and TDO assessment sites.
- Uncouple the bed search from the execution of a TDO.

### *REPORT NO. 2014-BHDS-006 UPDATE*

DBHDS, in consultation with the Office of the Attorney General, has implemented a number of initiatives in response to legislative changes that developed as a result of this critical incident. Among the initiatives are:

- Implementation of the statute-required notification processes during an ECO.
- Implementation of a “real-time” registry of available psychiatric beds.
- Implementation of Regional Admission Protocols, including referral to a state facility when an alternate facility for temporary detention cannot be found.

The BHDS Division will be monitoring the effectiveness of the psychiatric bed registry and Regional Admission Protocols during FY2015.

#### Report No. 2014-BHDS-005

The Discharge Assistance Program (DAP) performance review was undertaken pursuant to *Code* [§ 2.2-309](#) [A](9) and [§ 2.2-309.1](#) [B](2). DAP funding, which is intended to support individuals leaving state-operated facilities and reintegrating into the community, is allocated by the General Assembly and administered by DBHDS.

##### *Report Findings*

- DBHDS lacks a comprehensive performance management system that considers DAP and the Extraordinary Barriers List (EBL); therefore, it lacks the attendant goals, objectives, and performance measures necessary to evaluate, monitor, and improve the efficiency and effectiveness of the EBL and DAP.
- The Commonwealth lacks sufficient community capacity to allow for the timely discharge of individuals determined to be discharge ready as required by the Olmstead decision.

##### *REPORT NO. 2014-BHDS-005 UPDATE*

DBHDS has made progress in addressing the concerns identified in Report No. 2014-BHDS-005, and in April 2014 DBHDS issued the *DAP Administrative Manual*, which went into effect July 1, 2014. The *DAP Administrative Manual* provides CSBs and Planning Partnership Regions with guidance for managing, coordinating, and monitoring services provided through the expenditure of DAP funds for individualized DAP plans.

During the 2014 session of the General Assembly, \$750,000 of additional DAP funding was appropriated; \$250,000 General Fund (GF) in FY2015 and \$500,000 GF in FY2016. The BHDS Division will monitor the regional implementation of the guidelines and expenditure of DAP funding during FY2015.

#### Report No. 2014-BHDS-004

Pursuant to *Code* [§ 2.2-309.1](#) [B](1)(2), OSIG staff conducted a review of the mental health services provided in the Commonwealth’s local and regional jails. The review’s scope included site visits to a representative sample of the state’s local and regional jails (25 of 62 facilities) between July 17, 2013 and September 25, 2013; a review of 172 medical records of incarcerated individuals with mental illness; and interviews with leadership at all jails visited.

##### *Report Findings*

- In order to reduce the number of individuals with mental illness in jails, Virginia should continue to prioritize funding for jail diversion alternatives defined in the Sequential Intercept Model.

- Sheriffs, regional jail superintendents, and facility staff voiced concerns about the lack of options for addressing the needs of individuals with mental illness due to the struggle jails already have satisfying current demands for mental health services.
- There is limited coordination between the jails and the local CSBs for continuity of care. Individuals who had been receiving community mental health services prior to incarceration were not always tracked or monitored by their previous community provider(s).

*REPORT NO. 2014-BHDS-004 UPDATE*

The study demonstrated that there are a number of stakeholder organizations involved with supporting incarcerated individuals with mental illness; therefore, a single recommendation may traverse one or more distinct agencies and/or programs and require collaboration among stakeholder organizations to adhere to the recommendation. In March 2014 OSIG staff sent letters summarizing applicable recommendations to each stakeholder organization, including the Virginia Association of CSBs, the Virginia Department of Corrections (VADOC), the Virginia Association of Regional Jails, the Virginia Sheriff's Association, and DBHDS. The letters served as a mechanism for each stakeholder organization's review and coordinated response. In September 2014 a representative of OSIG's BHDS Division will follow-up with each stakeholder organization to assess the stakeholder organization's progress on any initiatives undertaken.

**Report No. 2013-BHDS-003**

Pursuant to *Code* § 2.2-309.1 [B](1), Report No. 2013-BHDS-003 was issued in August 2013. OSIG staff concentrated on four key focus areas during the unannounced inspections:

1. Active discharge planning as a vital component of overall individualized active treatment.
2. Staff concerns about staff turnover rates and a facility's overuse of overtime.
3. Surveys to assess staff attitudes and knowledge as to whether services provided are consistent with DBHDS's expressed commitment to recovery and person-centered treatment.
4. Each facility's environmental compliance with the Human Rights Regulations concerning "safe, humane, and sanitary" environments of care in the context of other more global environmental factors.

