

OFFICE OF THE STATE INSPECTOR GENERAL
Report to Commissioner Ellen Marie Hess

Performance Review
Virginia Employment Commission

December 2015



June W. Jennings, CPA
State Inspector General
Report No. 2015-PR-003



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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February 2, 2016

Commissioner Ellen Marie Hess
Virginia Employment Commission
703 E. Main Street
Richmond, VA 23219

Dear Commissioner Hess:

Under [§ 2.2-309](#) [A](9) of the *Code of Virginia (Code)*, the Office of the State Inspector General (OSIG) is empowered to conduct performance reviews of state agencies to ensure that state funds are spent as intended and to evaluate the efficiency and effectiveness of programs in accomplishing their purposes. OSIG staff recently completed a performance review of the Virginia Employment Commission (VEC) which covered the period from July 1, 2013, through June 30, 2015 and focused on the following six risk areas:

- Revenue (non-general fund)
- Workforce Services
- Records Management
- Performance Measurement and Reporting
- Social Media
- Third Party Administrator/Contract Management

VEC was selected for review based on a 2013 statewide risk assessment completed by Deloitte, LLP. This agency was ranked as one of the higher risk executive branch agencies. The planning phase of the review consisted of conducting interviews with selected members of executive and divisional management, assessing the risks identified during those interviews, and creating a detailed review plan to accomplish the review objectives.

The steps in the review plan were executed, and the results were discussed with VEC management throughout the review process. Additionally, an exit conference was held on Friday, December 11, 2015 to discuss the draft report.

Overall, OSIG staff found that the reviewed areas were operating efficiently and effectively except for those observations noted in the attached report. By copy of this letter OSIG is requesting that agency management provide a corrective action plan within 30 days to address this report's recommendations.

OSIG staff appreciates the assistance provided by the VEC leadership team and staff during this review.

If you have any questions or require further information, please contact me at 804-625-3255 or june.jennings@osig.virginia.gov.

Respectfully,

A handwritten signature in black ink that reads "June W. Jennings". The signature is written in a cursive style.

June W. Jennings
State Inspector General

CC: Paul J. Reagan, Chief of Staff to Governor McAuliffe
Suzette P. Denslow, Deputy Chief of Staff to Governor McAuliffe
Maurice A. Jones, Secretary of Commerce and Trade
Senator John C. Watkins, Chairman of the Senate Commerce and Labor Committee
Delegate Terry G. Kilgore, Chairman of the House Commerce and Labor Committee

TABLE OF CONTENTS

Executive Summary.....	i
Purpose and Scope of the Review.....	1
Background.....	2
Introduction.....	2
Review Methodology.....	4
Review Results.....	5
Risk Area 1 - Revenue (Non-General Fund).....	5
Review Objectives and Steps.....	5
Observation No. 1— Improve Collection of Unemployment Benefit Overpayments.....	5
Observation No. 2 — Analyze Field Representative Workload.....	8
Risk Area 2 – Workforce Services.....	9
Review Objectives and Steps.....	10
Observation No. 3 — Comply with the WIOA Co-location Requirements.....	10
Observation No. 4 — Improve Employee Morale Through Employee Recognition.....	12
Observation No. 5 — Improve Maintenance and Repair Efforts at VEC Locations.....	13
Observation No. 6 — Improve Customer Service Statistics Process.....	14
Observation No. 7 — Analyze WS Staffing Needs.....	18
Observation No. 8 — Update VEC Information Systems Technology.....	20
Risk Area 3 – Records Management.....	20
Review Objectives and Steps.....	21
Observation No. 9 — Improve the Project Management Process.....	21
Observation No. 10 — Improve Storage and Retrievability of Records.....	22
Observation No. 11 — Improve Oversight and Implementation of Agency Training.....	24
Risk Area 4 – Performance Measurement and Reporting.....	25
Review Objectives and Steps.....	25
Observation No. 12 — Improve Reporting of New Hires.....	26
Observation No. 13 — Assess Adequacy of Reporting Performance Measures and Goals.....	27
Observation No. 14 — Link Strategic Goals to Performance Measures.....	27
Risk Area 5 – Social Media.....	28
Review Objectives and Steps.....	28

Observation No. 15 — Create and Communicate Social Media Policies and Procedures.....	29
Observation No. 16 — Ensure Accuracy of Social Media Sites	30
Risk Area 6 – Third Party Administrator/Contractor Management	31
Review Objectives and Steps	31
Observation No. 17 — Consider Purchasing an Electronic Contract Management System.....	31

Executive Summary

Overall, the Office of the State Inspector General (OSIG) staff found that the Virginia Employment Commission's (VEC) revenue (non-general fund), workforce services, records management, performance measurements and reporting, social media, and third party/contract administration functions were operating effectively and efficiently. OSIG staff reached this conclusion after:

- Gaining an understanding for the aforementioned review areas' processes by reviewing policies and procedures, conducting interviews with agency personnel, and by researching public/private sources to gather and analyze data.
- Conducting observations and walk-throughs of the various processes and assessing them for effectiveness and efficiency.
- Benchmarking the agency's business processes and performance metrics to other states' similar agencies and to industry best practices.

During the review OSIG staff made a number of observations, the most significant of which are listed below, where current processes could be improved:

Program Observations
1. Improve collection of unemployment benefit overpayments.
2. Comply with Workforce Innovation and Opportunities Act co-location requirements.
3. Analyze Workforce Services staffing needs.
4. Improve the Project Management process.

Purpose and Scope of the Review

The Office of the State Inspector General conducted a performance review of the Virginia Employment Commission (VEC) pursuant to *Code of Virginia (Code)* [§ 2.2-309\[A\]\(9\)](#) whereby the State Inspector General shall have power and duty to:

Conduct performance reviews of state agencies 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 and prepare a report for each performance review detailing any findings or recommendations for improving the efficiency, effectiveness, or economy of state agencies, including recommending changes in the law to the Governor and the General Assembly that are necessary to address such findings.

This review was not designed to be a comprehensive review of the VEC. Instead, the focus was on certain risk areas identified through a statewide risk assessment of state agencies. The scope and objectives of the review were established through interviews with management concerning VECs' risks in these areas:

- Revenue (non-general fund)
- Workforce Services (WS)
- Records Management
- Performance Measurement and Reporting
- Social Media
- Third Party Administrator/Contract Management

The review period was from July 1, 2013, through June 30, 2015.

Background

Introduction

The Virginia Employment Commission (VEC) is an agency of the Commonwealth of Virginia (the Commonwealth) that is funded by the United States Department of Labor administrative and benefits grants, and by the Unemployment Trust Fund. Most non-general funds are appropriated for unemployment benefits.

The VEC delivers and coordinates WS, which includes job placement, temporary income support, workforce information, and transition services. WS also provides strategic business services to job seekers and employers, both groups of whom have universal access to WS, to assist them in securing and retaining employment or in finding qualified workers to fill jobs, respectively. A number of these services are provided through Labor Market Information (LMI)¹. LMI is a product that is available to the general public, Governor, Virginia Board of Workforce Development, Local Workforce Development Boards, State Agencies, United States Department of Labor (USDOL), and other governmental entities.

The Economic Information Services (EIS) Division² within the VEC provides a number of products and services such as:

- Local Area Unemployment Statistics
- Covered Employment and Wages
- Current Employment Statistics
- Occupational Employment Statistics and Wages
- Mass Layoff Statistics

The VEC utilizes the Virginia Workforce Connection (VWC) which is a workforce information system that integrates the Workforce Innovation and Opportunity Act (WIOA) and LMI programs into a single unified system that is customer-focused with data collection as a by-product of service delivery. This system contains operational data used by the workforce system, such as job orders, case notes, jobseekers, employers, program information, and LMI.

The VWC maintains current workforce information. By sharing data, a citizen or employer needs to register only once with the workforce system to receive services via any one-stop center or the Internet.

