

OFFICE OF THE STATE INSPECTOR GENERAL

FISCAL YEAR 2021
ANNUAL WORK PLAN

June 2020



Michael C. Westfall, CPA
State Inspector General
Report No. 2020-ADM-003



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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June 24, 2020

The Honorable Ralph Northam
Governor of Virginia
P.O. Box 1475
Richmond, VA 23218

Dear Governor Northam:

The Virginia Office of the State Inspector General has prepared the attached Fiscal Year 2021 Annual Work Plan to identify the agency's planned activities for the fiscal year ending June 30, 2021. The methodologies used to create this work plan varied between the divisions to allow for unique and specialized approaches within each program area.

This work plan will serve as a strategic road map for activities initiated during the fiscal year, and includes a selection of performance audits and inspections to maximize benefits to the citizens of the Commonwealth and those charged with its governance. The plan also provides for management requests and investigations of fraud, waste and abuse in executive branch state agencies. Depending on potential emerging issues, workload and other factors, including effects of the COVID-19 pandemic, OSIG may conduct projects that are not outlined in this plan, and others mentioned may not be initiated during the year.

Please contact me should you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael C. Westfall".

Michael C. Westfall, CPA
State Inspector General

cc: Clark Mercer, Chief of Staff to Governor Northam

Introduction

The Office of the State Inspector General's (OSIG) Fiscal Year 2021 Annual Work Plan describes the work the agency plans to undertake during the upcoming fiscal year. To ensure the most efficient and effective use of staff resources, areas selected for review are carefully considered. OSIG chooses to conduct reviews that are timely and will have the greatest impact and benefit for its stakeholders, the citizens of the Commonwealth. Because there are a vast number of potential areas for review and limited staff resources to conduct these studies, a careful selection process has resulted in this work plan. OSIG has incorporated the methodologies used to select areas for review in the appropriate sections of the plan.

OSIG presents this plan in sections covering work to be performed by the divisions and units within the agency. The plan is agile and work described in the plan may change as the year progresses due to events that require modifications. Because of differences in legislative requirements and the nature of projects performed by each of OSIG's program areas, each division follows a slightly different presentation format to best present its work.

The organizational structure of OSIG consists of two divisions to accomplish its statutory mandates: the Investigations and Administration Division and the Audit and Inspections Division.

Investigations and Administration Division

Investigations Unit

Background

The Investigations Unit operates to fulfill its obligations as defined by the *Code of Virginia* § 2.2-309 by:

1. Receiving complaints from whatever source that allege fraud, waste (including task or program duplication), abuse or corruption by a state agency or nonstate agency or by any officer or employee of the foregoing and determining whether the complaints give reasonable cause to investigate.
2. Investigating the management and operations of state agencies, nonstate agencies and independent contractors of state agencies to determine whether acts of fraud, waste, abuse or corruption have been committed or are being committed by state officers or employees or independent contractors of a state agency or any officers or employees of a nonstate agency, including any allegations of criminal acts affecting the operations of state agencies or nonstate agencies. However, no investigation of an elected official of the Commonwealth to determine whether a criminal violation has occurred, is occurring or is about to occur under the provisions of § 52-8.1 shall be initiated, undertaken or continued except upon the request of the Governor, the Attorney General or a grand jury.
3. Preparing a detailed report of each investigation stating whether fraud, waste, abuse or corruption has been detected. If fraud, waste, abuse or corruption is detected, the report shall: (i) identify the person committing the wrongful act or omission; (ii) describe the wrongful act or omission; and (iii) describe any corrective measures taken by the state agency or nonstate agency in which the wrongful act or omission was committed to prevent recurrences of similar actions.
4. Providing timely notification to the appropriate attorney for the Commonwealth and law enforcement agencies whenever the State Inspector General has reasonable grounds to believe there has been a violation of state criminal law.

The Investigations Unit is also responsible for reviewing and providing comments and recommendations, as appropriate, on reports prepared by the Virginia Department of Corrections (DOC) and Virginia Department of Juvenile Justice (DJJ). That also includes critical incident data collected by DOC and DJJ in accordance with regulations adopted to identify issues related to quality of care, seclusion and restraint, medication usage, abuse and neglect, staff recruitment and training, and other systemic issues (Code § 2.2-309.3 and 2.2-309.4).