*Report Findings*

- Enhanced discharge planning and transitional services were well-developed at the training centers. In contrast, the process for discharge planning at the behavioral health facilities had fewer safeguards in place to assure successful community reintegration and continuity of care.
- Individuals served at the Virginia Center for Behavioral Rehabilitation (VCBR) were not afforded the same transitional supports as individuals discharged from Virginia's other behavioral health facilities.
- Even though the practice of double-bunking residents at VCBR was viewed as more cost-effective than facility expansion or reopening the vacant facility still available in Petersburg, it was clinically challenging and had potential for increased safety risks over time.
- Between July 1, 2012 through March 31, 2013 at the Central Virginia Training Center (CVTC), direct care staff accounted for 50% of all overtime across the five training centers.
- The effectiveness of the Annual Consultation Audit (ACA) process could not be verified because neither DBHDS nor the state facility leadership could produce any written documentation corroborating findings, observations, and recommendations from the ACA.

*REPORT NO. 2013-BHDS-003 UPDATE*

DBHDS has developed a number of initiatives designed to address the recommendations from the FY2013 unannounced inspections. The status of progress on key recommendations was examined during the FY2014 unannounced inspections, which resulted in follow-up reports completed in August 2014. The reports address issues of effective discharge planning at the behavioral health facilities and double-bunking at VCBR.

The OSIG has worked with DBHDS in addressing issues of overtime at CVTC, and DBHDS has identified factors that impact overtime at the facility and developed strategies for reducing overtime use. The BHDS Division will monitor overtime use within the facility system during FY2015.

### ***Completed Reviews, Inspections, and Investigations***

Pursuant to *Code* [§ 2.2-309.1](#) [B](1), the OSIG conducted the following reviews, inspections, and investigations in FY2014.

#### **Reviews/Inspections**

1. FY2014 unannounced inspections of the 16 state-operated facilities.
  - The main focus of our inspections in the nine behavioral health facilities involved policies and procedures associated with Human Rights Regulations compliance, including protocols for the use of seclusion and restraint and for conducting abuse and neglect investigations. Hiram Davis Medical Center was included in this review.
  - In the five training centers, we focused on the Department of Justice (DOJ) Settlement Agreement process, discharge protocols, and DBHDS's plan for closure of four of the five training centers.
2. A separate inspection was conducted at VCBR with a primary focus on the effects double-bunking has on facility operation and management.
3. In addition to a review of the application of Human Rights Regulations at the Commonwealth Center for Children and Adolescents, the OSIG BHDS Division reviewed two critical environmental events.
4. The OSIG completed a review of clinical and financial concerns at a residential program in Roanoke. The concerns that resulted in this review were identified by the OSIG during the completion of the Discharge Assistance Program (DAP) Study.

Draft reports of the aforementioned inspections have been forwarded to DBHDS for review and comment. Final reports were issued in the first quarter of FY2015.

#### **Investigations**

Fourteen of the BHDS Division's 23 complaint investigations were closed during FY2014. The complaint investigations conducted centered on allegations of abuse, neglect, or inadequate care.

### ***Managerial Letters***

During FY2014, the BHDS Division issued five managerial letters regarding systemic issues that were either identified during the unannounced inspection process, but were outside the scope of the inspection or during a complaint investigation. The use of this supplemental reporting tool allows for open lines of communication with DBHDS and other providers and encourages timely managerial responses to emergent issues. Due to the nature

of managerial letter content, these letters are not subject to release and are not published on the OSIG public website.

The five managerial letters issued during FY2014 addressed issues of staff overtime, timely access to consumer screening and assessment for services, inadequate clinical documentation, continuity of care, and an unexpected death. As with BHDS Division published reports, OSIG follows up with managerial letter recipients to assure compliance with any recommendations OSIG has made in the letter.

### ***New Process for Monitoring Outstanding Recommendations***

During the fourth quarter, BHDS Division staff met with representatives from DBHDS to create a new process for addressing outstanding recommendations. The new process requires that DBHDS provide six-month written updates to OSIG each October and April. In addition, OSIG and DBHDS will meet before written responses are due to discuss any issues that could potentially impact the resolution of outstanding recommendations. The goal of the new process is to increase accountability for both agencies.

