

OFFICE OF THE STATE INSPECTOR GENERAL
Report to Dr. Marissa Levine

PERFORMANCE REVIEW
VIRGINIA DEPARTMENT OF HEALTH

April 2017



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

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April 18, 2017

Dr. Marissa Levine
State Health Commissioner
Virginia Department of Health
109 Governor Street
Richmond, Virginia 23219

Dear Dr. Levine:

The Office of the State Inspector General (OSIG) is empowered, under § [2.2-309](#) [A](10) of the *Code of Virginia*, 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. The Virginia Department of Health (VDH) review covers the period of February 1, 2016, through September 30, 2016, and focused on the following two operational areas:

- Centralization, Automation, and Oversight of Core Administrative Services
- Health Care Facilities Inspection, Certification, and Licensure

VDH was selected for review based on a 2013 statewide risk assessment completed by Deloitte LLP. 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 VDH management throughout the review process. Additionally, an exit conference was held on Monday, March 27, 2017 to discuss the draft report.

Observations identified during the review are included in the attached report. In addition, the agency's plan of action has been included.

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

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

Respectfully,



Michael C. Westfall, CPA
Acting State Inspector General

CC: Paul J. Reagan, Chief of Staff to Governor McAuliffe
Suzette P. Denslow, Deputy Chief of Staff to Governor McAuliffe
Dr. William A. Hazel, Jr., Secretary of Health and Human Resources
Senator Stephen D. Newman, Chairman of the Education and Health Committee
Delegate Robert D. Orrock, Sr., Chairman of the Health, Welfare and Institutions Committee
Senator Charles W. Carrico, Sr., Chairman of the Joint Commission on Health Care
Bruce W. Edwards, Chairman of the Virginia State Board of Health

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Executive Summary

The Office of the State Inspector General (OSIG) identified opportunities to improve efficiency and effectiveness in the areas reviewed. OSIG reviewed the following areas: centralization, automation, and oversight of core administrative services and health care facilities inspection, certification and licensure. 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 efficiency and effectiveness.
- 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
Creating a Shared Services Work Unit (Observation No. 1)
Expanding Mandatory Trainings (Observation No. 2)
Centralized Health Facilities' Inspection Performance Data Needed (Observation No. 6)

Purpose and Scope of the Review

OSIG conducted a performance review of VDH pursuant to *Code of Virginia (Code)* § [2.2-309](#) [A](10) 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 VDH. Instead, the focus was on certain service areas identified through a statewide risk assessment of state agencies and interviews with agency management. The scope and objectives of the review were established through interviews with management concerning VDH’s risks in these areas:

- Centralization, Automation, and Oversight of Core Administrative Services
- Health Care Facilities Inspection, Certification, and Licensure

The review period was from February 1, 2016, through September 30, 2016. The review objectives were to:

- Determine whether common administrative functions such as: Human Resources, Procurement, Grant Management, Budgeting, and Financial Accounting areas should be consolidated with the central office departments and/or districts to optimize efficiency and economy in human and financial resources.
- Determine if there are areas where automation would streamline efforts in the Human Resources, Procurement, Grant Management, Budgeting, and/or Financial Accounting processes.
- Determine whether VDH has appropriate oversight over the Human Resources, Procurement, Grant Management, Budgeting, and Financial Accounting functions.
- Determine whether VDH staffing levels are sufficient to conduct timely and quality inspections.

Background

Virginia Department of Health (VDH) is the agency that serves as the leader and coordinator of Virginia's public health system. VDH strives to achieve its mission of promoting and protecting the health of all Virginians by working in conjunction with localities, private sector, and state/federal government partners. In contrast with health care and private medicine, VDH's public health role focuses on the population with an emphasis on prevention, orientation towards the community, and efforts directed at systems. Statutory authority for VDH is provided in [Title 32.1 of the Code of Virginia \(Code\)](#).

Highly decentralized and geographically dispersed, VDH delivers services to the public through local health departments (LHDs) or by VDH field offices. Each city and county in Virginia is required to establish and maintain an LHD which is jointly funded by VDH and local governments through a contractual agreement. Due to diminished state general fund appropriations, the agency is becoming increasingly dependent on federal grant funding. Currently, there are two independent LHDs operated by the locality (Fairfax and Arlington) in which VDH provides funding and oversight.

VDH has organized 119 LHDs into thirty-five health districts to allow for a statewide presence and the flexibility to adapt to local needs and operational efficiencies. VDH's workforce is estimated as 4,400 people which includes full-time, wage, contractors, locality, and volunteers.

VDH's products and services benefit Virginians across their life span. These products and services can be broadly categorized as communicable disease prevention and control; preventive health services; environmental health hazards protection; drinking water protection; emergency preparedness response and recovery; emergency medical services; medical examiner and anatomical services; health assessment, promotion and education; health planning, quality oversight, and access to care; vital records and health statistics; and community health services.