Investigations Unit Fiscal Year 2021 Work Plan

Cases and Collaboration with Other Agencies

The Investigations Unit operates under the Code of Virginia to investigate allegations of fraud, waste, abuse, corruption or other administrative and criminal matters affecting the operations of the Commonwealth's executive branch agencies and certain nonstate agencies as defined in OSIG's enabling legislation (Code § 2.2-311). Occasionally, the Investigations Unit collaborates with local, state and federal agencies to investigate cases. OSIG also operates under the guidelines outlined in a September 2018 joint Memorandum of Understanding with the Virginia State Police (VSP). Both VSP and OSIG have appointed senior staff to serve as liaisons between the agencies to coordinate investigative and operational matters.

The Chief of the Investigations Unit and/or his/her designee regularly attend local and regional meetings with other law enforcement agencies and financial institutions. These meetings include, but are not limited to the Central Virginia Chiefs of Police Association, the Bank Secrecy Act (BSA), the Newport News Financial Crimes Task Force, the Public Corruption Workgroup and the Crater Criminal Justice Training Academy Board of Directors. The purpose of these meetings is to share information and offer assistance.

Point-of-Contact Initiative

The OSIG Point-of-Contact (POC) initiative seeks to promote collaborative and professional relationships between OSIG and appropriate managers within executive branch agencies. For most agencies, the chief audit executive or other senior executive serves as the agency POC counterpart.

The POC initiative has been in place since January 2014. OSIG assigns its special agents and senior investigators to serve as points of contact with various executive branch agencies and tasks them to meet with respective agency POC counterparts on at least an annual basis.

Through the POC initiative, OSIG aims to share information that fosters proactive steps to enhance efficiency and effectiveness of operations within executive branch agencies. OSIG tasks each of its special agents and senior investigators with providing agency counterparts with updates on pertinent activities within OSIG and relevant information regarding control and oversight of financial resources and procurement practices.

The POC initiative provides an opportunity for agency counterparts to share information on activities within their respective agencies and identify areas that might benefit from independent review by OSIG, as well as information that might be indicative of fraud, waste or abuse of state resources.

State Fraud, Waste and Abuse Hotline Unit

Background

The State Fraud, Waste and Abuse Hotline (Hotline) receives allegations of misconduct and state policy violations from various sources throughout the year. The Hotline operates under the Investigations Unit with an Investigations Manager and three senior investigators.

Improving the productivity and efficiency of the Hotline continues to be an important task. The objective of the Hotline is to respond promptly to allegations of fraud, waste and abuse and to ensure that OSIG investigates matters timely and adequately.

OSIG will continue to promote its online, interactive Hotline training course to state employees. This training has the most up-to-date guidance regarding Hotline investigations and provides additional assistance if needed. Hotline investigations focus on allegations related to conflicts of interest; misappropriation of state funds; leave abuse; property and equipment misuse; theft of property; misuse of state-issued computers and telecommunication equipment; and misconduct and ethics violations by agency heads, at-will employees and chief audit executives. Hotline staff continue to collaborate with other OSIG programs where appropriate to assist with these investigations.

In early calendar year 2020, the Hotline Unit restructured its process for conducting investigations regarding agencies that lacked a dedicated internal audit program. Under the new process, the Hotline Unit conducts all investigations for allegations occurring at agencies with no internal audit program. This has created a significant increase in the number of cases for Hotline staff to investigate, but also results in more timely, complete and objective investigations on behalf of the Commonwealth.

To encourage efficient and effective government practices in the Commonwealth's executive branch agencies, OSIG will continue to remind state employees and Commonwealth citizens of the Hotline as a means of anonymously reporting instances of fraud, waste and abuse through:

- Periodic news releases distributed to Virginia's media outlets.
- Social media postings on the agency's Twitter, Facebook, Instagram and LinkedIn accounts.
- Expanded visibility of the Hotline on OSIG's website.
- Informational presence at area conferences and training events.
- Distribution of Hotline marketing materials.

In addition, the State Inspector General will email state employees regarding:

- Information about the Hotline.
- A link to online interactive State Fraud, Waste and Abuse Hotline training.
- Hotline brochures and flyer.

