OFFICE OF THE STATE INSPECTOR GENERAL

ANNUAL REPORT TO THE GOVERNOR
AND THE GENERAL ASSEMBLY OF VIRGINIA

SEPTEMBER 2015

JUNE W. JENNINGS, CPA
STATE INSPECTOR GENERAL
REPORT NO. 2015-ADM-003

COMMONWEALTH OF VIRGINIA
Office of the State Inspector General

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September 18, 2015

The Honorable Terence R. McAuliffe
Governor of Virginia
Patrick Henry Building, Third Floor
1111 East Broad Street
Richmond, VA 23219

Members of the Virginia General Assembly
General Assembly Building
1000 Bank Street
Richmond, VA 23219

Dear Governor McAuliffe and Senators and Delegates of the Virginia General Assembly:

As we enter our fourth year since creation of this office, it is an honor to present the Annual Report of the Office of the State Inspector General (OSIG) for the Commonwealth of Virginia. This report provides an overview of our key accomplishments and activities for the fiscal year ending June 30, 2015.

Since 2012, the Office of the State Inspector General has established itself as the primary outlet for state employees and citizens to report wrongdoing within the Executive Branch of state government. The office also serves as a resource to assist government officials in improving the efficiency and effectiveness of operations.

During fiscal year 2015, the OSIG conducted several performance reviews, inspections, and investigations of executive branch agencies. OSIG provided agencies with recommendations for enhancing internal procedures and processes and preventing fraud, waste, and abuse in state government. All of our published reports can be found on the OSIG website at www.osig.virginia.gov.

Sincerely,

June W. Jennings. CPA
State Inspector General

CC: Paul Reagan, Chief of Staff for Governor McAuliffe
        Suzette Denslow, Deputy Chief of Staff for Governor McAuliffe

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Our Mission, Vision, and Values

Our Mission

The Office of the State Inspector General strives to promote integrity and accountability, as well as efficient and effective government, through the conduct of independent investigations, performance reviews, and other services designed to provide objective and useful information to the citizens of the Commonwealth and those charged with its governance.

Our Vision

Through the execution of its legislative mandates, the OSIG will, on behalf of the citizens of the Commonwealth, strive to proactively:

- Enhance the efficiency, effectiveness, and economy of state government programs and operations.
- Hold government entities accountable for efficient and cost effective operations.
- Investigate and expose fraud, waste, abuse, corruption, and other illegal acts affecting the operations of state and non-state agencies.
- Provide timely assistance to the Commonwealth's citizens and employees.
- Establish standards to ensure robust independent state agency internal audit programs.

Our Values

Accountability	Efficiency	Excellence
Independence	Innovation	Integrity
Leadership	Respect	Teamwork

Divisions of the Office of the State Inspector General

The organizational structure of OSIG is designed to accomplish statutory mandates through four divisions:

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

OFFICE OF THE STATE INSPECTOR GENERAL
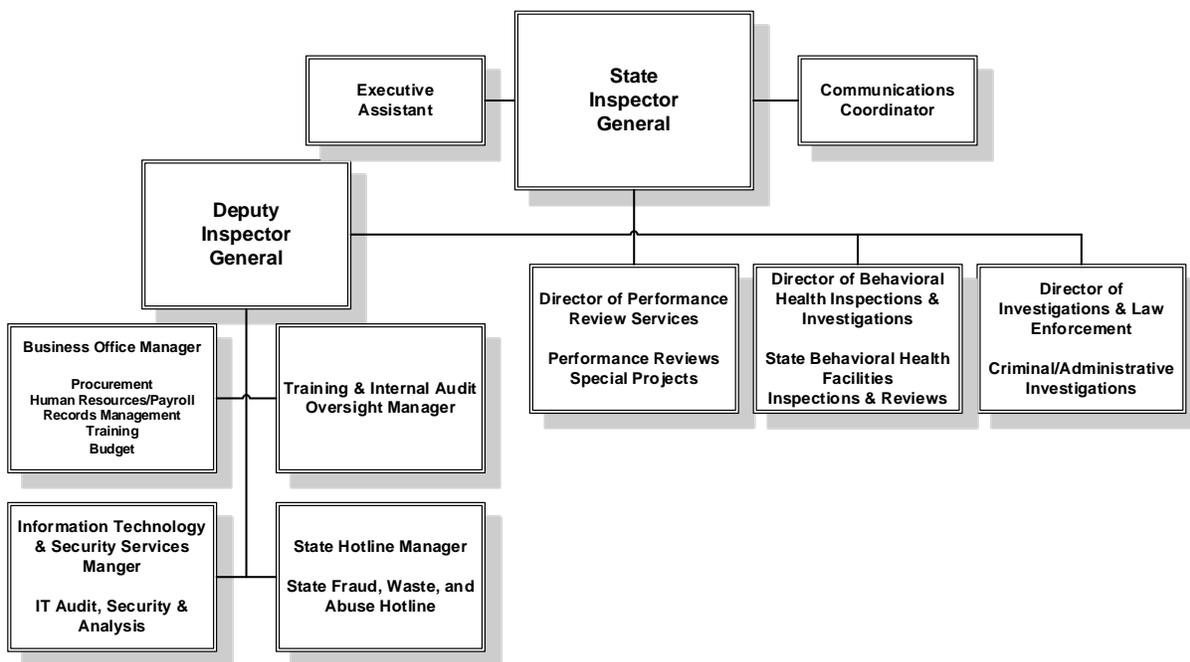
Performance Review Services Division

The OSIG's Performance Review Services Division legislative mandates are delineated in *Code* § 2.2-309 [A](9)(11) and § 2.2-309.2 and include:

- Conducting performance reviews to assess the efficiency, effectiveness, and economy of executive branch agencies' programs and operations.
- Determining appropriated sums are used for intended purposes.
- Assessing the condition of the accounting, financial and administrative controls of state and non-state agencies as necessary.
- Reviewing the condition of the Tobacco Indemnification and Community Revitalization Commission's accounting, financial, and administrative controls.