Review Methodology

OSIG staff conducted this review by:

- Examining the detailed results of Deloitte’s statewide risk assessment;
- Reviewing pertinent documents; and
- Conducting interviews to gain insight into the specific risks from the Deloitte assessment with the Auditor of Public Accounts (APA) and VDH:
 - Executive Management Team and
 - Key Units’ Personnel.

As a result of the interviews, OSIG staff identified associated risks for each of the service areas, established performance review objectives (see specific objectives within each service area below), and developed detailed review procedures to address these objectives. In addition, indicators or opportunities for fraud, waste, or abuse were assessed in these areas.

The performance review procedures included:

1. Conducting interviews and observations/walk-throughs, examining policies and procedures to gain an understanding of the review areas’ processes, and assessing the processes for efficiency and effectiveness;
2. Collecting and analyzing relevant data; and
3. Benchmarking the agency’s business processes, activities, and performance metrics to other states’ similar agencies and to industry best practices.

Review Results

Overall, OSIG found opportunities to improve efficiency and effectiveness in the areas reviewed – centralization, automation, and oversight of core administrative services functions and health care facilities inspection, certification, and licensure. Specifics regarding the review performed are reported by service area below.

Service Area 1 – Centralization, Automation, and Oversight of Core Administrative Services

This area provides agency-wide leadership and direction from the Commissioner’s Office and Deputy Commissioners to include policy development, programmatic direction, management of human and financial resources, quality and business process improvements, standards of business practice, and information management. This area includes core business functions and systems of auditing, budgeting, accounting, human resources, in-house information technology, and procurement that meet the needs of the agency. “Sound management and oversight are provided to ensure ethical stewardship of resources and compliance with all applicable federal and state regulations, policies, and mandates.”¹

Review Objectives and Steps

The review objectives included determining whether de-centralized common administrative functions should be consolidated in a shared service environment to optimize efficiency, effectiveness, and economy of operations, identifying areas where automation can streamline processes, and determining whether VDH has appropriate oversight over administrative functions.

OSIG staff performed the following:

- Examined the agency organizational charts to identify the agency’s structure;
- Identified the types of positions, staffing levels and workload for work units;
- Observed and evaluated current systems/workflows and researched strategies to streamline processes; and
- Evaluated the span of control for the agency’s work units.

The following observations were noted:

OBSERVATION NO. 1 – CREATING A SHARED SERVICES WORK UNIT

Administrative functions such as accounting, procurement, human resources, and grant management are de-centralized throughout the agency. As a result, there are limited standard procedures to reduce inefficiencies and errors in processes. Two main root causes for the inefficiencies were due to

¹ VDH’s Strategic Plan 2014-16. Administrative and Support Services. URL: https://solutions.virginia.gov/pbreports/rdPage.aspx?rdReport=vp_StratPlan102&selAgency=601&selVersion=2014-16&run=Run Accessed June 9, 2016.

specialized staff (e.g. accountants, fiscal technicians, etc.) dedicated to work units with limited work volume and the need for additional detail review by the Virginia Department of Health's Central Office for transactions conducted in the work units.

Currently, some of the smaller work units and/or districts only have fifteen or twenty staff with a business manager who handles all aspects of administration for the office. In contrast, larger offices like the Office of Family Health Services have at least one administrative employee, who specializes in each of these administrative areas noted and is a subject matter expert of the respective area (e.g. accounting manager, human resource manager, procurement manager, etc.). This structure was designed to provide reasonable assurance that there are distinct processes in place for consistency and internal control.

As an example, six sampled work units within Central Office, with dedicated fiscal staff, processed an estimated three to eighteen transactions a day, per staff. It is noted that other administrative functions are also performed by staff during a work day in addition to these fiscal transactions. Additionally, VDH contracted four fiscal positions during fiscal year 2015, two for the Office of Financial Management (OFM) and two for the Office of the Environmental Health Services (OEHS), to cover vacant positions in work units.

	Work Areas					
	OEPI Office of Epidemiology	OFHS Office of Family Health Services	ODW Office of Drinking Water	OEHS Office of Environmental Health Services	OIM Office of Information Management	ORH Office of Radiological Health
# Full-Time Fiscal Staff	5	8	3	1	3	2
# Fiscal Transactions - FY 2015	22,126	16,543	2,562	2,669	1,989	1,444
Estimated Average # of Transactions per month, per Staff	369	172	71	222	55	60
Estimated Average # of Transactions per day, per staff (Based on 20 working days per month)*	18	9	4	11	3	3

Work Volume Comparison Chart

*Note-Fiscal staff performs other duties in addition to fiscal transactions during the course of a day

Additionally, within the Central Office eleven of seventeen work units have business manager positions. The EPI work unit has two full-time business manager positions. The business managers' primary responsibilities include the management of:

- o financial transactions and expenditures
- o monitoring budgets to include grants

- contracts
- procurement
- personnel

Senior leadership has recognized numerous opportunities for improvement when each work unit has its own administrative staff.