VWC provides a search capability for statewide listings of job openings and is accessible from VEC resource rooms located in VEC local offices and via the VEC web site, as well as all other VEC

¹ <https://data.virginialmi.com/vosnet/Default.aspx>

² <http://www.vec.virginia.gov/about#EIS>

sponsored web accessible information systems. Services provided through the VWC include the following:

- Access to the state’s largest pool of qualified workers, job seekers, and business-related services for employers so that they can support their workforce and economic development needs;
- Universal access to services designed to prepare job seekers for job search, job advancement, and/or career change. Veterans of military service who are seeking employment receive priority of services;
- Access to career services, Unemployment Insurance services, and referrals to services of other partner agencies in the One Stop system for Trade Program participants and veterans. Eligible Trade Program participants may receive training to develop in-demand employment skills; and
- Outreach to veterans with the purpose of locating candidates who could benefit from intensive services, and markets these services to potential clients.

The VEC is a lead partner in the state workforce network, and administers the following workforce programs:

- Unemployment Insurance (UI) Services
- Employment Services
- Reemployment Services Orientation Program and Reemployment Services and Eligibility Assessment (RESEA) Program for UI claimants
- Disabled Veterans Outreach Program and Local Veterans Employment Representative Programs
- Trade Adjustment Assistance Program
- Work Opportunity Tax Credit (WOTC) Program
- Migrant and Seasonal Farm Workers and Foreign Labor Certification Program

Review Methodology

OSIG staff planned for this review by:

- Examining the detailed results of Deloitte’s statewide risk assessment; and
- Conducting interviews to gain insight into the specific concerns from the Deloitte assessment with VEC’s:
 - Executive Management Team
 - Key Units’ Personnel
 - Director of Internal Audit
 - Auditor of Public Accounts (APA) staff (who audited the VEC).

As a result of the interviews, OSIG staff identified associated risks for each of the risk areas, established performance review objectives (see specific objectives within each risk area below), and developed detailed review procedures to address these objectives.

The performance review procedures included:

1. Conducting interviews, observations/walk-throughs, and examining policies and procedures to gain an understanding of review areas processes, assessing them for effectiveness and efficiency, and determining whether they were implemented in the most economical method;
2. Collecting and analyzing relevant data; and
3. Benchmarking business processes, activities, and performance metrics to other states’ employment commission agencies and best practices.

Review Results

Overall, OSIG staff found that the VEC revenue (non-general fund), WS, records management, performance measurement and reporting, social media, and third party administrator/contractor management functions were operating effectively and efficiently except for the observations noted below. Specifics regarding the review performed are reported by risk area below.

Risk Area 1 - Revenue (Non-General Fund)

Non-general fund revenue represents the income from unemployment insurance, penalties, and interest fees. The risk that an agency receives insufficient non-general funds is based on how dependent they are on these funds as a source of revenue.

REVIEW OBJECTIVES AND STEPS

The review objectives included determining whether:

- The revenue process effectively captures all available revenue for the agency;
- Effective oversight policies and processes exist to control revenues; and
- Any fraud, waste, or abuse is present in the revenue process.

OSIG staff obtained accounts receivable aging reports, verified collection efforts on all outstanding revenues, and determined if the federal treasury offset program and/or other collection programs would be beneficial for the VEC to utilize. Once this activity was completed a comparison of collection efforts with those of other states was conducted. The following observations were noted:

OBSERVATION NO. 1— IMPROVE COLLECTION OF UNEMPLOYMENT BENEFIT OVERPAYMENTS

Overpayments of unemployment benefits may occur for several reasons, including failure by an individual to notify VEC when hired for a new job, failure to report earnings, failure to meet weekly requirements, payment of benefits to the individual while an employer appeals and the appeal is found in favor of the employer, delays in responses from employers, or fraud.

When an individual receives benefits to which they are not entitled, they are required to repay the money to VEC.³

UI recovery percentage is calculated by dividing the amount of UI overpayments recovered during calendar year 2014 by the amount of UI overpayments established during calendar year 2014 minus any waived overpayments. In the table below, OSIG staff compared Virginia with a judgmental selection of states including Washington State, Maryland, Tennessee, Kansas, and Montana as well as the National Aggregate. All states included in the comparison, except Tennessee, have higher UI recovery percentages. These states use judgements, garnishments, liens and levies in addition to other methods used in Virginia.

³ <http://www.vec.virginia.gov/unemployed/resources/your-unemployment-benefit-rights-and-responsibilities>

Virginia’s UI Insurance Recovery percentage on overpayments is above the national average and also meets federal recovery requirements; however, the recovery percentage would increase if additional collection methods were used.

Washington state collected more than 100 percent because the calculation is the amount of UI overpayments recovered in that year divided by the amount of UI overpayments established in that year minus any waived overpayments.

Recovery Methods	National Aggregate	Virginia	Washington State	Maryland	Montana	Kansas	Tennessee
TOP		No	Yes	Yes	No	No	Yes
State Tax and/or Lottery Offsets		Yes	Yes	Yes with 10% fee	Yes	Yes	No
UI Benefit Offsets or Disqualification from Receiving Further/Future Benefits		Yes	Yes	Yes	Yes	Yes	Yes
Collection Agency		Yes	No	No	Yes	No	No
Garnishment		No	Yes	Yes	Yes	Yes	No
Levy/Lien/Judgement/Civil Action		No	Yes	Yes	Yes	Yes	No
Fine and/or Imprisonment		Yes	Yes	Yes	Yes	Yes	No
Recovery Percentage Calendar Year 2014	66.26%	70.99%	118.09%	98.10%	82.38%	78.28%	34.82%

The other states contacted, with the exception of Tennessee, specifically define fraud on their websites and in brochures. The states consider failure to report earnings during the week earned as fraud and treat it as such. Kansas recovery management stated while hardship waivers can be granted, none had been granted. Kansas also considers all accounts as collectable regardless of age and continues collection efforts.

VEC management stated most recoveries (about \$6 million annually) come from state income tax and benefit offsets where some or all of the individual’s tax refund is remanded to VEC rather than paid to the individual. Once accounts become 60 days past due the following processes are followed:

- Based on *Code* § [2.2-4806](#) VEC refers accounts receivable of \$3,000 or more and 60 days past due to the Office of the Attorney General (OAG), Division of Debt Collection for collection.⁴ VEC refers accounts on a monthly basis. In the same section of the *Code*, the OAG is tasked with reviewing the accounts and determining what, if any, action will be taken for collection. The OAG and the Department of Accounts (DOA) are charged with developing policies and requirements related to the collection process.
- VEC refers accounts between \$25.01 and \$2,999.99 and 60 days past due to the state contracted collection agency, Enterprise Recovery Systems (ERS). Files were sent to ERS starting in October 2014. Approximately 800 – 1000 accounts are referred to ERS each month, thereby increasing uncollected amounts at OAG and ERS. OSIG staff noted that a minimal amount was collected for a nine month period relative to the uncollected balance.

	Payments Received October 1, 2014 – June 30, 2015 (includes fees)	Balance Due as of June 30, 2015
OAG	\$903	\$16,624,511
ERS	\$622,964*	\$47,341,408
Total	\$623,867	\$63,965,919^

* Includes payments made directly to ERS.

^ \$42M in accounts represents old accounts referred to ERS as a secondary collector. They were overpayments established from 2009 to 2013.

Code § [2.2-4023](#) states “Final orders may be recorded, enforced, and satisfied as orders or decrees of a circuit court upon certification of such orders by the agency head or his designee”. This section of code would allow VEC to obtain a judgment by docketing the certification with the Richmond circuit court and any other court in which the debtor has an interest in real property. Each case requires a cover letter and certification of final order. The OAG’s office may then use garnishments, levies, and/or liens to collect the debt, however there is a charge related.

OAG management stated, due to the volume of cases, use of automation to generate the letters and certifications would be more efficient; therefore VEC may need to make system changes to facilitate the use of automation.

There is a federal program (Tax Offset Program – TOP) available to obtain offsets from federal income tax refunds, which VEC is working to implement. VEC has projected the first year collection amount through TOPS would be approximately \$10 to \$12 million; however, this will still leave over \$50 million that will be uncollected.

