

OFFICE OF THE STATE INSPECTOR GENERAL

FISCAL YEAR 2020
ANNUAL WORK PLAN

June 2019



Michael C. Westfall, CPA
State Inspector General
Report No. 2019-ADM-003



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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June 28, 2019

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 2020 Annual Work Plan to identify the agency's planned activities for the fiscal year ending June 30, 2020. The methodologies used to create this work plan varied between the divisions and units 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, some projects may be conducted 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,

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 2020 (FY 2020) 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. The methodologies used to select areas for review are incorporated in the appropriate sections of the plan.

This plan is presented 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 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), and 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 FY 2020 Work Plan

Virginia State Police

The Investigations Unit 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 two agencies in order to coordinate investigative and operational matters pertaining to 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).

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 special agents are assigned to serve as points of contact with various executive branch agencies and are tasked 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. Each OSIG special agent is tasked 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 internal and external sources each year. The Hotline operates under the Investigations Unit with a state Hotline manager and two senior investigators.

Improving the operational value of the Hotline will continue to be an important task in the upcoming fiscal year. The objective of the Hotline is to respond promptly to allegations of fraud, waste and abuse, ensuring that matters investigated are adequately addressed.

OSIG will continue to promote its online interactive State Fraud, Waste and Abuse Hotline training course to state employees. Investigations performed by Hotline staff will continue to be a focus area due to the increasing number of allegations being received through the Hotline and to OSIG directly. These 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. The Hotline staff continues to collaborate with other OSIG programs where appropriate to assist with these investigations.

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. Increased awareness of the Hotline to Commonwealth citizens and state employees will be conducted through:

- Periodic news releases distributed to Virginia's media outlets.
- Social media postings on the agency's Twitter, Facebook and LinkedIn accounts.
- Expanded visibility of the Hotline on OSIG's website.

- Informational presence at area fairs and community events.
- Distribution of Hotline brochures and flyers.

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.

Whistle Blower Protection Act Program

OSIG administers the Whistle Blower Protection Act (WBPA) Program. State employees and citizens of the Commonwealth who in good faith report allegations of fraud, abuse and corruption through the WBPA 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 and LinkedIn accounts.
- An annual message to state employees sent via the state email network.

OSIG publicizes WBPA in an annual email to all state government employees. The message explains the requirements for allegations reported to OSIG under the WBPA. The communication clarifies pertinent differences between the WBPA and the State Fraud, Waste and Abuse Hotline regarding rules that govern anonymity and confidentiality.

Follow-Up Reviews of Hotline Investigations

In FY 2020, 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. Follow-up reviews are conducted by Hotline staff under the direction of the State Hotline Manager or Deputy Inspector General, depending on which staff member conducted the original investigation. The follow-up review also describes the follow-up selection process and proposed follow-up review work to be done in FY 2020.

Workpaper Review Program

In FY 2020, 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 working papers 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. The workpaper review describes the selection process and the proposed follow-up review work to be done in FY 2020.

Planned workpaper reviews include:

- Virginia Department of Behavioral Health and Developmental Services.
- College of William and Mary.
- Virginia Department of Medical Assistance Services.
- Virginia State University.
- Virginia Department of Taxation.

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 currently and fully 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, section § 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 FY 2020 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.

Certain qualitative and quantitative risk factors were considered 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:

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

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 FY 2020.

Behavioral Health and Developmental Services Unit FY 2020 Work Plan

- Collaborate with the OSIG Audit Division in performing DBHDS annual unannounced facility inspections.
- Receive, track and review complaints from constituents and patients at state facilities and DBHDS licensed providers as defined under §37.2-100.
- Partner with DBHDS and DOC to establish mental health standards for local and regional jails as defined in HB 1942.
- Evaluate the DBHDS mortality review process.
- Evaluate security and safety policies and procedures of DBHDS licensed facilities.

Internal Audit Oversight and Training Services Unit

Quality Assurance Review

The following agencies are scheduled for a quality assurance review as required for compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*:

- Old Dominion University.
- Virginia Department of Juvenile Justice.
- Norfolk State University.
- Virginia State University.
- Virginia Commonwealth University.
- Virginia Department of Medical Assistance Services.

