

OFFICE OF THE STATE INSPECTOR GENERAL

ANNUAL WORK PLAN
FISCAL YEAR 2018

June 2017



Michael C. Westfall, CPA
Acting State Inspector General
Report No. 2018-ADM-001



COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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June 27, 2017

The Honorable Terence R. McAuliffe
Governor of Virginia
P.O. Box 1475
Richmond, Virginia 23218

Dear Governor McAuliffe:

The attached 2018 Annual Work Plan has been prepared by the Virginia Office of the State Inspector General to identify the agency's planned activities for the fiscal year ending June 30, 2018. The methodologies used to create this work plan varied among 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 this 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 workload and other factors, some of these projects may not be initiated during the year and other projects may be conducted that are not outlined in this plan.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Michael C. Westfall, CPA
Acting State Inspector General

CC: Paul J. Reagan, Chief of Staff to Governor McAuliffe

Introduction

The Office of the State Inspector General's (OSIG) Annual Work Plan for Fiscal Year 2018 (FY18) 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 them, 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.

OSIG's Work Plan is presented in sections covering work to be performed by the various divisions 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, each division follows a slightly different presentation format to best present its work.

The organizational structure of OSIG consists of four divisions designed to accomplish its statutory mandates:

- Performance Review Services;
- Behavioral Health and Developmental Services;
- Investigative and Law Enforcement Services; and
- Administrative Services.

Performance Review Services Division

Background

The Performance Review Services (PRS) Division operates to fulfill its obligations as defined by the *Code of Virginia (Code)* § 2.2-309 by:

1. Conducting 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;
2. Preparing 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 such findings; and
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 PRS 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 to resolve 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; and
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 PRS Division include conducting performance audits; assisting the Behavioral Health and Developmental Services and Investigative and Law Enforcement Services divisions; performing special project work requested by the Governor's Office, Governor's Cabinet and agency heads; and complying with General Assembly mandates.

The PRS Division's primary responsibility is conducting performance audits. In order to determine performance audits to be conducted, OSIG created a database of state programs, activities and functions. Using that database, staff identified potential audit subjects for the year 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.

PRS Division FY18 Work Plan

The following performance audits, reviews and projects were in process at Fiscal Year 2017 (FY17) year-end, and work in these areas will continue into FY18:

- Department for Aging and Rehabilitative Services – Disability Determination Services
- Department of Social Services – Virginia Case Management System (VaCMS) Implementation

- Department of Small Business and Supplier Diversity – Small, Women and Minority (SWaM) Procurement Process
- Department of Labor and Industry – Apprenticeship Project
- Secretary of Health and Human Resources – Statewide Subrecipient Monitoring
- Department of Transportation – Highway Infrastructure
- Washington Metropolitan Area Transit Authority (WMATA) – Capital Funding Agreement
- Virginia Information Technologies Agency – Cybersecurity
- Department of Behavioral Health and Developmental Services – Training Center Transition

The following performance audits will begin during FY18:

- Department of General Services –Virginia’s eProcurement Portal (eVA)
- Higher Education Institutions – Chemical Inventory Management
- Tobacco Commission – Audits of Specific Grants
- Virginia Correctional Enterprises – Furniture Industry
- Virginia Department of Corrections – Inmate Medical and Clinical Services
- Secretary of Health and Human Resources – Statewide Health Licenses and Inspections
- Department of Housing and Community Development – Housing Assistance

The PRS Division will also be involved with the following project in FY18:

- Audit Follow-Up on Previously Reported Findings and Recommendations

Behavioral Health and Developmental Services Division

Background

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

The BHDS Division conducts inspections and makes policy and operational recommendations for state-operated facilities serving individuals with behavioral health, substance use and developmental disabilities. Unannounced inspections at each state facility are conducted annually, at a minimum, and more often as deemed appropriate. In addition, the BHDS Division will:

1. Inspect, monitor and review the quality of services provided in state facilities and by 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. Inform the General Assembly and the Joint Commission on Health Care (JCHC) 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. Review and provide comments and recommendations as appropriate on any reports prepared by the 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. Monitor, review and comment on regulations adopted by the Board of Behavioral Health and Developmental Services as indicated; and
5. Receive 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 conduct 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; or
- (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 BHDS Division identified major program and mission areas that served as the basis for the FY18 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 risk data and reports, etc. Areas of focus include, but are not limited to:

- Areas of known 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 (CMS), The Joint Commission (TJC), U.S. Department of Labor (DOL), Occupational Safety and Health Administration (OSHA), Institute for Healthcare Improvement (IHI), National Patient Safety Foundation (NPSF), and other agencies;
- The January 2012 Department of Justice (DOJ) Settlement Agreement with the Commonwealth and associated Independent Reviewer Reports;
- Areas of high public interest, high-dollar expenditures, and/or revenue collections; and/or
- 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 that have the potential to have a significant negative impact on programs and services delivered including, but not limited to, those that may impact:

- Health or safety;
- Service delivery;
- Accreditation and compliance;
- Security;
- Reimbursement or finances; and
- 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; and
- Reduced confidence in government.