Failure to collect overpayments of unemployment benefits has a detrimental effect on the Virginia balance held in the Federal Unemployment Insurance Trust Fund from which the benefits are paid.⁵

⁴ <http://law.lis.virginia.gov/vacodefull/title2.2/chapter48/>

⁵ <http://www.ncsl.org/research/labor-and-employment/trust-fund-balances-2013.aspx>

Recommendation(s)

VEC should continue its efforts to implement the federal Treasury Offset Program. In addition, the agency should work with the OAG to analyze use of judgements and wage garnishments, attachments of bank accounts, and levy and sale of property to recover unemployment benefit overpayments. The analysis should include options to fund the OAG charge to VEC for pursuing debts, system changes needed to develop an efficient process, and resources needed by both agencies to facilitate the process. VEC should clearly communicate with benefit recipients that failure to report earnings or employment start dates is considered fraud and the methods used for collection of overpayments. The results from the collection efforts through the state contract with ERS should be reviewed to ensure that an appropriate level of collection service is being provided and the use of other collection agencies should be considered to determine if a higher rate of collection can be gained.

Management Response

VEC agrees with the conditions observed as presented.

VEC agrees with the recommendation as presented for the following comment:

VEC will continue working on its current effort to implement the Treasury Offset Program. Furthermore, as resources become available, VEC will examine additional ways to increase collections.

OBSERVATION NO. 2 – ANALYZE FIELD REPRESENTATIVE WORKLOAD

According to the VEC Field Tax Operations Manual; “delinquent accounts are controlled through the auditing unit in the central office. It has the responsibility for enforcement under Title [60.2](#) of the Code of Virginia, of the filing of employer tax and payroll reports. It also has the responsibility for the collection of all tax, interest, penalties, bad check charges, and reimbursable billing due the Commission.” Field assignments given to Field Representatives to collect delinquent taxes are generated through the delinquency sub-system of the Virginia Automated Tax System (VATS). Field representatives have 90 days to complete this type of assignment.

OSIG staff randomly selected a sample of four unemployment tax account receivables for review and determined that one unemployment tax account receivable was not being worked due to a field representative vacancy. VEC management stated that when there is a vacancy VEC attempts to have other field representatives work the assignments, but with each representative having over 2,000 assignments to work at any time, that is not always possible. VEC is currently going through a total transformation due to a reduction in workload and funding, so vacant positions are being left unfilled until the transformation has been completed.

Failure to work past due accounts in a timely manner decreases the likelihood of collection and in turn reduces the available balance in the Unemployment Trust Fund.

Recommendation(s)

VEC should analyze the field representatives' workload to determine if more representatives are needed once the agency's transformation has been completed. A cost/benefit analysis should be performed to determine if VEC should seek funding for additional representatives in order to handle the existing workload and/or to handle the volume when a field representative's position becomes vacant.

Management Response

VEC agrees with the conditions observed as presented with the following additional information:

The VEC Field Tax Representative job duties include a broad array of significant assignments that require high skill levels, and extensive knowledge of state and federal tax laws and state and federal policies and procedures. Delinquency assignments represent only one component of a Field Representative's responsibilities and accounts for approximately 30% of the Representatives time. The components of the additional workload will have to also be considered.

VEC agrees with the recommendation as presented.

VEC will take appropriate steps to analyze the Field Tax Representatives' workload and staffing to determine the most positive resolution in adequately meeting the challenges of the immediate future and beyond.

Risk Area 2 - Workforce Services

The WS Division of the VEC implements programs and processes that provide assistance to employers who are seeking to hire qualified workers, and to workers who are seeking employment. Programs include:

- The Employment Service (or Job Service), established by the Wagner-Peyser Act, which makes available job search assistance to individuals, and recruiting and referral services to employers. Services to employers include screening and referring applicants for job vacancies, and providing critical labor market information for business and economic planning. Employers may participate in local Employer Advisory Committees in order to become aligned closer with VEC and to give feedback on the delivery of services.
- Services to workers related to job referral and placement, referral to training, and job search skill building activities. Services are available universally to anyone eligible to work in the United States.

- Job placement services where VEC leverages resources to administer special programs and services for job seekers and employers for special groups, including:
 - The Local Veterans Employment Representative (LVER) Program and Disabled Veterans Outreach Program (DVOP) where VEC provides case management, placement assistance, and transition services for veterans of military service. Veterans of the U.S. military receive service priority, in accordance with Federal law and regulations, in all job placement services.
 - The Trade Adjustment Assistance (TAA) Program which provides assistance to workers and businesses impacted by U.S. import/export policies that result in downsizing a workforce or a bankruptcy, including: case management, placement assistance, training, and income support.
 - The Foreign Labor Certification Program which provides services to employers and agricultural and non-agricultural foreign workers seeking temporary or permanent employment.
 - The Work Opportunity Tax Credit Program which provides services to employers who hire employees and veterans from various target groups with significant barriers to employment.
 - The provision of services to migrant and seasonal farm workers.
- WS directly aligns with the VEC’s mission of promoting economic growth and stability in the Commonwealth by providing job placement assistance and services. To accomplish the mission, staff is empowered and given opportunities to develop and enhance their skills, and identify innovative ways to use technology to enhance the delivery of services to employers and job seekers.

REVIEW OBJECTIVES AND STEPS

The review objectives included determining whether:

- VEC’s efforts to monitor customer satisfaction are efficient, effective, and economical;
- VEC’s WS area efficiently and effectively interacts with other workforce service entities to provide services to customers; and
- Any fraud, waste or abuse is present in the WS process.

OSIG staff reviewed customer service statistics for FY14 and FY15, compared the number of actual one-stop shops against the VEC office listing, assessed efforts to improve customer experiences at local VEC locations, conducted physical observations at judgmentally selected VEC sites, assessed employee turnover, surveyed WS employees regarding training, workload, work environment, etc., and compared information against other states’ WS divisions. OSIG made the following observations:

OBSERVATION NO. 3 – COMPLY WITH THE WIOA CO-LOCATION REQUIREMENTS

The WIOA requires that programs and providers co-locate, coordinate, and integrate activities and information, so that the workforce system as a whole is cohesive and accessible for individuals and

businesses alike. Section 678.310(b) of the WIOA (effective July 1, 2015) sets forth the prohibition against standalone Wagner-Peyser Act employment centers; it requires co-location of Wagner-Peyser Act employment services.

OSIG staff compared the number of one-stop shops listed by the Virginia Workforce Board to the VEC listing. OSIG staff determined the following during this comparison:

- 4 of 23 Comprehensive One-Stop shops did not have a VEC representative:
 - Appalachian Workforce Center
 - Valley Workforce Center (Harrisonburg)
 - Chesterfield Resource Workforce Center
 - Cedar Fork Resource Workforce;
- 19 stand-alone VEC offices (see below table) were found within 13 miles of either a comprehensive one-stop location or a satellite office;

Workforce Board Center Name	Type of Facility	Nearest VEC location	Distance Between Offices
Albemarle Career	Satellite	Charlottesville	7 miles
Alexandria Job Link	Comprehensive	Alexandria	5 miles
Appalachian Workforce Center & Business Incubator	Comprehensive	Cedar Bluff	7 miles
Arlington Employment Center	Comprehensive	Alexandria	9 miles
Cedar Fork Resource Workforce	Comprehensive	Richmond	5 miles
Fairfax SkillSource Center (Alexandria)	Comprehensive	Alexandria	12 miles
Fairfax SkillSource Center (Annandale)	Comprehensive	Alexandria	3 miles
Goodwill Industries (Roanoke)	Satellite	Roanoke	4 miles
Goodwill of the Valleys (Radford)	Satellite	Radford	4 miles
Opportunity Inc. One Stop Workforce (Norfolk)	Comprehensive	Norfolk	11 miles
People Inc. of VA (Chilhowie)	Satellite	Marion	13 miles
Region 2000 Workforce Center (Lynchburg)	Comprehensive	Lynchburg	3 miles
Richmond Resource Workforce Center	Satellite	Richmond	6 miles
Valley Workforce Center (Harrisonburg)	Comprehensive	Harrisonburg	3 miles
Valley Workforce Center (Winchester)	Satellite	Winchester	4 miles
VEC (Petersburg)	Satellite	Tri-Cities	6 miles
Virginia Workforce Center (Farmville)	Satellite	Farmville	4 miles
Virginia Workforce Center (Staunton)	Satellite	Fishersville	7 miles
Wise County Dept. of Social Services	Satellite	Norton	5 miles

- 11 VEC stand-alone locations were not listed on the Virginia Workforce Comprehensive and Satellite Center statewide listing:
 - Alexandria
 - Cedar Bluff
 - Farmville
 - Fishersville
 - Harrisonburg

- Marion
- Norfolk
- Norton
- Portsmouth
- Richmond
- Winchester.