### ***Monitoring Activities***

#### **State Facilities and Critical Incident Data**

In order to identify any issues concerning “quality of care, seclusion and restraint, medication usage, abuse and neglect, staff recruitment and training, and other systemic issues,” per *Code* [§ 2.2-309.1](#) [B](5), the OSIG’s BHDS Division will review, comment on, and make recommendations concerning critical incident data collected by DBHDS.

Policy defines a critical incident as “serious bodily injury or loss of consciousness requiring medical treatment.” Critical incidents may also include deaths that occur in state facilities or within three weeks of a patient’s discharge and allegations of sexual assault.

The BHDS Division reviewed 457 critical incidents in the state-operated facilities during FY2014. Of these critical incidents, 49% occurred in state-operated training centers and 51% in state behavioral health facilities. During FY2015, the BHDS Division will also begin monitoring critical incidents that occur in community-based programs.

#### **DBHDS-Issued Media Alerts**

Pursuant to *Code* [§ 2.2-309.1](#) [B](5), the OSIG’s BHDS Division is to review, comment on, and make recommendations for any reports prepared by DBHDS. The OSIG’s BHDS Division reviews all media alerts to determine patterns that may identify systemic issues or broader concerns at a particular facility. The BHDS Division forwards follow-up requests for information to the appropriate person in the system of care. Once a follow-up is closed, the BHDS Division may add the issue to areas of concern to review during unannounced inspections. During FY2014, the BHDS Division reviewed 62 DBHDS-issued media alerts.

#### **General Review of Autopsies**

Pursuant to *Code* [§ 2.2-309.1](#) [B](5) and [§ 32.1-283](#) [C], the State Inspector General will receive and review copies of autopsy reports for individuals who, at the time of their death, were receiving services in DBHDS-operated

state hospitals or training centers. The OSIG's BHDS Division reviewed 81 autopsies, of which, 10 required a more extensive follow-up by OSIG.

## Investigative and Law Enforcement Services Division—FY2014 Summary

The OSIG’s Investigative and Law Enforcement Services Division legislative mandates are delineated in *Code § 2.2-309* [A](3–8; 13–16) and include:

- Investigating the management and operations of state agencies or non-state agencies to determine whether acts of fraud, waste, abuse, or corruption have been committed or are being committed by state officers or employees or any officers or employees of non-state agencies.
- Investigating allegations of fraudulent, illegal, or inappropriate disbursement from the Tobacco Indemnification and Community Revitalization Endowment and the Tobacco Indemnification and Community Revitalization Fund.
- Administering the Fraud and Abuse Whistleblower Reward Fund.
- Overseeing the State Fraud, Waste, and Abuse Hotline.

These mandates are carried out through the OSIG Special Agents and Investigators. The chart below reflects the numbers of cases conducted by the OSIG Special Agents and Investigators during the FY2014.

### *Investigations Statistical Summaries*

Investigations Division Case Summary	
Cases ongoing from FY2013	13
Cases opened in FY2014	17
Cases closed in FY2014	13
Cases resulting in corrective action recommendations in FY2014	6
Cases referred for criminal prosecution in FY2014	2
Cases ongoing at end of FY2014	17

TYPES OF CASES OPENED IN FY2014	
Abuse of authority	2
Conflict of interest	1
Contract violations	3
Failure to adopt consultant recommendations	1
Medical care review	1
Misappropriation	5
Procurement violations	2
Taxation policies violations	1
Theft of state resources	1

EXECUTIVE BRANCH AGENCIES INVOLVED IN OSIG INVESTIGATIONS	
Department of Taxation	
Norfolk State University	
Northern Virginia Community College	
Office of Veterans Affairs & Homeland Security*	
Department of Corrections	
Department of Environmental Quality	
Department of Fire Programs	

EXECUTIVE BRANCH AGENCIES INVOLVED IN OSIG INVESTIGATIONS
Department of Juvenile Justice
Department of Mines, Minerals and Energy
Department of Small Business and Supplier Diversity
Department of Transportation
Department of the Treasury
Virginia Military Institute
Virginia State University

\*The Office of the Secretary of Veterans Affairs and Homeland Security was abolished at the end of FY2014.