Recently, the business manager position in the Office of Health Equity (OHE) became vacant. Rather than refilling the existing position, the OFHS Office Director suggested a short-term pilot to examine the feasibility of combining administrative functions of the OHE and the OFHS.

As a result, the agency developed a Shared Administrative Service (SAS) pilot that began on June 1, 2016. A memorandum of understanding was signed by representatives from the Office of the Commissioner, the OFHS, and the OHE. The pilot program ended on November 30, 2016. After this time, a decision will be made regarding whether to continue the shared administrative services or to hire another business manager for the OHE.

According to VDH's Central Office Management, due to numerous errors and inconsistencies within some work units, those transactions initiated, approved, and reviewed within the districts/work units have to be submitted to Central Office for additional review and approval so that Central Office can execute the transactions.

Specifically, for the fiscal area, VDH has adopted this process in order to ensure they meet the terms and conditions of a Memorandum of Understanding (MOU) that they have with the Department of Accounts (DOA) that requires the agency to:

- Enforce uniform conformance with DOA guidelines governing the use of state funds for disbursements
- Develop and maintain financial records management procedures at the agency, in accordance with policies and procedures established by the Library of Virginia.

The Virginia Community College System (VCCS) has developed and implemented a shared service initiative to perform administrative functions centrally for all of its colleges, and the initiative involves additional infrastructure and the recruitment of internal and external staff. ²

The Department of Human Resource Management (DHRM) has developed guidelines for agencies to design their organizational structure³. One organizational structure identified by DHRM is the

² VCCS to Locate Shared Services Center in Botetourt County. URL <http://www.vccs.edu/newsroom-articles/virginias-community-colleges-to-locate-shared-services-center-in-botetourt-county/>. Accessed June 21, 2016.

³ DHRM, Organizational Design What Is It? URL: http://webcache.googleusercontent.com/search?q=cache:wpFwivZnFAMJ:web1.dhrm.virginia.gov/itech/talentmanagement/documents/organizational_design.ppt+&cd=2&hl=en&ct=clnk&gl=us. Accessed June 21, 2016.

“Virtual” structure. This design functions in a virtual world of network relationships through significant use of the internet. This concept would allow specialized staff to work collectively without leaving their current work space. For example, using the accounts payable function, a trained group of fiscal staff would process transactions for specific work units, regions, or agency-wide. Staff would be available to back-up other assigned areas when needed due to vacations, medical leave, or vacancies. Documents would be submitted to the fiscal group through methods such as electronic mail boxes, SharePoint, or emails. A supervisor would have oversight over the groups’ work performance, mostly remotely.

The potential benefits would be to:

- Allow work units to focus resources on mission critical functions instead of common administrative functions.
- Enable specialized, trained staff to perform specific administrative functions.
- Standardize processes throughout the agency decreasing the number of errors and inconsistencies, which will give Central Office Management reasonable assurance of processes and their results. Central Office can then transition to a role of more training staff and monitoring transactions which would consist of analytical reviews, audits, as well as reconciliation of independently maintained records.
- Improve the ability to perform analytics across key transactions throughout the agency.
- Require minimal to no additional infrastructure for this re-structuring (e.g. work space, computers, etc.).

DHRM’s Agency Human Resource Services⁴ is available to assist with organizational design and strategy consulting, and there is no cost to state agencies/organizations. The agency’s investment would be the time needed for discussions, meetings, or other activities necessary to create a future vision and plans to get there.

The VDH would also need to develop performance metrics to analyze the work flow to identify the maximum number of needed staff and supervisors’ positions by the type and quantity of transactions across the region or state. When staff terminate employment up to that maximum level, the positions would not be replaced, but other staff would handle those responsibilities. VDH would realize savings through attrition.

VDH management indicates that localities jointly fund their local health districts, and that re-structuring of administrative services, specifically within the districts, could impact the percentage of funding the locality contributes to the budget.

⁴ Virginia Department of Human Resource Management, Organizational Design Consulting. URL: <http://www.dhrm.virginia.gov/docs/default-source/hr/ahrsservices.pdf?sfvrsn=2> Accessed June 21, 2016.

RECOMMENDATION

Management should re-structure common administrative functions throughout the agency. One possible method to do this is in a shared service environment to standardize/centralize common processes by developing specialized, trained staff in various administrative functions.

During this process, management should consult with DHRM and evaluate current work units' organizational structures and propose organizational designs to identify the best methods to create the most efficient, effective, and economic environment that provides management reasonable assurance of compliance with policies and procedures.

Additionally, management would need to discuss organizational structure changes with applicable local city/county governments, indicating how the change would impact the process, and possibly modify applicable agreements, including budgetary implications.

MANAGEMENT RESPONSE

VDH agrees with the conditions observed and the recommendation as presented.

Efficiencies and potential costs savings exist and centralization will help realize these efficiencies. VDH Senior Leadership was already exploring shared administrative services and centralization of functions before this review began.