The VEC has been working with the Virginia Community College System (VCCS), Secretary of Commerce and Trade, and the Governor’s Office regarding co-location of Wagner-Peyser Act employment service locations. The Governor’s [“New Virginia Economy”](#) deals directly with the issue of co-location and alignment of VEC offices with One-Stops. VEC is expecting the Governor to issue an executive order focused on the co-location of services within One-Stop shops.

Recommendation(s)

VEC should continue to work with the VCCS, the Secretary of Commerce and Trade, and the Governor’s Office to co-locate a VEC representative at each of the One-Stop employment centers to ensure compliance with the WIOA regulations.

VEC should work with the Virginia Workforce Board to ensure that all VEC workforce service locations are incorporated in the statewide comprehensive listing.

Management Response

VEC agrees with the conditions observed and recommendations as presented.

OBSERVATION NO. 4 – IMPROVE EMPLOYEE MORALE THROUGH EMPLOYEE RECOGNITION

Department of Human Resource Management (DHRM) [Policy 1.20](#) – Employee Recognition Programs states “agencies shall develop and implement recognition programs to acknowledge employees’ contributions to the overall objectives of the agency and state government.”

The DHRM Employee Recognition Program Handbook states “agency heads shall ensure availability of funds to support costs incurred by employee recognition programs that acknowledge employees’ contributions to the effective operations of ... a state agency. Agencies should develop procedures for employee recognition awards to enhance good employee relations, develop programs that raise morale for all employees in the agency, and improve agency and state government operations.”

OSIG staff conducted a survey of 357 WS employees, of whom 230 responded, to gain an understanding of the processes and procedures regarding employee recognition within the agency. Based on this survey we found that employees were not receiving recognition (monetarily or non-monetarily) for their service to the agency. According to the written response portion of the staff survey and answers to questions during physical site visits, morale within the agency was low.

OSIG staff conducted site visits to five local VEC offices, spoke to staff regarding the recognition program, and confirmed the survey findings regarding staff not receiving any form of recognition.

VEC has an employee recognition program, but it has not been updated or revised in several years. In speaking with managers and other staff members, there are limited resources to support the program, and it is not as widely used as it could be.

Recommendation(s)

VEC should review and update the employee recognition program to ensure compliance with state guidelines and improve adoption across the agency. Furthermore, the agency should increase communication efforts to educate staff on the program. These efforts should enhance employee relations, raise morale, and improve agency/state government operations.

Management Response

VEC agrees with conditions observed and the recommendation as presented.

OBSERVATION NO. 5 – IMPROVE MAINTENANCE AND REPAIR EFFORTS AT VEC LOCATIONS

Virginia Administrative Code [13VAC5-63-460](#) states “the purpose of this code is to protect the health, safety, and welfare of the residents of the Commonwealth of Virginia, provided that buildings and structures should be permitted to be maintained at the least possible cost consistent with recognized standards of health, safety, energy conservation, and water conservation, including provisions necessary to prevent overcrowding, rodent or insect infestation, and garbage accumulation; and barrier-free provisions for the physically handicapped and aged.”

OSIG staff conducted a survey of WS employees (230 of 357 employees responded) throughout the state to gain information regarding the working conditions at the individual locations. OSIG staff also visited five VEC locations (Williamsburg, Hampton, Portsmouth, Fishersville, and Harrisonburg) to observe conditions first hand. We found the following:

Leased Properties:

- Lack of public restrooms;
- Outdated furniture that is in need of replacement; and
- General cleanliness issues in certain locations.

Owned Properties:

- Roof issues that need to be addressed in certain locations;
- Lighting that needs to be improved; and
- Furniture that needs to be replaced

Note: The properties at Hampton (leased as part of the One-Stop shop) and Fishersville (owned, but shared with the Department for the Blind and Vision Impaired) were in good condition and represented a standard VEC should emulate at other locations.

VEC conducts semi-annual inspections of all VEC owned facilities (9), and maintains quarterly contact with managers in leased facilities (23) to address issues. Issues in leased facilities are sometimes addressed through the Department of General Services' (DGS) Division of Real Estate Services (DRES). If not covered by the terms of the lease agreement, facility projects are subject to available funds and are considered as part of VEC's annual budget process. These processes do not always adequately address facility needs.

Recommendation(s)

The VEC should improve facility operations at leased locations, work with the landlords and the DRES to address these issues (i.e., cleanliness issues), and ensure managers have been trained to identify and address maintenance issues throughout the year.

The VEC should increase the use of shared space, either through One-Stop agreements or partnerships with other state agencies and organizations, to defray the cost of facility operations and reinvest the savings in establishing and maintaining a common standard for facilities.

Management Response

VEC agrees with the conditions observed and recommendations as presented.

OBSERVATION NO. 6 – IMPROVE CUSTOMER SERVICE STATISTICS PROCESS

According to the Workforce Investment Act (WIA) and Wagner-Peyser Act State Plan, “Virginia’s plan for engaging all levels of business include creating a more employer demand-driven system, using various strategic planning efforts to meet the needs of business, using partnerships and leveraged resources – including economic development partnerships – to serve business customers, and supporting entrepreneurs through the workforce system.”

At the VEC, these “plans for engagement” can be summarized in a simple premise: they will work directly with Virginia’s employers to connect them with the workers they need. The VEC is now focused on seamlessly assisting job seekers to move from unemployment (or inadequate employment) to sustained and viable work. Their customers are employers and their prospective employees, and they are streamlining their processes and priorities to focus on the needs of these two groups.

Customer service statistics were obtained for all locations to compare information. However, OSIG staff was unable to compare service wait times at individual locations as this information is not currently tracked.

Overall the number of clients assisted by the VEC WS division has declined significantly between FY14 and FY15 (as of March 31, 2015) by 228,235 or 30%. Per the Director for WS, assistance has declined due to UI claimants no longer filing in-person claims and the fact that the economy has been improving, thus leading to a reduction in the unemployment rates.

Client assistance decreased by over 50% at the following fourteen locations.

Location	FY15	FY14	# Variance	% Variance
Farmville	6,161	17,517	(11,356)	-65%
^Fort Eustis	2	595	(593)	-100%
^Fort Lee	2	4	(2)	-50%
*Chesapeake	-	9,482	(9,482)	-100%
*Mechanicsville	13,239	28,841	(15,602)	-54%
^Norfolk (Navy)	135	876	(741)	-85%
Portsmouth	11,785	26,239	(14,454)	-55%
Richmond	18,080	36,349	(18,269)	-50%
*Rocky Mount	1,718	3,557	(1,839)	-52%
*Suffolk	8,481	19,388	(10,907)	-56%
+VEC – Goodwill	2	7	(5)	-71%
+VEC – Whitepine	-	3,668	(3,668)	-100%
^VEC – Arlington EC	368	1,391	(1,023)	-74%
Williamsburg	8,237	19,888	(11,561)	-58%

*Offices were closed in FY15.

+Not utilized by WS.

^VEC employees are sent to these locations on an itinerant basis; employees used and frequency of visit usually change from week to week.