### ***Point Of Contact Initiative***

The OSIG's Point of Contact (POC) Initiative serves to promote professional and collaborative relationships between the OSIG Investigative and Law Enforcement Services Division and appropriate managers within executive branch agencies, usually an Internal Audit Director or a Senior Executive. Each Special Agent is assigned several executive branch agencies and tasked to meet with executive branch agency counterparts semi-annually. The Special Agent POC provides agency counterparts with updates on pertinent activities within the OSIG. Special Agent POCs encourage agency counterparts to share relevant issues within their agency and identify areas that might benefit from independent review by the OSIG.

### ***Law Enforcement Liaison and Intelligence Resource Partnerships***

1. The OSIG closely coordinates with the agencies listed below. This collaboration promotes cooperation and teamwork, and avoids unnecessary duplication.
  - Auditor of Public Accounts
  - Virginia State Police
2. The OSIG participates in regularly scheduled meetings with the following law enforcement and criminal justice entities:
  - Central Virginia Chief Law Enforcement Executives Association
  - Federal Bureau of Investigation
  - Office of the United States Attorney
  - Virginia Association of Chiefs of Police
3. The OSIG maintains membership in the following criminal intelligence and investigative resource organizations:
  - National White Collar Crime Center
  - Regional Organized Crime Information Center
4. The OSIG abides by the professional education and training requirements of the:
  - Department of Criminal Justice Services
  - Crater Criminal Justice Academy

## ***Legislative Revision Proposals***

The OSIG offered proposals to modify legislation to provide OSIG with the jurisdiction to investigate allegations of fraud, waste, abuse, or corruption involving state contractors. The 2014 General Assembly legislative session resulted in the incorporation of [House Bill 1053](#), which expands OSIG's jurisdiction to include independent contractors of state agencies. The revision went into effect July 1, 2014.

## ***Fraud and Abuse Whistle Blower Protection Act Program***

The [Fraud and Abuse Whistleblower Protection Act Regulations, Policies, and Procedures Manual](#) was updated and posted at [www.osig.virginia.gov](http://www.osig.virginia.gov) during the fiscal year.

## ***State Fraud, Waste, and Abuse Hotline***

The State Fraud, Waste, and Abuse Hotline (Hotline) provides Commonwealth employees and citizens with a confidential method for reporting suspected occurrences of fraud, waste, and abuse in state agencies and institutions. The Hotline investigates the validity of these occurrences and makes recommendations for eliminating them.

### **FY2014 Hotline Statistics**

- The Hotline processed 1,340 calls, of which 576 met Hotline criteria for fraud, waste, or abuse and required formal investigation.
- For the fourth consecutive year, VADOC, DBHDS, and VDOT were the top three agencies involved in Hotline investigations.
  - Forty-seven calls were assigned under *Waste of Agency/State Resources*.
  - Forty-nine calls were assigned under *Misuse of a State-owned Vehicle*.
  - Sixty cases were assigned under *Leave Abuse*.
- *Leave Abuse*, *Misuse of a State-owned Vehicle*, and *Waste of Agency/State Resources* were the most common issues in FYs 2012, 2013, and 2014.
- Twenty percent of investigated Hotline cases were substantiated; 45% were unsubstantiated; 16% were referred to other appropriate state entities; and in 19% of cases an occurrence of fraud, waste, or abuse was not found, but recommendations to improve and strengthen internal controls or policies were made. Twenty Hotline calls involved allegations regarding an agency head, internal audit employee, or an at-will employee and handled by OSIG investigators.
- Revisions to the *State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual* were drafted to accommodate the July 1, 2012 merger of the Division of the State Internal Auditor into OSIG. In June 2014 the draft was submitted to executive branch agency Internal Audit Directors for their review. The updated [State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual](#) is available at [www.osig.virginia.gov](http://www.osig.virginia.gov).
- In conjunction with J. Sergeant Reynolds Community College, OSIG developed an interactive online training course to inform and update state employees about the Hotline. The course provides education on the Hotline's goals, procedures, and anti-retaliation policy. A link to the course is posted at [www.osig.virginia.gov](http://www.osig.virginia.gov).
- The online course became available July 1, 2014. Over 1,400 state employees took the training in the first five weeks.