Training Courses Offered in FY 2020

The following training opportunities are planned for the Commonwealth's internal auditors throughout the fiscal year:

- ERM 101: Enterprise Risk Management Methodology and Approach.
- ERM 102: Assessing Enterprise Risks - How to Conduct an Assessment and Leverage it for Strategic Planning and Budget Formulation.
- ERM 103: Developing a Communications Plan for ERM.
- Does the Control Work All of the Time or Not? Let's Find Out.
- Detecting Fraud Using Data Analysis.
- IT for the Non-IT Auditor.
- Effective Contract Auditing.
- Auditing Cloud Environment.
- Senior Auditor Training.
- CIA Review Class.
- State Updates.
- Chief Audit Executive Roundtable.

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 departments. The Internal Audit Oversight and Training Services Unit collects various audit documents from executive branch agency internal audit departments. This information will be compiled 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.

Technology and Security Services Unit

Pentana Implementation

The Technology and Security Services Unit is in the process of implementing a new enterprise project management automation software solution that will streamline work processes and collaboration within all units of OSIG. The software will allow for project planning, scoping and scheduling; time management; workpaper and evidence management; internal and external reporting; business management; action tracking; and approvals.

Small Purchase Charge Card Initiative

The Small Purchase Charge Card initiative seeks to identify potential fraudulent, improper and abusive state agency purchase card activity. With the support of the Virginia Department of Accounts, the Technology and Security Services Unit conducts independent reviews of purchase card transaction data retained by Bank of America for state agencies. OSIG examines purchase card data for indicators of improper or questionable transactions and conducts appropriate follow-up inquiry, which may lead to formal investigation.

Audit Division

Background

The Audit Division operates to fulfill its obligations as defined by the Code of Virginia (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 Division 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 Division 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 Division's primary responsibility is to conduct performance audits. To determine the division's audits for the upcoming year, OSIG created a database of state programs, activities and functions. Using that database, 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 list of potential audit subjects was condensed. In addition to the audits in process, the Audit Division has selected eight areas on which to focus in FY 2020.

New Audit Projects for FY 2020

- Unannounced Inspections – Perform annual unannounced inspections of facilities administered by the Department of Behavioral Health and Developmental Services.
- Veterans Employment and Transitional Services – Determine the extent to which the Virginia Transition Assistance Program within the Virginia Department of Veterans Services is successfully assisting veteran job seekers with achieving sustained and viable work and connecting Virginia's employers with the workers they need.
- 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 being submitted to become a conservation easement is appropriately valued and monitored.

Audit Projects Carried Over to FY 2020 from FY 2019

- Forensic Technical Services – Evaluate the quality, efficiency and reliability of the services that the Virginia Department of Forensic Science provides in aiding judicial proceedings and investigations.
- Vocational Rehabilitation Services – Determine if vocational rehabilitation services processes are effectively and efficiently assisting blind, deaf and vision-impaired individuals in gaining competitive employment as defined by the Virginia Department for the Blind and Vision Impaired.

- Meat and Poultry Inspections – Identify how the Virginia Department of Agriculture and Consumer Services (VDACS) Meat and Poultry Inspections (MPI) program compares economically to federal MPI programs, and how the VDACS MPI program compares to the 17 other MPI programs in the Southeastern region regarding:
 - o Efficiency of approving establishments to operate.
 - o Compliance with federal guidelines.
 - o Economy.
 - o Safety and quality of meat and meat products.
- Drinking Water Regulation – Determine the number of waterworks monitored by the Virginia Department of Health Office of Drinking Water and the effectiveness of those oversight activities.

Audit Projects in Process from FY 2019

- Tobacco Commission – Determine that policies and procedures are adequate to safeguard the fund and provide adequate documentation to support the approval and denial of grants and loans by the Tobacco Region Revitalization Commission.
- Chemical Inventory Management – Determine if chemicals used in teaching (instructional) and research labs are properly tracked by higher education institutions as established by applicable laws and regulations.
- Employee Recruitment Management – Evaluate the effectiveness and efficiency of employee recruitment through the Recruitment Management System and related support through the Department of Human Resource Management employees.
- Natural Resources Law Enforcement Recruitment – Evaluate the quality of recruiting efforts and hiring practices for law enforcement officers within the Natural Resources Secretariat.
- Snow Removal – Evaluate the internal controls that have been put in place by the Department of Transportation to prevent snow related fraud from occurring while considering the performance efficiency within those controls.
- Unannounced Inspections – Analyze the impact from changes to the Code of Virginia § 37.2-809.1, “Facility of temporary detention,” and the response to those changes through performing unannounced inspections of facilities administered by the Department of Behavioral Health and Developmental Services.