Fraud and Abuse Whistle Blower Protection Act Program

OSIG administers the Fraud and Abuse Whistle Blower Protection Act (WBPA) program. State employees and citizens of the Commonwealth who report allegations of fraud, abuse and corruption through the WBPA in good faith are protected against retaliation. OSIG thoroughly investigates all credible complaints of violations reported through this program.

The State Inspector General will continue to publicize the WBPA program through:

- An annual news release distributed to Virginia's media outlets.
- Social media postings on the agency's Twitter, Facebook, Instagram and LinkedIn accounts.
- An annual message to state employees sent via the state email network.

In that annual email, OSIG explains the requirements for allegations reported to the agency under the WBPA. The communication clarifies differences between the WBPA and the Hotline regarding rules that govern anonymity and confidentiality.

Follow-Up Reviews of Hotline Investigations

In fiscal year 2021, the Hotline Unit will continue the Investigation Follow-up Review Program. Following up on significant, previously performed investigations is an essential activity that helps ensure agency management is addressing issues and recommendations included in Hotline investigative reports. Hotline staff conduct follow-up reviews under the direction of the Investigations Manager or Chief of Investigations.

Workpaper Review Program

In fiscal year 2021, the Hotline Unit will continue its Workpaper Review Program. On an annual basis, the Hotline Unit reviews the investigative work of the internal audit programs that complete Hotline investigations on OSIG's behalf to determine the quality and appropriateness of investigative work and provide suggestions for improvement in future investigations. The scope of the reviews are limited to determining if the investigative workpapers and subsequent reports were appropriately prepared in compliance with the State Fraud, Waste and Abuse Hotline Policies and Procedures Manual. Therefore, review procedures are limited to interviews with personnel and to the review of relevant policies, procedures and documentation.

Planned workpaper reviews include:

- Department of Health Professions.
- James Madison University.
- Department of Mines, Minerals and Energy.
- Longwood University.
- Old Dominion University.

Internal Audit Oversight and Training Services Unit

Quality Assurance Review

OSIG has scheduled quality assurance reviews for the Department of Motor Vehicles and the University of Virginia as required for compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*:

Training Courses Offered in FY 2021

OSIG has planned the following training opportunities for the Commonwealth's internal auditors during the fiscal year:

- State updates.
- Chief Audit Executive Roundtable.
- Six additional classes that will be a combination of online and live classes. OSIG has not yet scheduled the classes.

Collection and Analysis of Documents Submitted by Internal Audit Departments

OSIG Audit Directive #1 sets out the mandatory reporting requirements for executive branch agency internal audit programs. The Internal Audit Oversight and Training Services Unit collects various audit documents from executive branch agency internal audit departments. OSIG is compiling this information into a report to (1) update stakeholders on the activities and performance of internal audit programs, as well as compliance with the audit directive, and (2) provide internal audit programs with information that can be used for future audit planning and improvement of internal audit processes.

Agency Risk Management and Internal Control Standards (ARMICS)

Each year, the Department of Accounts requires OSIG to complete an ARMICS review and certification process. The objective of ARMICS is to ensure fiscal accountability and safeguard the Commonwealth's assets by providing reasonable assurance of the integrity of all fiscal processes related to:

- Submission of transactions to the Commonwealth's general ledger.
- Submission of deliverables required by financial statement directives.
- Compliance with laws and regulations.
- Stewardship over and safeguarding the Commonwealth's assets.

Technology and Security Services Unit

Pentana Implementation

The Technology and Security Services Unit is implementing Pentana, project management automation software, to streamline work processes and collaborations within OSIG units. The software allows for project planning, scoping and scheduling; time management; workpaper and evidence management; internal and external reporting; business management; action tracking and approvals.

Audit and Inspections Division

Audit Unit

Background

The Audit Unit operates to fulfill its obligations as defined by Code § 2.2-309 by:

1. Conducting performance audits 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.
2. Preparing a report for each performance audit 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 such findings.
3. Assessing, as deemed necessary, the condition of the accounting, financial and administrative controls of state agencies and nonstate agencies, and making recommendations to protect the Commonwealth's assets.