In the end, 15 potential projects were selected for scoring based upon severity, potentiality and priority ratings. Average scores were rated and projects were selected based upon those averages as well as review type -- Unannounced Inspections and Special Projects.

BHDS Division FY18 Work Plan

- **Project 1: Required Annual Unannounced Inspections**

 - **Project 2: Impact of Safety Net Laws on Community Services Boards' Emergency Services**
 - Focus on Impact on Work Load, Staffing and Operations

 - **Project 3: Opioid Use and Community Services Programs**
 - Focus on Current Usage, Availability and Quality of Community Services
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- **Optional Project 1: Review of Events in Private Providers Serving Department of Justice Population**
 - Study of Event-Reporting Process, Events and Outcomes

- **Optional Project 2: Review of Co-Occurring Disorders in DBHDS-Operated Facilities**
 - Review of Co-Occurring Disorder Treatment Programs in DBHDS-Operated Facilities Following the Virginia Service Integration Project (VASIP) Grant

❖ *Optional projects will be completed based upon available time, resources and workload.*

Investigative and Law Enforcement Services Division

Background

The Investigative and Law Enforcement Services (ILES) Division 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 ILES Division is also responsible for reviewing and providing comments and recommendations as appropriate on reports prepared by the Department of Corrections (DOC) and 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).

ILES Division FY18 Work Plan Virginia State Police

The ILES Division operates under the guidelines outlined in a May 2013 joint Memorandum of Understanding with the Virginia State Police (VSP). Both the VSP and OSIG have appointed senior staff to serve as liaisons between the two agencies in order to de-conflict and/or coordinate investigative and operational matters pertaining to allegations of fraud, waste, abuse or 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).

OSIG's Point-of-Contact Initiative

The OSIG Point-of-Contact initiative (POC) seeks to promote collaborative and professional relationships between the ILES Division 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 and investigators are assigned to serve as POC liaisons to various executive branch agencies, and are tasked to meet with respective agency POC counterparts on a minimum 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 POC liaison 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 OSIG POC initiative provides 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.

Small Purchase Charge Card Initiative

The OSIG Small Purchase Charge Card initiative seeks to identify potential fraudulent, improper and abusive state agency purchase card activity. With the support of the Department of Accounts and the OSIG Technical and Security Services Section, the ILES Division conducts independent reviews of purchase card transaction data retained by the 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.

Administrative Services Division

Background

The Administrative Services (AS) Division operates to fulfill its obligations as defined by the *Code of Virginia* (§ 2.2-309) by:

1. Assisting the State Inspector General with operating and managing the Office and employing such personnel as may be required to meet our legislative mandates;
2. Making and entering into contracts and agreements as may be necessary and incidental to carrying out the provisions of this chapter and applying for and accepting grants from the United States government and agencies and instrumentalities thereof, and any other source, in furtherance of the provisions of this chapter;
3. Administering the Fraud and Abuse Whistle Blower Reward Fund created pursuant to *Code* § 2.2-3014;
4. Overseeing the Fraud, Waste and Abuse Hotline; and
5. Assisting agency internal auditing programs with technical auditing issues and coordinating and providing training to the Commonwealth's internal auditors.

Internal Audit Oversight and Training Section

- ***Quality Assurance Review***

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

- George Mason University;
- Department of Aging and Rehabilitative Services;
- Christopher Newport University; and
- Department of Juvenile Justice.

- ***Training Courses to be Offered in FY 2018***

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

- Interviewing Skills for Auditors;
- A New Look at Fraud;
- Audit Report Writing;
- Project Management;
- IT Auditing;
- Senior Auditor Training;
- State Updates;
- Chief Audit Executive Roundtable; and
- VITA IT Compliance Audit requirement class.

- ***Staffing Study***

The Internal Audit Oversight and Training Section formed a committee of Chief Audit Executives to look at developing an Internal Audit Department staffing and workload survey. The purpose of the survey was not only to provide data for benchmarking internal audit department size, but also to provide data on how internal audit departments utilize their resources within their respective agencies. Several existing benchmarking instruments were studied and the committee has decided to incorporate some of the questions and customize other questions to address unique issues that face internal audit departments in Virginia. The survey will be distributed and the results compiled for distribution to the internal audit agencies.

- ***VITA Committee***

This is a cooperative discussion forum for audit professionals in state government to provide guidance on two issues that affect Information Technology Audit practices.

VITA has requirement in SEC 502 to conduct audits in compliance with the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Red Book)* and/or with the Government Accountability Office (GAO) *Generally Accepted Government Auditing Standards (Yellow Book)*.

There are currently 77 agencies submitting audit reports to VITA under the partnership agreement. There are 21 agencies that have internal audit departments that are part of the VITA partnership and routinely receive quality assurance reviews (QARs) to independently validate that they follow IIA standards. Twenty agencies have opted in to utilize the VITA IT audit services which will be following Yellow Book when the audits are conducted. Forty-two agencies do not have internal audit departments and don't utilize the VITA audit services but are required to certify in their IT audits (or the contractors they use to conduct their IT audits) that they are in compliance with Red Book or Yellow Book standards.