For example, a pilot program sharing administrative services between Family Health Services and Health Equity was initiated prior to the review and a second shared administrative services approach was recently adopted by Environmental Health, Drinking Water, and Radiological Health. Additionally, the centralization of procurement services is currently being explored between the Office of Epidemiology and the Office of Purchasing and General Services. Options to share services and/or centralize Accounts Receivables are also being discussed.

Given the complexities of VDH's budget, largely federal and locality funded, there is a lot of work ahead in deciding how to fund the new administrative business models. Additionally, for this effort to be successful, it will require infrastructure investments. One example is the investment in a document management system to facilitate the timely processing and future retrieval of documents at VDH's various locations throughout the state.

VDH leadership is committed to and will continue exploring additional opportunities for share services or centralization of administrative functions in an effort to increase efficiency and decrease costs.

CORRECTIVE ACTION(S)

Responsible Position: Action Team consisting of process improvement staff, business managers, Finance, HR, IT, and Operations Directors.

Estimated Completion Date: on-going by work unit, 12/31/18.

A pilot program sharing administrative services between Family Health Services and Health Equity was initiated prior to the review and a second shared administrative services approach was recently adopted by Environmental Health, Drinking Water, and Radiological Health. Additionally, the centralization of procurement services is currently being explored between the Office of Epidemiology and the Office of Purchasing and General Services.

VDH leadership is committed to and will continue exploring additional opportunities for share services or centralization of administrative functions in an effort to increase efficiency and decrease costs.

OBSERVATION NO. 2 — EXPANDING MANDATORY TRAININGS

VDH has developed procedures, guidance, and training opportunities to aid staff in performing the delegated responsibilities. The agency utilizes methods such as classroom and mentorship style training, email distribution lists, poly-com/webinar training, Knowledge Center training, and SharePoint and social media sites to disseminate vital information and updates.

The agency has established mandatory trainings for their Statewide Employee Orientation Program (SEOP) which includes courses such as Cyber Security Awareness and Department of Account Small Purchase Charge Card training; however, there is a lack of mandatory trainings and updates for staff's primary job responsibilities (e.g. accounting, human resources, etc.).

The United States Government Accountability Office (GAO), Standards for Internal Control in Federal Governments, "the Green Book," identifies that the most critical component of the internal control framework is the control environment. Specifically, in this environment, management should set the "tone at the top" by ensuring employees receive initial and ongoing training related to their responsibilities, company policies, expectations, and fraud awareness. Additionally, employees should be made aware of consequences of policy and procedures violations.

VDH's management and staff indicated through interviews and surveys that key information was not consistently shared by supervisors to staff which created inconsistency in performing common administrative functions such as accounts payable, receivables, and procurement throughout the agency.

As a result, Central Office Management has identified numerous errors and inconsistencies in transactions and processes throughout the agency.

⁵ GAO. Standards for Internal Control in Federal Government. URL: <http://www.gao.gov/assets/670/665712.pdf> Accessed September 21, 2016.

RECOMMENDATION

Management should ensure staff responsible for performing core functions be offered and attend vital training related to that position. Training identified as crucial to a work title should be incorporated in the staff's Employee Work Profile (EWP) Development Plan and supervisors should evaluate whether staff satisfy the requirement(s). Additionally, management should hold supervisors accountable for ensuring staff attend training.

MANAGEMENT RESPONSE

VDH agrees with the conditions observed and the recommendation as presented.

Mandatory training is generally provided for most programmatic roles such as Epidemiologists, Nurses, and Environmental Health Specialists. Currently, administrative role based training opportunities are provided several times during the year for Administrators and Business Managers. During FY16, with the transition to Cardinal, in depth training was made available to all fiscal staff on the process changes and F&A system modifications. However, administrative training is not generally considered mandatory, not adequately staffed, and is typically a task subject matter experts take on in addition to their normal full time duties. Additionally, the administrative offices which develop and present the training materials have their own staffing turnover and training issues and are struggling to keep up with the day-to-day demands.

CORRECTIVE ACTION(S)

Responsible Position: Action Team consisting of office/district leadership, Operations Directors, and OHR Policy Division Director to assist in developing and implementing training.

Estimated Completion Date: 6/30/18, potentially funding dependent.

Identify training needs for administrative roles, determine resources needed to provide mandatory training, and implement mandatory training as deemed necessary and possible given resource limitations.

OBSERVATION NO. 3 — IMPLEMENTATION OF ELECTRONIC DOCUMENTS

VDH's current practice is to create and distribute original paper documents for the initiation, review, and approval of transactions (e.g. travel vouchers, leave records, procurement activities, etc.). Often, the United States Postal Service, courier services, and other manual methods are utilized to distribute documents. This overall practice results in delays in processes, extra space needed for document retention, and increased printing and document delivery expenses.

VDH's financial records for fiscal year 2015 identified that \$297,404 was spent on postal service expenses (e.g. stamps, stamped envelopes, postage meters, etc.), some of which are related to mailing internal documents.