OSIG staff followed up with five locations (Farmville, Portsmouth, Richmond, Rocky Mount, and Williamsburg) to identify reasons for such a large decrease and identified the following potential reasons:

- Office operations reduced to 3 days a week;
- More clients have obtained jobs and the push for clients to file UI claims online or through the phone has reduced the foot traffic at the locations; and
- Reduction in staff prevents current staff from diligently logging activities conducted at the local office.

Three locations actually increased client assistance:

Location	FY15	FY14	# Variance	% Variance
Martinsville	23,387	21,245	2,142	10%
Prince William	23,161	17,823	5,338	30%
Radford	26,777	17,899	8,878	50%

OSIG staff followed up with these three locations to identify how they increased the number of clients serviced in FY15. The following strategies were identified:

- Focusing efforts to improve customer service and embrace the goal of helping customers secure meaningful employment;
- Teaching staff to become more aware of the importance of capturing services that are provided to the resource room customers and taking active measures to improve the consistency demonstrated in focusing on those activities where, as in the past, this was not emphasized and prioritized to the degree it is being emphasized now;
- Partnering with employers and staffing agencies to host job fairs and promoting these events through Facebook, flyers, emails, and hot job lists to community partners and the faith-based community;
- Encouraging customers to stay in touch with their Workforce Service Representative, to come back for further assistance whenever necessary, and to let staff know when they achieve their and VEC's goal for employment;
- Providing customer service training through various training activities and webinars, along with morning meetings to discuss previous day's successes and learning opportunities, and to ensure that staff leaves the morning meeting with a proper mind set of empathy, benevolence, compassion, professionalism, and leadership;
- Measuring customer satisfaction through surveys of job seekers and employers;
- Encouraging staff to obtain professional workforce certifications; and
- Ensuring proper staffing for optimal service delivery by placing staff in strategic roles within the Workforce Center.

The work model that the VEC has utilized in the WS division since January 2014 is "Return on Expectations" (ROE) as measured against each office's job matching (hires) goal. Under this model, offices are evaluated according to how many real people they match with real jobs, rather than by the volume of "services" they deliver (which may or may not lead to a job). Up until June 2015 the VEC was collecting best practices from their top performing offices with an eye toward universal adoption of those practices, but due to some employee turnover this practice has been put on hold at this time.

Due to the VEC utilizing the ROE model regarding hires, OSIG staff reviewed the "hires" return on expectations for calendar year 2014 per location to see if they exceeded, met, or fell short of their goal. The following was identified:

- Nine offices exceeded their goals: Harrisonburg, Eastern Shore, Radford, Fishersville, Marion, Prince William, Richmond, Portsmouth, and Danville earned a return on expectations greater than 1.0; and
- The rest of the local offices fell short of their identified goals with the following 10 offices' earning a ROE of 0.49 or lower which is considered poor per the VEC WS Director: Covington, Fredericksburg, Alexandria, Charlottesville, Warsaw, Emporia, Williamsburg, Bristol, South Boston, and Winchester.

Information from the employee survey conducted by OSIG staff indicates that staff employees in local offices feel they have not been trained or given direction regarding the consistency or expectations related to the collection of statistics. However, management stated that all staff views a five part webinar on the Blueprint for the Future in Workforce Services, which provides them with a detailed explanation of the hires process. The regional directors have also provided follow-up training to their local office managers on the hires process. Due to this feeling of uncertainty regarding the tracking of statistics and staffing issues, the inconsistencies may be greater in some locations than in others.

As local offices are closed there are times when the information remains in the system linked to that location instead of moving the information in the system over to the updated location (e.g. the Mechanicsville office closed during FY 2014 yet the activity code was not re-coded to the Richmond office).

Only some of the local VEC offices conduct customer satisfaction surveys, but even then the surveys are not consistently used and the information is not consistently maintained. In addition, the VWC system does not have a module built in that allows a customer satisfaction survey to be taken after people register and utilize services.

Commendation

The VEC is commended for working to streamline their processes and making it a priority to focus on the needs of assisting job seekers to move from unemployment (or inadequate employment) to sustained and viable work and assisting employers with identifying their needs.

Recommendation(s)

In order to make better use of the statistics collected and to provide better customer service, VEC should consider implementing the following procedures:

Ensure that client activity that was recorded in the system at locations that were subsequently closed is re-coded to flow to the new offices handling those clients so that clients in the system can be accurately tracked.

Review information that is tracked through the VWC to determine its usefulness. The information that is deemed useful should be monitored to allow management to have better oversight into the workload needs of the division, to identify employment trends, and to identify business needs throughout the state regarding WS. All staff should be trained on how to record and track information to ensure consistency throughout the agency (i.e. what is classified as an office visit, a hirer, etc.).

VEC should consider developing a customer satisfaction survey tool to be utilized throughout the agency to obtain feedback from job seekers and employers and use this

information to improve processes to better address the customers’ (job seekers and employers) needs.

VEC should consider utilizing the work models from Martinsville, Prince William, and Radford in order to train other locations on how to improve overall customer service and assist other local offices in increasing their ROE for the number of hires obtained monthly. Employing the techniques listed above that are used by the three locations should increase the number of clients served in the future, and increase how many people are matched with real jobs.

Management Response

VEC agrees with the conditions observed and recommendations as presented.

OBSERVATION NO. 7 – ANALYZE WS STAFFING NEEDS

OSIG staff obtained the number of new “participants” (job seeker customers), hires attributed to the local office, new employers registered in VWC, new job orders entered into VWC, new job orders matched in VWC, job referrals to employers, and employer visits made by staff from the individual local offices for FY14 and FY15. OSIG staff then compared the client services provided at all locations and at each location by year as well as analyzed the workload at each location by reviewing the number of transactions handled by each employee.

Based on a fluctuation analysis comparing certain job and employer related activities conducted in FY14 versus FY15, total local office workload has declined by 29%.

Activity Report Data	FY15	FY14	Fluctuation Analysis	
			# Variance	% Variance
# of new job seekers	111,999	259,193	(147,194)	-57%
# of hires	17,482	9,770	7,712	79%
# job referrals	725,042	1,073,013	(347,971)	-32%
# new employers registered	4,600	3,968	632	16%
# new job orders entered	132,314	79,879	52,435	66%
# employer visits	3265	806	2,459	305%
# job seekers created/registered	106,283	131,050	(24,767)	-19%
Total	1,100,985	1,557,679	(456,694)	-29%

The number of employees per location was obtained from the VEC HR Director to identify workload activity at the individual office locations. Based on this review, we found 13 locations in FY14 and 10 locations in FY15 that serviced less than 10 clients a day per employee and 3 locations in FY14 and 2 locations in FY15 that serviced more than 20 clients a day per employee. See more details in the table below.

Location	FY14 Total Transactions	FY14 Total # of Employees	FY14 Total Customers Assisted per day	FY15 Total Transactions	FY15 Total # of Employees	FY15 Total Customers Assisted per day
Alexandria	123,312	20	24	133,475	17	30
Bristol	21,538	20	4	20,969	12	7
Charlottesville	48,412	20	9	40,371	16	10
Covington	13,955	20	3	9,757	11	3
Eastern Shore	19,125	9	8	18,448	9	8
Emporia	21,112	15	5	21,268	12	7
Farmville*	18,460	6	20	19,974	6	21
Galax	27,763	14	8	23,033	9	10
Harrisonburg	32,003	12	10	30,583	10	12
Lynchburg	59,301	28	8	51,855	14	14
Marion	19,627	9	8	18,540	8	9
Martinsville	26,892	17	6	22,839	12	7
Norfolk/ Norfolk-Navy	98,738	32	12	58,888	25	9
Norton	27,097	14	7	25,468	12	8
South Boston/ South Hill	12,401	8	6	17,032	6	11
Tri-Cities/Fort Lee	53,963	20	10	44,971	19	9
Virginia Beach^	27,916	3	36	44,822	3	57
Warsaw	21,565	11	8	17,430	6	11
Wytheville	24,278	10	9	19,389	8	9

*Operates only 3 days per week

^Closed in 2015 – staff was assigned in this area for only a short period

VEC told OSIG staff that WS examines these statistics continually, and found three main factors that correlate with the decrease in activity:

1. The total number of filled positions in the WS Division has declined by 40% over 18 months as funding has declined from the expiration of programs and improvement in the economy. Furthermore, competing demands for resources from fringe benefits costs, facilities' maintenance, information technology, and other overhead costs constrain the agency's ability to further invest in local office operations;
2. The nature of service in the local offices is changing from the traditional UI workload. Most UI functionality has moved out of the local offices to the call centers and the internet. Historically, UI traffic drove the rest of the workforce business; but that is no longer the case. Additionally (as indicated by the rise in job orders), WS' focus in the field is changing to its employer customers, emphasizing high quality targeted referrals rather than large quantities of minimally qualified referrals; and
3. The economy has improved significantly and, as a result, fewer job seekers use VEC services, which is evident by the decrease in job seekers and increase in the number of employer visits in search of qualified candidates.