- ***Audit Findings Database for the Collection and Analysis of Documents Submitted by Internal Audit Departments***

The Internal Audit Oversight and Training Section has been collecting various audit documents from the executive branch agencies that have internal audit departments. In the spring of FY16, the audit findings database was completed. Information is regularly being entered into the database for analysis of the following different categories: findings; audit plan completion; risk assessment completion; and submission of audit charters. This information will be categorized and compiled into various reports to provide internal audit departments with information that can be used for future audit planning and improve internal audit processes.

State Fraud, Waste and Abuse Hotline Section

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

The State Fraud, Waste and Abuse Hotline (Hotline) receives allegations of misconduct and state policy violations from multiple internal and external sources each year. The Hotline operates 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 improvement will include not only responding to allegations of fraud, waste and abuse, but also ensuring that matters investigated are adequately addressed and responded to promptly.

OSIG will continue to promote its online interactive State Fraud, Waste and Abuse Hotline training course to state employees.

The Hotline Section will also continue to increase its efforts to expedite the distribution of Hotline allegations to the Chief Audit Executives and Hotline coordinators through the use of encrypted email or encrypted attachments rather than using postal mail service.

The Hotline Section will begin to work with OSIG's Administration and Technology and Security Services sections to research the feasibility of purchasing and implementing a case management system (CMS) during FY18. The new system would enable Hotline staff to more efficiently process Hotline cases because it would allow staff to input all information once rather than multiple times. OSIG intends to implement the CMS as an enterprise solution to be used by several sections of the agency.

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, misconduct and ethics violations by agency heads, at-will employees and chief audit executives.

The Hotline Section will continue to review and revise the *State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual* (Manual) to improve the investigative processes. The revisions to the Manual will incorporate appropriate sections of the Association of the Inspectors General Principles and Standards for Office of Inspector General, referred to as the *Green Book*, to help ensure compliance with generally accepted professional standards. (The Manual is available at: <http://osig.virginia.gov/media/3109/2014hotlinepandpmanual.pdf>)

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 State Fraud, Waste and Abuse Hotline as a means of anonymously reporting instances of fraud, waste and/or 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;
- Promotion of the 25th anniversary of the Hotline (October 2017)
- Expanded visibility of the Hotline on OSIG's website; and
- Availability and distribution of Hotline information sheets and Hotline flyers.

In addition, state employees will receive a message from the State Inspector General via the state email network that includes:

- Information about the Hotline;
- Availability of the online interactive State Fraud, Waste and Abuse Hotline training;
- Availability of the Hotline flyer; and
- Availability of the Hotline information sheet.

- ***Whistle Blower Protection Act Program***

OSIG is responsible for the administration of 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 has the authority to investigate violations of the WBPA, and will endeavor to thoroughly investigate any and all credible complaints of violations reported via this program.

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

- An annual news release distributed to Virginia's media outlets; and
- A message to state employees sent via the state email network.

During February of each year, OSIG will publicize the WBPA through a statewide communication to all employees of state government. The message will explain the requirements for allegations reported to OSIG under the WBPA. The communication will clarify 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 FY18, the Hotline Section will continue its investigation follow-up program. Following up on significant, previously performed investigations is an essential activity that helps to ensure agency management is addressing issues and recommendations included in Hotline investigative reports. The follow-up reviews will be conducted by Hotline staff under the direction of the State Hotline Manager, Deputy Inspector General or agency investigation staff depending on which staff conducted the original investigation. The follow-up review will also describe the follow-up selection process and the proposed follow-up review work to be done in FY18.

Planned follow-up reviews of Hotline investigations are as follows:

- Department of Fire Programs;
- Department of Forestry;
- Norfolk State University; and
- Richard Bland College.

- ***Work Paper Review Program***

In FY18, the Hotline Section will continue its Work Paper Review Program. The Hotline Section, on an annual basis, will review the investigative work of the internal audit programs that are completing Hotline investigations on our behalf to determine the quality and appropriateness of investigative work, and to provide suggestions for improvement in future investigations. The scope

of the reviews will be limited to determining if the investigative work papers and subsequent reports were appropriately prepared in compliance with the Manual. Therefore, review procedures will be limited to interviews with personnel and to the review of relevant policies, procedures and documentation. The work paper review will describe the selection process and the proposed follow-up review work to be done in FY18.

Planned Work Paper Reviews are as follows:

- Department of Corrections;
 - Department of Transportation;
 - Department of Social Services; and
 - Department of Aging and Rehabilitative Services.
- ***Point-of-Contact Visits***

The Hotline's two senior investigators participate in and assist with the ILES Division's Point-of-Contact (POC) initiative where the investigators personally visit their assigned points of contact (typically the chief audit executive or the Hotline coordinator) at each executive branch state agency annually to develop proactive and positive working relationships.