Hotline Cases Assigned by Agency or Department

AGENCY	FY2014	FY2013	FY2012
Department of Corrections	62	143	125
Department of Behavioral Health & Developmental Services	56	50	56
Department of Transportation	54	55	68
Virginia Community College System	45	33	34
Department of Health	40	52	41
Department of Juvenile Justice	32	66	37
Department of Social Services	26	46	37
Department of Motor Vehicles	18	27	0
Virginia State University	16	27	0
Norfolk State University	14	13	0
Virginia Tech	11	13	0
Virginia Employment Commission	10	10	21
Department of Conservation and Recreation	10	0	0
Department of General Services	10	0	0
Other Agencies	172	220	329
<b>Total</b>	<b>576</b>	<b>755</b>	<b>748</b>

Hotline Cases Assigned by Category

CASE TYPE	FY2014	FY2013	FY2012
Leave abuse	60	59	74
Misuse of state vehicle	49	66	63
Waste of agency resources	47	40	26
Non-compliance with agency internal policy	28	87	103
Not following state hiring policy	18	27	26
Employee wasting state time	12	27	26
Non-compliance with procurement policy	11	27	26
Falsification of state time	9	11	26
All other types	342	411	378
<b>Total</b>	<b>576</b>	<b>755</b>	<b>748</b>

Hotline Cases Closed by Resolution

Fiscal Year	Cases Closed	Substantiated	Unsubstantiated and Improvements Recommended	Unsubstantiated	Referred to Others
2014	453	91	88	205	69
2013	619	123	115	289	92
2012	640	187	92	261	100
<b>Total</b>	<b>1,712</b>	<b>401</b>	<b>295</b>	<b>755</b>	<b>261</b>

Hotline Substantiated Allegations by Agency

AGENCY	FY2014	FY2013	FY2012
Department of Corrections	20	30	34
Department of Transportation	15	11	16
Department of Health	5	7	0
Virginia Community College System	4	8	11
Department of Behavioral Health & Developmental Services	3	10	11
Department of Alcoholic Beverage Control	3	0	0
Virginia Tech	2	0	0
<b>Other Agencies</b>	<b>39</b>	<b>51</b>	<b>83</b>
<b>Total</b>	<b>91</b>	<b>117</b>	<b>155</b>
<b>Percent of Allegations Substantiated for all Closed Cases</b>	<b>20.1%</b>	<b>18.9%</b>	<b>24.2%</b>

Hotline Cases Assigned to and Investigated by OSIG

FISCAL YEAR	OPEN CASES AT BEGINNING OF THE FISCAL YEAR	CASES ASSIGNED	CASES CLOSED	OPEN CASES AT THE END OF THE FISCAL YEAR
<b>2014</b>	19	20	22	17
<b>2013</b>	7	28	16	19
<b>2012</b>	18	38	49	7
<b>2011</b>	15	46	43	18
<b>Totals</b>	<b>59</b>	<b>132</b>	<b>130</b>	<b>61</b>

*Note: The Hotline Cases in FY2011 and FY2012 were investigated by the former Division of State Internal Audit within DOA.*

## 2014 Legislative Changes

The OSIG's key focus with the 2014 legislative changes was to clarify existing legislative language thereby, solidifying the OSIG's mandates and eliminating any ambiguities.

### **House Bill 1053**

*An Act to amend and reenact §§ 2.2-309, 2.2-309.1, 2.2-309.3, 2.2-309.4, and 2.2-3705.3 of the Code of Virginia, relating to the Office of the State Inspector General; powers and duties; internal auditors; Virginia Freedom of Information Act.*

[House Bill 1053](#), incorporated into the Virginia Acts of Assembly Chapter 788, was introduced by Delegate Jackson Miller, passed the House and Senate, and went into effect July 1, 2014. The Bill:

- Expanded the OSIG's jurisdiction, allowing the OSIG to investigate allegations of fraud, waste, and abuse committed by independent contractors of state agencies. Previously, the office was limited to investigating the management and operations of state agencies and non-state agencies.
- Clarified the purpose of performance reviews, which is to *assess the efficiency, effectiveness, or economy of programs and to ascertain, among other things*, that sums appropriated have been or are being expended for the purposes for which the appropriation was made.
- Articulated the circumstances under which the OSIG may conduct investigations of institutions of higher education.
- Clarified the OSIG's role in reviewing regulations adopted by the Board for DBHDS. To ensure independence, OSIG does not participate in adoption of regulations.
- Added internal auditors to the group of administrative investigations exempt from mandatory disclosure under the Virginia Freedom of Information Act (FOIA).