Code of Virginia § 59.1-485. *Legal recognition of electronic records, electronic signatures, and electronic contracts*,⁶ and the *Uniform Electronic Transactions Act (1999)*⁷ authorizes electronic records and signatures. Additionally, the Department of Accounts' (DOA) staff and the Commonwealth Accounting Policies and Procedures (CAPP) Manual indicate that electronic documents and signatures are allowed as long as the agency has adequate internal controls over the specific processes.

RECOMMENDATION

To improve transactions process time (efficiency) and reduce associated administrative expenses (economy), VDH should consider transitioning to electronic documentation, wherever possible. Suggested techniques to facilitate this practice could be through the use of electronic documents with secured electronic signatures and scanning.

VDH should collaborate with the Library of Virginia to develop policies, procedures, and internal controls for electronic records that ensure adherence to the legal framework for electronic records management in the Commonwealth of Virginia.

MANAGEMENT RESPONSE

VDH **agrees** with the conditions observed and the recommendation as presented; however, it should be noted that the portion of the total \$297,404 postal service expense attributed to mailing internal documents is unknown. It is assumed that a great majority of mail processed does not fall in the "Internal Documents" category.

VDH has already implemented various solutions and will continue to transition to electronic documentation whenever possible. VDH uses documentation management systems, such as SharePoint to the extent possible, and contract management includes the scanning of signed contracts and exchanges between the vendor and VDH by way of email attachments; therefore, avoiding contracts being mailed or delivered using carrier services. However, VDH manages HIPAA related documents, legal items and other sensitive information that may not be conducive to electronic distribution. If and when the budget allows, VDH will study costs to implement document imaging and storage capabilities.

⁶ § 59.1-485. Legal recognition of electronic records, electronic signatures, and electronic contracts. URL: <http://law.lis.virginia.gov/vacode/title59.1/chapter42.1/section59.1-485/>. Accessed August 16, 2016.

⁷ Uniform Electronic Transactions Act (1999). URL: http://www.uniformlaws.org/shared/docs/electronic%20transactions/ueta_final_99.pdf. Accessed August 16, 2016.

CORRECTIVE ACTION(S)

Responsible Position: Action Team consisting of process improvement staff, Finance, business managers, IT SME, and Operations Directors. Purpose to evaluate cost/benefits of various projects and assist in prioritizing, developing, and implementing projects.

Estimated Completion Date: 12/31/18, funding dependent.

VDH has already implemented various solutions and will continue to transition to electronic documentation whenever possible. VDH uses documentation management systems, such as SharePoint to the extent possible, and contract management includes the scanning of signed contracts and exchanges between the vendor and VDH by way of email attachments; therefore, avoiding contracts being mailed or delivered using carrier services.

VDH will study costs and implement document imaging and storage capabilities as deemed necessary given resource limitations.

OBSERVATION NO. 4 — IMPROVING THE EXPENDITURE AND BUDGET TRACKING TOOLS

VDH work unit's fiscal staff identifies that one of the budget challenges faced by work units is keeping track of funds tied to future commitments. Fixed expenses are generally predictable and can be easily budgeted, but tracking ongoing purchases or other future variable expenses can be difficult. Determining how much has been spent to date is only part of the budget monitoring process. Knowing how much has been committed for future payments is also needed to make better financial decisions as the budget year progresses.

The agency does not have a standardized method for work units to monitor budgets to prevent overspending. Neither the VDH's Financial and Administrative System (F&A), nor the Commonwealth of Virginia's Cardinal (the state's financial system) adequately assists in the budget development and monitoring process. Therefore, each individual work unit is responsible for developing its own solution for expenditure and budget monitoring.

One local health district (Virginia Beach) has developed an internal tool to assist the district with its budget planning and monitoring process, the "Purchasing Encumbrance Database." This database is designed to utilize the encumbrance accounting method.

The basic reason for the "Purchasing Encumbrance Database," when creating contracts or purchase orders, is that a considerable amount of time may pass before the expense is realized. Therefore, the district records these commitments, or encumbrances, for contracts, purchase orders, etc. when they are officially approved to be procured. This method provides a means to track any items that will become expenditures in the future, ensuring expenditures do not exceed appropriated amounts.

The Virginia Beach Health District's presentation and demonstration of the system revealed that the database mimics VDH's F&A in that it captures cost code information for all recorded entries. However, it allows the district to track the value of future expenditures at the time purchase orders are approved. It also has the capability to record payments against those expenses. Various reports are available to provide details on purchase order allocations across cost codes, payment posting details, and calculations to provide details of outstanding expenses at any point in time. Summary reports are also available that provide an overview analysis of encumbered funds by each cost code. This is a function that is not currently available through the F&A or Cardinal systems.

The Virginia Beach District has invested one full time position with an annual salary of approximately \$40,000 plus benefits, along with VITA and Telecommunication costs for the development and maintenance of the database system.