Recommendation(s)

VEC should perform a workload analysis throughout the WS Division to ensure appropriate staffing needs are addressed at each location in order to best meet the needs of the agency and its customers.

VEC should ensure staffing levels are allocated and sufficient based on the demand for services. Furthermore, VEC should ensure WS staff is equipped to handle the changing nature of local office workloads.

Management Response

VEC agrees with conditions observed and recommendations as presented. The agency will allocate staffing and associated funding as it is made available either through federal appropriations or internal savings that can be reassigned.

OBSERVATION NO. 8 – UPDATE VEC INFORMATION SYSTEMS TECHNOLOGY

Information Technology Risk Management (ITRM) Standard [SEC501-09](#) defines the minimum acceptable level of information security and risk management activities for COV agencies. We identified IT security observations that we communicated to VEC management in a separate document. Due to the sensitive nature of the descriptions, we have omitted these details from this report.

Recommendation(s)

We recommend the Commission leadership evaluate the observations identified during our review and ensure sufficient resources are available to implement and maintain information security controls.

Management Response

VEC agrees with the conditions observed and the OSIG recommendations reflect current priorities of the VEC.

Risk Area 3 - Records Management

Records Management is the professional practice or discipline of controlling and governing what are considered to be the most important records of an organization throughout the records life-cycle, which includes from the time such records are created to their eventual disposal. This work includes identifying, classifying, prioritizing, storing, securing, archiving, preserving, retrieving, tracking, and destroying records. The purpose of records management is part of an organization's broader activities that are associated with the discipline or field known as governance, risk, and compliance and is primarily concerned with the evidence of an organization's activities as well as the mitigation of risk that may be associated with such evidence.

REVIEW OBJECTIVES AND STEPS

The review objectives included determining whether:

- The current VEC Records Management policy and procedures effectively address the recordkeeping issues identified in a case resulting in a Settlement Agreement between the VEC and the United States Department of Labor, Civil Rights Center;
- The new VEC Records Management project management process is being performed in an effective and efficient manner; and
- Any fraud, waste, or abuse is present in the records management process.

During the records management review OSIG staff compared and contrasted the current records management policy and procedures with the issues surrounding the case that resulted in the USDOL Settlement Agreement. In addition, OSIG staff evaluated the VEC records management project methodologies/processes and compared them with project management profession's best practices. The following observations were noted during this review:

OBSERVATION NO. 9 – IMPROVE THE PROJECT MANAGEMENT PROCESS

In 2012, VEC developed a plan and scope for the Records Management Project after the agency was unable to provide documents for a Freedom of Information Act (FOIA) request. However, there was no evidence of management's formal acceptance of the project scope, project plan execution, or actual initiation, and as a result the project stalled. Then, in 2014, VEC was unable to provide requested documents to the USDOL and the Record Management Project was restarted.

VEC provided planning notes that covered project integration management (coordinating all aspects of the project) and the scope of the project. However, there was no clear evidence of how management would adequately monitor and measure the project performance.

VEC clearly identified a Records Management Steering Committee and Project Team. Through interviews and document review, OSIG staff did not find evidence that key staff members responsible for the project had project management training and/or certifications.

Finally, VEC's 2014 Records Management planning documents identified risks and time schedules. However, there was no evidence that a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, a Project Management Institute best practice, was conducted or milestones and activity schedules were established, adequately controlled, or monitored.

Recommendation(s)

Management should ensure that the purpose of a project is clearly defined, the scope and objectives are formally approved, and reasonable timelines are established prior to project initiation and that the execution of the project is carefully monitored. Timelines should be adhered to and milestones should be achieved.

VEC should choose a staff person who has good project management skills to lead the project and to ensure the project is completed as planned. If there is no staff with good project management skills, consider offering staff the opportunity to attend Project Management Training and Certification classes. Earning certifications will enhance staff competency and assist them in performing well in the role of the project manager as they lead and direct projects and teams.

VEC should perform a SWOT analysis to clearly identify risks involved in a project and assess ways to mitigate those risks.

Management and the project manager should ensure that clear completion dates and key milestones throughout the project are established (project and scope approval, system implementation, testing, training, etc.). Additionally, adequate monitoring of those milestones is needed to ensure performance issues are addressed during the lifecycle of the project.

Management Response

VEC agrees with the conditions observed and recommendations as presented; however, it should be noted that VEC has several certified project managers within the IT division that manage projects in accordance with applicable standards. Although this one particular project has had the issues noted, the agency under the new leadership has been conducting periodic oversight meetings for major projects to include projects under SBR (Supplemental Budget Request) funding, major IT projects {UI Mod, TOP, and SIDES (State Information Data Exchange System)}, as well as other major initiatives.

OBSERVATION NO. 10 — IMPROVE STORAGE AND RETRIEVABILITY OF RECORDS

According to Section VIII, Storage of the VEC Record Management Policy, effective date October 2014, “All VEC records shall be maintained in such a way that they are identifiable and accessible for the entirety of their assigned retention period. If records are of a confidential nature, they should be stored in a secure area that is locked and has controlled access for select personnel only.”

OSIG staff observed two VEC Headquarters work areas, Fiscal and Human Resources. For the Human Resources area, the files were well organized and adequately secured. In the Fiscal work area, some of the staffs’ offices were stacked with banker boxes filled with documents. OSIG staff observed that some of the documents contained personal identifiable information (names, social security numbers, etc.). OSIG staff also noted that the Unemployment Insurance Division staff was unable to locate an extensive report (approximately 2000 pages), in a timely manner, that contained two requested documents.

Recommendation(s)

Management should ensure that each work unit maintains documents in a secure location to protect confidential information and in a neat and organized manner such that they are easily retrievable. Failure to do so could result in noncompliance with state and/or federal requirements.

Management Response

VEC **does not agree** with the conditions observed as presented for the following reasons:

All Finance records are maintained in an organized manner by each unit, based on the need for retrieval. For example, Accounts Payable records are filed by vendor and date within the fiscal year. After the end of each state fiscal year, we are required to obtain boxes to move prior fiscal year records to our on-site storage location. During this time, files are removed from each file cabinet to label boxes showing a description and fiscal year of the contents. New folders are made for each of the various files for the new fiscal year. Records from storage are pulled and stacked along a wall in Finance waiting for transport to the State Library.

At times requests are received for records in storage. Finance staff retrieves these boxes from storage to their office, pulls the records and if necessary makes copies for the requestor. Then the records are re-filed and moved back into storage.

Since Finance documents contain personal identifiable information, we have locked doors that require an electronic security card to access the office and the storage location. This provides protection for the confidential records.

UI Records are maintained within the central office. These are physical documents referred to as “proof reports.” The process for maintaining these files will be improved dramatically when the new tax system goes live in which electronic images of documents will be maintained.

VEC **does not agree** with the recommendation as presented for the following reason:

We believe the records management process within Finance is secure and compliant with applicable directives. We recognize the two documents requested from the UI division were not able to be produced by the division in a timely manner and represents an area for improvement.