### **House Bill 439**

*An Act to amend and reenact §§ 2.2-3009, 2.2-3010, 2.2-3011, 2.2-3012, 2.2-3014, and 8.01-216.8 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 2.2-3010.1, relating to the Fraud and Abuse Whistle Blower Protection Act; applicability to Virginia citizens.*

[House Bill 439](#), incorporated into the Virginia Acts of Assembly Chapter 403, was introduced by Delegate James Lemunyon, passed the House and Senate, and went into effect July 1, 2014. The Bill:

- Expanded the Fraud and Abuse Whistle Blower Protection Act to all citizens of the Commonwealth (*Code of Virginia § 2.2-3009*).
- Made all Virginia citizens eligible for an award from the Fraud and Abuse Whistle Blower Reward Fund, provided the requirements of the Act are met.

## FY2014 Goals and Accomplishments

### **1. Strategic Plan**

Create a Strategic Plan for OSIG with measurable goals, objectives, and performance metrics.

#### **Status**

The OSIG Strategic Plan for 2014-2016 was completed during the second quarter FY2014 (December).

### **2. Clarify Statutory Mandates**

Continue to sharpen OSIG's enabling legislation to clarify the statutory mandates.

#### **Status**

Proposed legislative changes to clarify language in the OSIG's statutory mandates were submitted during first quarter FY2014. The OSIG's proposed changes became House Bills [1053](#) and [439](#) and were approved April 23, 2014 and March 31, 2014 respectively. Both went into effect July 1, 2014.

### **3. FOIA Policies and Procedures**

Develop comprehensive policies and procedures for responding to FOIA requests.

#### **Status**

FOIA policies and procedures were developed in third quarter FY2014 and are expected to be issued first quarter FY2015.

### **4. Agency Policies and Procedures**

Continue to develop appropriate and necessary policies and procedures to support the operation of the OSIG.

#### **Status**

In third quarter FY2014 a Procedures Review Committee that meets annually was created to determine:

- Efficacy and applicability of OSIG policies and procedures.
- What policies and procedures need to be created.
- Accessibility and readability of policies and procedures.

The Procedures Review Committee also performs electronic reviews of all policies and procedures.

### **5. Software Procurement**

Research and procure additional software, as appropriate, to support the Investigative and Performance Review Divisions. (data mining, forensic, case management, etc.)

## Status

The agency adopted Microsoft SharePoint 2013 for use by all Divisions to assist with case/content management and workflow, and increase content security. Staff received introductory and advanced SharePoint 2013 training in second quarter FY2014 and fourth quarter FY2014.

## **6. Consolidate and Relocate**

Consolidate OSIG personnel and relocate into central location to streamline operations.

## Status

All Richmond-area staff have been consolidated. In the first quarter FY2014 the OSIG moved from the Patrick Henry Building to its new central office in the James Monroe Building.

## **7. Staff Training**

Assure that training for all OSIG staff is current in areas of state government, professional licensure, and the Department of Criminal Justice Services for law enforcement officers.

## Status

To promote personalized employee training, the OSIG designated a Training Coordinator to oversee learning opportunities for OSIG staff in all Divisions and to ensure employee licensures are current. The training coordinator is responsible for maintaining and monitoring all employee training. An Educational Assistance Program was also created to encourage continued learning and advancement.

## **8. Classification/Compensation Review**

In partnership with the Department of Human Resource Management (DHRM), complete a compensation study of OSIG personnel to develop a consistent compensation approach for all OSIG personnel.

## Status

The OSIG, in conjunction with the Department of Human Resources Management, is conducting a classification/compensation study for the Performance Review Services, the Behavioral Health and Developmental Services, and the Investigative and Law Enforcement Services Divisions. The study, which determines classification based on skill level and experience, was completed for Investigative and Law Enforcement Services in second quarter FY2014 and is expected to be completed for the remaining Divisions in first quarter FY2015.

## **9. Communications/Website**

Create a communications plan for the agency to include a website for the OSIG that supports the Mission of the Office and provides a portal to assist citizens in reporting waste, fraud, abuse, and criminal activity.

## Status

The new OSIG public website went live in fourth quarter FY2014, and some OSIG staff received training on use of the Commonwealth's web development tool.

The updated website provides easy access to OSIG reports as well as information to citizens about the State Fraud, Waste, and Abuse Hotline; the Fraud and Abuse Whistle Blower Protection Act; and the Whistle Blower Fund.