VDH currently utilizes a spreadsheet workbook for their budget development process. Some of the challenges noted with the utilization of the spreadsheet workbook are:

- The spreadsheet does not have the capability to populate data from the agency's Financial and Human Resource database systems. Therefore, standard data from year to year has to be keyed each time (e.g. staff name, work location, etc.).
- Spreadsheets can be modified by the user which results in data inconsistencies throughout the entire worksheet (e.g. rows and columns additions and/or deletions, formulas copied over, cell format change, etc.).
- Individual workbooks are distributed and are completed by all thirty-three local health districts, and Central Office work units. As a result, data from multiple documents has to be compiled for one report.

Currently, the agency is developing a new budget module in the F&A system. So far, prototypes of budget screens have been developed and deployed to selected work units for feedback and work has begun on incorporating approval flows for the system. Management estimates that the module will be available by the end of fiscal year 2017. According to VDH's management the budget module will eliminate the use of the budget workbook.

RECOMMENDATION

Management should evaluate Virginia Beach's Purchasing Encumbrance Database methodology, in addition to other leading practices throughout the districts, for potential efficiencies that could be added during the development of the agency-wide budget system.

Additionally, management should also evaluate how the database's methodology can benefit other work units' expenditure tracking process and share the knowledge throughout the agency so that work units can determine if it would meet their operational business needs.

MANAGEMENT RESPONSE

VDH agrees that an automated encumbrance system would be beneficial; however, the cost and timing of implementation needs to be evaluated further. Management will evaluate the encumbrance models utilized across the agency to determine how it would fit in with other financial management processes/tools we are currently working on.

CORRECTIVE ACTION(S)

Responsible Position: Action Team consisting of process improvement staff, business managers, Finance, IT SME, and Operations Directors.

Estimated Completion Date: 6/30/18, potentially funding dependent.

Management will evaluate the encumbrance models utilized across the agency to determine how it would fit in with other financial management processes/tools we are currently working on.

OBSERVATION NO. 5 — SUCCESSION PLANNING ENHANCEMENT NEEDED

Succession planning activities are not consistent throughout VDH.

VDH's 2014-2016 Executive Progress Report identified that as of June 2014, the agency turnover rate was 7.44 percent with a retirement rate of 3.15 percent. The percentage of employees that are currently eligible to retire with an unreduced benefit remains fairly consistent at 12.5 percent; however, this number rises to 34.2 percent in the next 5 years.

To prepare for this change, the agency has drafted goals and strategies to maintain a competent and valued workforce which include plans to:

- Improve the hiring process and reduce employee turnover
- Ensure employees feel valued
- Provide and support training for agency staff to develop the skills needed for the future of public health
- Build a career pipeline program through career planning and mapping

Additionally, VDH has participated in the Association of State and Territorial Health Officials' (ASTHO)⁸ National Workforce Development Advisory Group in creating a toolkit and common set of workforce development standards.

⁸ A national nonprofit organization representing public health agencies in the United States, the U.S. Territories, and the District of Columbia, and over 100,000 public health professionals these agencies employ. URL: <http://www.astho.org/About/> Accessed August 16, 2016.

The agency's Human Resource Management Division has devoted a considerable amount of effort and time in workforce and succession planning which consists of:

- Developing priorities
- Providing knowledge transfer guidance and tools
- Recommending the implementation of the Public Health Workforce Interest and Needs Survey (PH WINS)⁹ goals

VDH Human Resource Management Division's Recommended Approach to VDH Competency Development/Deployment identifies that "long term knowledge transfer activities such as mentoring, job shadowing/sharing, stretch assignments, etc. be included in both curriculum development efforts as well as individual development plan (IDP) during the annual review process." However, currently, only some supervisors' and employees' work profiles (EWP) have explicitly identified succession planning activities as part of their responsibilities.

Many work units, such as the Office of Financial Management and the Alexandria and Virginia Beach Health districts, develop desk procedures or other guidance that can be utilized by staff to perform unfamiliar tasks. In addition, some districts have cross-trained staff in different positions and work units. However, other units do not have specific documented procedures and do not cross-train staff. As a result, assistance was sometimes requested from other districts or processes were delayed for administrative tasks such as fiscal and procurement functions until the responsible staff returned. In some cases, experience and institutional knowledge were lost due to short and long-term disability or employee separations.

The agency has developed a Legacy-Packet Tool which is designed for employees separating employment from the agency to document various responsibilities and knowledge of that position. This is a voluntary exercise for the employee and his/her supervisor. The purpose of this tool is to provide supervisors with an understanding of the employee's roles and key objectives, as well as the people, processes, and systems important to the performance of the job. This knowledge helps the supervisors to appropriately assign responsibilities to other staff.

According to the VDH Human Resource Management Division Director, two challenges with this tool are that employees do not have enough time to complete the packet before separation, and sometimes employees are reluctant to complete this tool because it would be an indication that the employee is planning to leave and may not be ready to inform the supervisor.