The Audit Unit is also responsible, in accordance with Code § 2.2-309.2, for:

1. Reviewing the condition of the Tobacco Region Revitalization Commission's accounting, financial and administrative controls to ensure that the purposes set forth in Chapter 31 (§ 3.2-3100 et seq.) of Title 3.2 are lawfully achieved.
2. Investigating allegations of fraudulent, illegal or inappropriate activities concerning disbursements from the Tobacco Indemnification and Community Revitalization Endowment created pursuant to § 3.2-3104 and distributions from the Tobacco Indemnification and Community Revitalization Fund created pursuant to § 3.2-3106.
3. Detecting fraud, waste and abuse and taking actions to prevent the same.

Criteria for Identifying and Assessing Major Program and Mission Areas

The duties and responsibilities of the Audit Unit include conducting performance audits; assisting the Behavioral Health and Developmental Services and Investigations units; performing special project work requested by the Governor's Office, Governor's secretaries and agency heads and complying with General Assembly mandates.

The Audit Unit's primary responsibility is to conduct performance audits. Staff identified potential audit subjects and conducted research to create audit proposals. Using information from Cabinet secretaries, agency management, the Joint Legislative Audit and Review Commission and the Auditor of Public Accounts, the Audit unit condensed the list of potential audit subjects. In addition to the audits in process, the Audit Unit has selected four new areas on which to focus in fiscal year 2021.

New Audit Projects for Fiscal Year 2021

- Follow-up of Previous Findings – From previously issued performance reviews and performance audits, determine if agencies and institutions took actions they committed to and if actions implemented corrected identified problems.
- Diversity and Inclusion in the Department of Mines, Minerals and Energy – Evaluate the quality of recruiting efforts and hiring practices for the divisions within the Department of Mines, Minerals and Energy.

- Natural Resources Law Enforcement Recruitment Survey – Review comments received during a survey of law enforcement employees performed as a part of the Natural Resource Law Enforcement Recruitment Audit that were beyond the scope of the audit.
- Fleet Management Services – Determine if the Office of Fleet Management Services provides vehicle availability, maintenance, repair, emergency roadside assistance and alternative fuel options to Commonwealth agencies with optimal effectiveness, efficiency and economy.

Audit Projects in Progress as of Fiscal Year 2021

- Child Protective Services – Determine whether Child Protective Services within the Virginia Department of Social Services is meeting the prescribed goals for the program and ensure that it is operating within the boundaries set forth in the Code of Virginia.
- Conservation Easements – Determine if the process used by the Department of Conservation and Recreation and the Department of Taxation for establishing and overseeing conservation easements ensures that land submitted to become a conservation easement is appropriately valued and monitored.
- Drinking Water Regulation – Determine the effectiveness of oversight activities that help ensure a safe and secure water supply.
- Department of Forensic Science – Evaluate the efficiency of evidence collection and the effect that judicial proceedings and investigations has on providing services.
- Vocational Rehabilitation Services – Determine whether the procedures for managing services under the Randolph-Sheppard Act are adequate to ensure the program continues to be viable and as more opportunities become available, the nominee is the best alternative for running the program and the operators are able to earn what is defined as a living wage.
- Snow Removal – Evaluate the internal controls put in place by the Department of Transportation to prevent snow related fraud from occurring while considering the performance efficiency within those controls. OSIG postponed this audit because a major snow event did not occur in the 2019-2020 winter season.
- Natural Resources Law Enforcement Recruitment – Evaluate the quality of recruiting efforts and hiring practices for law enforcement officers within the Natural Resources Secretariat.

Behavioral Health and Developmental Services Unit

Background

The Behavioral Health and Developmental Services Unit operates to fulfill its obligations as defined by Code § 2.2-309.1 as summarized, in part, below.

The Behavioral Health and Developmental Services Unit makes policy and operational recommendations for state-operated facilities serving individuals with behavioral health, substance use and developmental disabilities.

In addition, the Behavioral Health and Developmental Services Unit:

1. Inspects, monitors and reviews the quality of services provided in state facilities and providers as defined in Code of Virginia § 37.2-403, including licensed mental health treatment units in state correctional facilities, in order to prevent problems, abuses and deficiencies and improve effectiveness.