OBSERVATION NO. 11 – IMPROVE OVERSIGHT AND IMPLEMENTATION OF AGENCY TRAINING

DHRM Policy Number [5.05](#) – Employee Training and Development requires agencies to provide training, within reasonable resources, to assist the agency in meeting its mission. This includes the provision of on-the-job training and work related instructions. To facilitate this goal, employee development plans (which can include career progression) as part of the employee work profiles, are one tool to support this objective.

As part of the review, OSIG staff surveyed employees within the WS Division and visited 5 local offices. Information obtained from the interviews indicated that there is a need for division-wide professional development and career progression plans with particular focus on the changes with regard to WIA/WIOA. Furthermore, employees are concerned with the lack of professional development opportunities.

During the review, OSIG staff also determined that the agency does not have a consistent method for documenting attendance at training for both in-person and webinar courses. Training records provide evidence that people attended certain classes. In some cases, the agency may need to document training to meet a regulatory requirement; however, regulatory compliance is not the only reason to keep training records. Training documentation may be needed as part of an internal management or quality system. Training records are also useful when evaluating the effectiveness of training programs.

Per the USDOL – Civil Rights Center and VEC Agreement, dated September 29, 2014, “The first training [Records Management] will be provided at the central office within sixty (60) days, and all local offices within ninety (90) days of the date of full implementation of the revised procedures.” The VEC has met the requirements and has done an excellent job in providing quality training material. However, after implementation, for a period of four months, the agency did not ensure that Records Management Training was progressively being taken by staff. The VEC documentation supports the training reminders were sent out to managers and supervisors on July 14, 2015 indicating that their training deadline was August 4, 2015, and to all other staff on August 5, 2015, indicating that their training deadline was August 26, 2015.

Recommendation(s)

OSIG recommends that:

- VEC complete and implement its professional development and career progression plans for the WS Division as soon as practicable.
- The agency develop and implement agency-wide standard procedures for tracking mandatory training.
- The agency incorporate an agency-wide standard procedure for following up on the completion of mandatory training and take appropriate steps when employees do not comply.

Management Response

VEC agrees with conditions observed and recommendations as presented.

Risk Area 4 - Performance Measurement and Reporting

The performance monitoring function provides the means to systematically and appropriately record, analyze, present, and communicate how agency operations are progressing compared to established goals in order to permit effective management and provide information to the regulatory/governing bodies. Performance reporting concerns the aggregation, compilation, presentation, and distribution of performance information. Reports may be used internally by management to monitor progress toward goals, externally to comply with laws and regulations, and/or to establish transparency of operations with constituents.

REVIEW OBJECTIVES AND STEPS

The review objectives included determining whether:

- The existing performance management framework effectively, efficiently, and accurately captures performance measures;
- The performance management process provides effective timelines, correctly and efficiently reallocates funds to achieve agency goals, and captures performance measures in a timely manner for use by management and aligns with employee performance;
- The performance measures being reported to management support the achievement of the Agency's strategic plan; and
- Any fraud, waste, or abuse is present in the performance measurement and reporting process.

During the performance measurement and reporting review OSIG staff:

- Reviewed internal and external performance reports that were produced on a recurring basis to identify areas in need of consolidation;
- Reviewed and assessed time periods used for performance measures to determine that they were reasonable in length and specific in time;
- Verified the appropriateness of each of the agency's performance measures;
- Reviewed the most recent strategic plan to ensure performance measures were applicable for each goal in the strategic plan;
- Verified measures were linked to employee performance; and
- Reviewed ways in which information was captured for performance measures to determine if more efficient and effective means were available to ensure "real time" data was available.

The following observations were noted during this review:

OBSERVATION NO. 12 – IMPROVE REPORTING OF NEW HIRES

Data tracked through the WS Division is retrieved on a daily basis and electronically uploaded into a federal database. However, the Division Director stated that the “biggest challenge is collecting real time data in workforce development, which is virtually impossible with our current technology and process limitations.” Because there is no timely process in place to alert WS of employee hires, the data uploaded to the federal databases for mandated measures is not current information. It typically takes WS 30 to 60 days to become aware of employee hires through the employer’s tax data retrieved from the UI Division. This is a manual process as there is no interface between the two divisions’ systems to provide the information electronically.

Code of Virginia § [63.2-1946](#) – Virginia New Hire Reporting Center; State Directory of New Hires; reporting by employers states:

- A. Each employing unit shall report to the Virginia New Hire Reporting Center, operated under the authority of the Division of Child Support Enforcement, the initial employment of any person, as defined in § [60.2-212](#), within twenty days of such employment. The Center shall operate and maintain the Virginia State Directory of New Hires. The Center is authorized to share information with the Virginia Employment Commission.

Recommendation(s)

In order for WS to obtain the most current new hire data to upload into the federal database, the division should implement an efficient process to retrieve data timely. According to the *Code*, employers must report new hires to the Virginia New Hire Reporting Center database within 20 days via a New Hire Report. This may be the most efficient method currently available to obtain the information required to be input into the federal database to calculate the mandated performance measures. WS should consider requesting access to the database maintained by the Virginia New Hire Reporting Center as the *Code* states that the Center is authorized to share information with the VEC. Access will allow the VEC to capture the most current new hire data available.

Management Response

VEC **agreed** with the conditions and recommendation as presented noting the following:

The recommendation is that the WS Division, consider requesting access to the database maintained by the Virginia New Hire Reporting Center. The UI Division currently has an agreement in place with the Office of Child Support Enforcement (OCSE). That agreement does restrict the use of data received to assist the agency in administering the Unemployment Compensation benefit program. In order to pursue the recommendation being made, the WS and UI divisions would need to

explore the possibility of expanding the existing agreement or establishing a separate agreement between WS and OCSE.

OBSERVATION NO. 13 — ASSESS ADEQUACY OF REPORTING PERFORMANCE MEASURES AND GOALS

Performance measures provide a method to record, analyze, and communicate how operations are progressing when compared to established division and agency performance goals. Performance measures may be used internally by management to track the progress toward meeting goals and to determine the effectiveness of management, employees, and procedures. Performance measures may also provide insight as to how efficiently services are being delivered. Performance reporting involves the collection, analysis, and distribution of performance information.

Management in each of the four divisions within the VEC (WS, UI, Customer Contact Centers, and Economic Information Services) has developed its own performance measures to track performance. The results of the comparison of the measures to the goals are used within the divisions to support management efforts. They are not formally reported to executive management (Commissioner's Office), but they are shared periodically in support of agency objectives.

Regular reporting could provide value and insight that executive management would find useful on an ongoing basis to support decision making and to guide the strategic direction of the agency.

Recommendation(s)

An assessment should be completed of each division's internal performance measures and a determination made regarding which of these measures should be incorporated into regular reporting to executive management. The determination should include direction on frequency and format of such reporting.

Management Response

VEC agrees with the conditions observed and recommendation as presented.

OBSERVATION NO. 14 — LINK STRATEGIC GOALS TO PERFORMANCE MEASURES

Performance measurements provide feedback on efficiency, effectiveness, quality, timeliness, and productivity of the process that is being monitored. Performance measures should be aligned to the strategic plan of an agency. *Code* § [2.2-5510](#) states that "A. Each agency shall develop and maintain a strategic plan for its operations. The plan shall include: 1. A statement of the mission, goals, strategies, and performance measures of the agency that are linked into the performance management system directed by long-term objectives."

The VEC strategic plan does not link performance measures to all the strategic goals. According to the strategic plan, the following strategic goals do not have performance measures linked to them:

- Strengthen and expand the agency's internal and external communication; and
- Create efficient and aligned business processes and service delivery systems.

The following performance measures developed by the VEC or federal agencies do not align with any strategic goal established in the strategic plan:

- Cost per Call per customer service representative assigned to the Customer Contact Center;
- A statewide score of 100% on the Blueprint for the Future return on expectations;
- Develop a Blueprint for the Future in Workforce Program integration. Meet or exceed business and system infrastructure integration milestones established in the Blueprint;
- Meet or exceed 100% of USDOL – established programmatic goals for the VEC;
- A statewide score of 100% on the Employer Relationship performance measures established by the Virginia Veteran’s Service Demonstration Project Plan; and
- Achieve a statewide score of 100% of Bureau of Labor Statistics (BLS) and USDOL – mandated LMI goals.