⁹ The Public Health Workforce Interests and Needs Survey (PH WINS) provides an assessment of workforce knowledge, skills, and attitudes related to the top challenges that will face the workforce as a whole over the next 3-5 years. URL: <http://www.astho.org/phwins/About-the-Survey/> Accessed August 16, 2016.

RECOMMENDATION

Management should explicitly incorporate succession planning activities in all work units' processes which will require the adoption and execution of a specific plan that provides the "how to" for staff in performing new or unfamiliar tasks in order to maintain business continuity. Additionally, a metric should be established to measure performance.

Management should continue efforts to finalize and implement the developed strategies to maintain a competent and valued workforce.

MANAGEMENT RESPONSE

VDH **agrees** with many of the conditions observed and concurs that succession planning activities should be incorporated into the efforts of individual work units.

However, the characterization of VDH's activities does not fully capture the extent of the agency's progress with respect to succession planning. Namely, VDH has begun in earnest the process of ensuring a skilled and sustainable workforce with significant bench strength is present. For example,

- VDH's Office of Human Resources (OHR) has developed, and is currently working against, a comprehensive 2-5 year strategic plan which identifies agency deficiencies and gaps in the areas of attracting, recruiting, developing, and retaining the optimal VDH workforce. Further, this document details the outcomes associated with success as well as any expected measures with which to assess progress;
- A plan has been drafted with which to assess associated behavioral, functional, and technical competencies for the VDH workforce;
- A curriculum-based training has been launched for leadership competencies. As of 3/1/2017, 830 supervisors have been trained in the principles of proactive performance management, generational diversity, effective hiring practices, and conflict resolution; and
- VDH has launched a collaborative initiative spanning multiple offices to address Employee Work Profile (EWP) standardization, Employee On-boarding, and Position Handbooks.

VDH appreciates the recommendations made by OSIG. It is, however, the position of VDH that addressing the underlying systems and foundational pillars of employment that will lead to the outcome of true succession planning. The comprehensive plan outlined by VDH OHR's strategic plan serves as the blueprint for workforce initiatives and is being followed. This data-driven and adopted approach provides the agency with the framework to ensure that the VDH workforce has the

requisite knowledge, skills, and abilities to carry out the tasks of public health and the mission “to protect the health and promote the well-being of all people in Virginia.”

CORRECTIVE ACTION(S)

Responsible Position: Action Team consisting of office/district leadership, HR, EPR, and Operations Directors to assist in implementing the plan.

Estimated Completion Date: 6/30/18.

The comprehensive plan outlined by VDH OHR’s strategic plan serves as the blueprint for workforce initiatives including succession planning. The plan will identify agency deficiencies and gaps in the areas of attracting, recruiting, developing, and retaining the optimal VDH workforce.

VDH has launched a collaborative initiative spanning multiple offices to address Employee Work Profile (EWP) standardization, Employee On-boarding, and Position Handbooks.

Service Area 2 – Health Care Facilities Inspection, Certification, and Licensure

This service area administers the Virginia medical facilities and services licensure laws and regulations in order to assure quality of care and to protect the public. This is accomplished through: Licensure of eight categories of medical care facilities or services: hospitals, abortion facilities, outpatient surgical hospitals, nursing facilities, home care organizations, hospice programs, managed care health insurance plans, and private review agents; Regulatory development to establish minimum requirements to assure quality health care, while assuring efficient and effective program operation; Certification and registration programs for managed care health insurance plans and private review agents; Investigation of consumer complaints regarding the quality of health care services received in facilities; Providing training and technical assistance to medical facilities and practitioners; and Inspection and enforcement of medical care facility licensing laws and regulation. The Office of Licensure and Certification (OLC) is also the designated state survey agency and conducts the federal certification surveys for the Centers for Medicare and Medicaid Services (CMS).¹⁰

Review Objectives and Steps

The review objective included determining whether VDH staffing levels are sufficient to conduct timely and quality inspections.

¹⁰ VDH’s Strategic Plan 2014-16. Regulation of Health Care Facilities. URL: https://solutions.virginia.gov/pbreports/rdPage.aspx?rdReport=vp_StratPlan102&selAgency=601&selVersion=2014-16&run=Run Accessed August 16, 2016.

OSIG staff performed the following:

- Reviewed Employee Work Profiles (EWP) to identify the specific knowledge and skill-set needed for the inspector positions to meet federal, state and the agency's requirements.
- Assessed whether VDH's inspection staff performance meets federal quality review expectations.
- Benchmarked staffing level, workloads, and compensation to comparable state health departments' functions.
- Examined on-time performance for state and federal inspections.

The following observation was noted:

OBSERVATION NO. 6— CENTRALIZED HEALTH FACILITIES' INSPECTION PERFORMANCE DATA NEEDED

VDH's OLC does not have easily accessible health facilities inspection performance data so that management can evaluate trends, identify inspection issues or determine whether additional staffing is needed for this area.