2. Informs the General Assembly and the Joint Commission on Health Care by means of reports as required by Code of Virginia § 2.2-313. Reports will include issues concerning significant problems, abuses and deficiencies relating to the administration of programs and services, recommendations and progress reports.
3. Reviews and provides comments and recommendations as appropriate on any reports prepared by the Virginia Department of Behavioral Health and Developmental Services (DBHDS) and critical incident data collected by DBHDS in accordance with regulations adopted under Code of Virginia § 37.2-400 to identify issues related to quality of care, seclusion and restraint, medication usage, abuse and neglect, staff recruitment and training and other systemic issues.
4. Monitors, reviews and comments on regulations adopted by the Virginia Board of Behavioral Health and Developmental Services as indicated.
5. Receives reports, data, information and complaints from the Commonwealth's designated protection and advocacy system, as well as other sources concerning quality of care provided in state facilities, and by other providers as defined below, and conducts independent reviews and investigations as indicated.

Definition

"Provider" means any person, entity or organization, excluding an agency of the federal government that delivers:

- (i) Services to individuals with mental illness, intellectual disability or substance use diagnoses.
- (ii) Services to individuals who receive day support, in-home support or crisis stabilization services funded through the Individual and Families Developmental Disabilities Support Waiver.
- (iii) Residential services for persons with brain injury.

The person, entity or organization shall include hospitals as defined in Code of Virginia § 32.1-123, Community Services Boards, Behavioral Health Authorities, private providers and any other similar or related person, entity or organization.

Criteria for Identifying and Assessing Major Program and Mission Areas

The Behavioral Health and Developmental Services Unit identified major high-risk program and mission-related areas that serve as the basis for the fiscal year 2021 work plan. Sources for identifying high-risk areas include prior OSIG or DBHDS reports, current system-wide issues, complaints received from various sources, DBHDS internal alerts generated by DBHDS-operated facilities, DBHDS significant event data and reports, etc. Areas of focus include, but are not limited to:

- Known areas of high risk to individuals served, facilities, providers, DBHDS and/or the Commonwealth.
- Areas identified in the DBHDS Comprehensive State Plan, division strategic plans and/or performance reports.
- Regulations and guidance put forth by the Centers for Medicare and Medicaid Services, the Joint Commission on Health Care, National Association for Healthcare Quality, American Society for Healthcare Risk Management, Substance Abuse and Mental Health Services Administration, Occupational Safety and Health Administration, Institute for Healthcare Improvement, National Patient Safety Foundation and other agencies.
- The January 2012 Department of Justice Settlement Agreement with the Commonwealth and associated independent reviewer reports.

- Areas of high public interest, high-dollar expenditures and/or revenue collections.
- Areas of known past performance issues or those areas with known susceptibility to abuse, neglect and/or inadequate quality of care.

The Behavioral Health and Developmental Services Unit considered certain qualitative and quantitative risk factors in soliciting and prioritizing projects. Qualitative risk factors include those with potential to have a significant, negative impact on programs and services delivered, including but not limited to those related to:

- Health or safety.
- Service delivery.
- Accreditation and compliance.
- Security.
- Reimbursement or finances.
- Privacy or citizens' rights.

If not addressed positively and directly, qualitative risk factors could result in:

- Inefficiencies and/or decisions made based upon faulty information.
- Injury or loss of life.
- Program failure.
- Reduced confidence in government.
- Significantly impaired service.
- Significantly reduced effectiveness and/or efficiency.
- Unreliable decision-making data.

Behavioral Health and Developmental Services Unit Fiscal Year 2021 Work Plan

The Behavioral Health and Developmental Services Unit sought out potential areas of focus from DBHDS, the Joint Commission on Health Care, the National Alliance on Mental Illness and others. The Behavioral Health and Developmental Services Unit has selected the following areas on which to focus in fiscal year 2021.

- Inspect, monitor and review the quality of services provided in state facilities and by providers as defined in Code § 37.2-403, including licensed mental health treatment units in state correctional facilities.
- Evaluate safety and security policies and procedures of DBHDS-licensed facilities.
- Receive, track and review complaints from constituents, patients, family members and legislative officials pertaining to the quality of services provided at state facilities, DBHDS-licensed providers and community services boards as defined under Code §37.2-100.
- Monitor and evaluate the DBHDS mortality review process.