Recommendation(s)

VEC should revise its strategic plan to ensure that performance measures are developed for each strategic goal. A review of established performance measures should be completed in order to ensure that measures provide feedback on the efficiency, effectiveness, quality, timeliness, and productivity of the strategic goal that is being monitored.

Management Response

VEC agrees with the conditions observed and recommendation as presented with the following comment:

VEC will revise its strategic plan to ensure that performance measures align with strategic goals. Furthermore, it will be revised to include upcoming changes necessitated under the changes at the federal level with WIOA.

Risk Area 5 - Social Media

Social media is the collective of online communications channels dedicated to community-based input, interaction, content-sharing, and collaboration. Websites and applications dedicated to forums, microblogging, social networking, social bookmarking, social curation, and wikis are among the different types of social media.

REVIEW OBJECTIVES AND STEPS

Review objectives included determining whether:

- Social media goals and objectives have been identified;
- Social media is monitored to ensure accuracy of information posted and controls are in place over the access to posting information on individual sites; and
- Any fraud, waste, or abuse is present in the social media process.

During the review of VEC social media OSIG staff verified locations/divisions where Facebook, CHAT, and Twitter pages were utilized to verify that information was current, sites were secured, sites were visually pleasing, information on sites was accurate, and policies and procedures related to updating the sites were implemented. OSIG staff also reviewed and assessed whether links within the sites were working, compared social media sites to other states employment commissions' sites, and researched other types of social media sites that could serve a useful purpose for the VEC. We made the following observations during this review:

OBSERVATION NO. 15 – CREATE AND COMMUNICATE SOCIAL MEDIA POLICIES AND PROCEDURES

A review of VEC social media sites was conducted to ensure that sites were being utilized for the intended purposes, proper controls were in place over the sites, analytical reviews were completed on the sites, and information was updated timely. During the review OSIG staff found the following:

- No social media policies and procedures have been implemented to ensure control over the information that is posted on the social media sites (i.e. ultimate vision of site, expectations, clear communication of what is and is not allowed on the sites, etc.);
- Training has not been provided to site administrators (e.g. how to edit the site, how to format the site, how to analyze site activity, etc.);
- Some sites are not being utilized (e.g. Veteran Services Facebook, YouTube, and LinkedIn); and
- The VEC has not created its own hashtag for the Twitter account, which provides a search mechanism for other users to identify the information (e.g. #VEC or #virginialmi).

Recommendation(s)

The VEC should develop and clearly communicate social media policies and procedures to staff. The policies and procedures should identify the ultimate vision for the site(s), set expectations and clearly communicate what is and what is not allowed on the individual sites, and ensure sites are updated regularly and are reaching their intended targets {e.g. pictures, office information (hours of operation, contact numbers, etc.), website links, call center number, type of services, etc.}.

VEC should consider appointing a social media coordinator to oversee the creating and handling of all social media accounts to ensure that they are maintained with up-to-date information and are in accordance with established VEC social media policy, once developed.

The VEC should consider implementing social media training for all social media administrators which could include teaching them how to use editing software and analytical tools, and how to apply successful media marketing tips that will increase views of the site.

The VEC should consider creating its own hashtag for Twitter to improve the searching mechanism regarding unemployment information, etc.

The VEC should consider conducting a review of all social media sites to determine if current accounts should be maintained and if other accounts need to be created (i.e. other local office Facebook pages). Once determined, the agency should assign an administrator to each account to ensure that it is updated in accordance with the social media policy, once developed.

Management Response

VEC agrees with the conditions observed and recommendations as presented with the following comment:

VEC had previously begun developing a social media policy and has been reviewing the use of social media to determine which accounts to maintain and how to maximize their effectiveness. The agency will incorporate the recommendations outlined above into the review, to include identifying training resources that could be used by agency staff. Furthermore, the agency's communication director has had revisions made to her duties as outlined in her Employee Work Profile and a draft of those changes has been submitted to HR (Human Resources) to more clearly delineate responsibility for these functions.

OBSERVATION NO. 16 – ENSURE ACCURACY OF SOCIAL MEDIA SITES

A review of the VEC social media sites was conducted (VEC website, twitter, Facebook, YouTube, and LinkedIn). During this review OSIG staff noted that several links on the VEC websites were not working properly and the YouTube account did not provide a link to the VEC website for users to obtain additional information regarding the agency. OSIG staff identified 33 links on the VEC website that were either deemed suspicious and restricted by VITA as possibly being harmful for use by citizens or were not working properly.

Recommendation(s)

VEC should ensure that all links identified during this review are corrected or removed if potentially harmful for citizens to be utilizing.

The agency should ensure that the VEC website link is posted to the YouTube account for potential employers and customers to utilize to obtain additional information regarding the agency.

Management Response

VEC agrees with the conditions observed and recommendations as presented with the following note:

VEC appreciates the thoroughness with which the review was completed and has since taken steps to resolve the links that were not accessible. Furthermore, the agency will be including procedures in the agency social media policy to ensure periodic review of external links and websites.

Risk Area 6 - Third Party Administrator/Contractor Management

Third Party Administrator/Contractor Management refers to the requirements established for conducting business with third party vendors/contractors. These requirements should cover partnerships, joint ventures, vendor, and other relationships. The agency enters into contracts and agreements to achieve lasting and meaningful improvements in processes and to provide constituent services.

REVIEW OBJECTIVES AND STEPS

Review objectives included determining whether:

- Contract management policies provide for an effective and efficient degree of oversight over third parties;
- Performance measures and commitments in third party contracts include opportunities to decrease contractual risk and increase the ease of contractual oversight;
- Third party relationships increase efficiency through meaningful improvements in processes or providing constituent services; and
- Any fraud, waste, or abuse is present in the third party administrator/contractor management process.

During the third party administrator/contractor management review OSIG staff documented the third party administrator/contractor management process, assessed the process for efficiencies, selected a sample of contracts and evaluated the contract development process, verified if contracts provided meaningful improvements in processes, verified monitoring activities over contracts, and assessed the efficiency and effectiveness of the contract monitoring process. The following observation was made during this review:

OBSERVATION NO. 17 – CONSIDER PURCHASING AN ELECTRONIC CONTRACT MANAGEMENT SYSTEM

VEC uses a manual process for contract management. All contract files are kept in paper form and are located in the General Services Division of the VEC. The agency uses an Excel spreadsheet to track contract renewal periods. VEC also uses eVA (a state procurement module provided by DGS) to create Quick Quotes, which could be integrated into an electronic contract management system. With the current manual process, change orders cannot be linked to the original contract, but are given a separate purchase order.

A manual contract management system creates a higher risk of mishandling the contracts, losing paperwork, failing to capture reliable, relevant, and timely business data that could be used for analysis and reporting, and failing to comply with the contract terms.

Recommendation(s)

To decrease contract management risk and increase efficiency in the process, VEC should consider purchasing and implementing an electronic contract management system. In addition, an electronic contract management system can enhance the contract administration and monitoring process by providing a means to standardize processes and procedures, providing electronic storage of contracts, setting controls over the authorization process, managing communications with contract administrators, providing notification of renewal dates, assisting with the receiving and payment functions, and providing timely and accurate reporting data.

An evaluation of the electronic contract management systems available to the VEC should be performed to determine if any will meet the needs and expectations of VEC management. One option available to VEC is the contract management module in eVA. The DGS' Division of Purchasing and Supplies offers the module free of charge to the user. Another option for VEC is to implement Cobblestone. This contract management system is offered by VITA at a cost to the user that varies based on the service provided.

Management Response

VEC agrees with conditions observed and recommendation as presented with the following comment:

Due to the fiscal limitations within the VEC, using the VITA solution is not a viable option at this time. The agency can make an assessment to determine if the eVA option would meet the agency needs.