The responsibility of this service area is to inspect Virginia's medical facilities and administer services, licensure, laws, and regulations in order to assure quality of care and to protect the public. This is accomplished through the licensure of eight categories of medical care facilities or services:

1. Hospitals
2. Abortion facilities
3. Outpatient surgical hospitals
4. Nursing facilities
5. Home care organizations
6. Hospice programs
7. Managed care health insurance plans
8. Private review agents

This service unit is responsible for over 7,800 medical facilities throughout the Commonwealth. Additionally, for federal fiscal year 2015, the OLC Division reports 3,004 complaints across all facility types.

According to VDH's 2014-2016 Strategic Plan, turnover of qualified staff to conduct inspections and investigations has resulted in delays in inspection processes. In addition, the complexities of the regulatory promulgation process have delayed efforts to comprehensively revise the mandated licensure regulations in a timely fashion resulting in outdated and ineffective regulations remaining in place.

OLC's Director identified the number of medical facilities that has exceeded the required inspection date for licensure:

Type of Facilities	Number of Facilities Past Due
Hospital Licensure	Approximately 70
Outpatient Hospital Licensure	Approximately 30
Home Care Organization Licensure	Approximately 720
Hospice Licensure	Approximately 10

The data is not readily accessible and the past due data is approximated due to the current license renewal process, so all information may not be updated.

The de-centralization of this data makes it difficult for management, on a regular basis, to analyze data trends and performance, identify inspection timing issues and to determine whether there is a need for additional staff or organizational restructuring in the medical facilities inspection work unit.

RECOMMENDATION

1. The OLC's facilities inspection performance data should be centralized so that management can easily identify inspection issues and evaluate trends and optimum staffing levels required to make informed business decisions to decrease the number of past due inspections and complaints.
2. Management should dedicate staff to monitor and revise state mandated licensure regulations on a regular basis to ensure effective and relevant practices.

MANAGEMENT RESPONSE

VDH **agrees** with the conditions observed and the recommendations as presented. The Office of Licensure and Certification (OLC) provides oversight to approximately 8,700 distinct medical facilities, managed care health insurance plans (MCHIP), peer review agents (PRA), and Marketplace Qualified Health Plans (QHP). Oversight activities often include conducting initial service, routine periodic, and complaint surveys. While inspection numbers cannot be compared, some facilities can be inspected by a single medical facility inspector (MFI) in a matter of hours while others require a team of as many as 10 MFIs and may take 2 weeks or more, a facility per MFI breakdown is demonstrated below to provide an understanding of the scope of work:

Facility Type	Medical Facility Inspector (MFI)	Number of Facilities	Facilities per MFI	Frequency of Inspection	Average Annual Inspections per MFI
Long-term Care (LTC)	49	385	7.9	Annual	7.9
Acute Care	22	2,038	93	1 – 6 Years	37
MCHIP, PRA, QHP	3	257	85.7	1-3 Years	37

CLIA Laboratories	3	500 requiring routine survey (6,063 total)	167	2 Years	83
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The majority of the 830 surveys identified as exceeding the required inspection date during this review are the result of lacking survey manpower. The routine survey schedule is frequently disrupted by requests for new facilities and complaints. All 830 surveys reported as late are routine surveys in acute care division, and based on the acute care MFI per facility data noted above, an additional 22 MFIs would be necessary to survey the 830 facilities timely.

Responsibility for monitoring, scheduling, and tracking surveys is the responsibility of one MCHIP/PRA/QHP, three acute care, and five LTC supervisors. The survey process generates a tremendous amount of paperwork including intake sheets, survey working notes, survey reports, and responses. While much of the record is available electronically, federal requirements are to maintain paper records for two years. The preparation and filing of the records, as well as the intake of applications for new and renewed licenses and certifications, is managed by four and a half clerical staff. In order to implement OSIG's recommendations, additional supervisory and administrative staff is necessary.

Existing staff are strained to conduct surveys and maintain the records. A noteworthy legislative change from the 2017 session of the General Assembly prohibits routine revisits of a facility until all like facilities have completed their routine survey cycle. The impact of how we utilize our MFIs is not yet known; however, we estimate a significant need for resources in order to adequately provide the existing level of required services and implement this legislative change. Estimated resources needs include 22 acute care MFIs, 1 acute care supervisor, 2.5 administrative staff, and additional equipment to support these staff members. The estimated cost of these resources is approximately \$2.5 million annually. VDH has made several requests to increase licensure fees in order to cover our certification and inspection costs, but our requests have not been implemented and general funds have not been provided to offset the cost of inspections and additional staffing needs.

CORRECTIVE ACTION(S)

Responsible Position: OLC Director

Estimated Completion Date: On-going due to upcoming OSIG review that may impact action plan, funding dependent.

VDH will continue to request increases of licensure fees in order to cover our certification and inspection costs and fund staffing needs to address the timeliness of inspections.