Issued Reports

During FY 2015, OSIG's Performance Review Services Division published reviews of the Virginia Department of Transportation (VDOT) and the Department of Medical Assistance Services (DMAS). Additionally, a limited review of potential overlap in water pollution prevention activities was completed and is discussed in the Special Projects section of this report.

Virginia Department of Transportation

OSIG staff conducted a performance review of VDOT that examined the efficiency, effectiveness, and economy of operations of the agency's processes in the following six risk areas: governance, construction, maintenance, environmental, performance measurement and reporting, and third party administrator/ contractor management. The final report (2014-PR-001) was issued January 22, 2015.

The review resulted in 10 observations for which OSIG provided recommendations. VDOT management is taking corrective action to address five of the recommendations. OSIG plans to conduct a follow-up review during FY 2016 to validate the corrective actions taken by management. The most significant findings include:

- Observation 1: Vendor Inspector Costs
  Recommendation:
  VDOT should consider developing a method to collect data and analyze the amount of time/money spent on inspections per vendor inspection position. If the results of the analysis show that significant monetary savings may be achieved, then VDOT should consider proposing an increase in the agency's employment level to the General Assembly so that additional inspectors for construction projects and bridges can be hired to handle the normal work load. The cost for the increased employment level would be funded by the reduction in vendor inspection contract costs.
- Observation 2: Research on the Use of Unmanned Aerial Vehicles (UAVs) in Inspections
  Recommendation:
  VDOT should consider having its Structure and Bridge Division — and other applicable

divisions — work with the Virginia Center for Transportation Innovation and Research to conduct research and carryout project(s) to assess possible uses of UAVs for improving the efficiency and effectiveness of:

    A. Bridge inspections.
    B. Underwater inspections.
    C. Highway inspections.
    D. Wetland inspections.
    E. Other miscellaneous inspections.

- Observation 3: Indirect Cost Allocation Plan
  Recommendation:
  VDOT management should consider developing an indirect cost recovery plan for possible Federal Highway Administration approval. Having an approved plan in place would provide:
      A. Greater flexibility of state funds for highway project use.
      B. More rapid use of federal funds.
      C. Improved efficiency in completion of state-funded projects where previously those projects may have been federally funded and required additional time to comply with federal regulations.
      D. The opportunity to receive additional federal funds due to redistribution as more projects may be available for funding.

- Observation 4: Turnkey Asset Maintenance Services (TAMS) Contract Differences
  Recommendation:
  VDOT should perform further analysis to determine the reason for the per mileage maintenance cost disparities among common areas. In addition, the agency should consider further consolidating its interstate maintenance contract areas by region to take advantage of equipment sharing and assigning common end dates for contracts to improve the efficiency of the contract solicitation process.

- Observation 5: TAMS Expenditures Reconciliation
  Recommendation:
  Each VDOT district should reconcile TAMS expenditures to ensure they are properly posted to the correct contracts and work categories.

- Observation 6: Contingency Planning due to Potential Loss of Federal or State Funds
  Recommendation:
  Although VDOT has an informal process in place, the agency should consider developing a comprehensive contingency plan to address unexpected and unplanned funding shortfalls. Such a plan should address how the agency would handle possible adverse funding scenarios (both at the state and federal level) and incorporate in the plan the Governor's new prioritization process for funding projects.

Department of Medical Assistance Services

OSIG staff conducted a review of the Department of Medical Assistance Services (DMAS) to

evaluate the efficiency and effectiveness of operations in specific areas. OSIG's review focused on the areas of third party contracts, use of funds as appropriated, the interagency agreement between the DMAS and the Department of Social Services (DSS), and the cost-effectiveness of the post-payment audit/review process for community-based providers. The final report (2014-PR-002) was issued October 17, 2014.

The review resulted in three observations for which OSIG provided recommendations:

- Observation 1: Performance Measures in Contracts
  Recommendation:
  DMAS, in consultation with the Department of General Services' Division of Purchases and Supply, should consider including a separate section in the Request for Proposals (RFPs) for listing out performance measures.
- Observation 2: Separation of Responsibility and Control
  Recommendation:
  DMAS should research the Code to determine if Local Departments of Social Services (LDSS) are currently held or could be held accountable for errors made during the eligibility and enrollment process. If LDSSs are not held accountable under the Code, then DMAS, in conjunction with DSS, should consider proposing legislation to the General Assembly that would hold LDSS at least partially accountable for errors they make when processing eligibility determination/re-determination cases.
- Observation 3: Improvements to the Interagency Agreement
  Recommendation:
  DMAS, in conjunction with DSS, should consider adding quantifiable performance measurers to the Interagency Agreement in order to be able to identify and remediate any shortcomings in the performance of various activities.

On-Going Performance Reviews

During FY 2015, the Performance Review Services Division initiated and continued reviews of high risk areas in the following agencies:

University of Virginia

- Review the effectiveness and efficiency of operations in the state General Fund Appropriations risk area.
- Review the effectiveness and efficiency in the Accounting and Financial Reporting risk area.
- Determine the adequacy of UVA's oversight and planning for investment in Science, Technology, Engineering and Math (STEM).
- Review the effectiveness of UVA's administration of the AccessUVA financial aid program.
- Review the effectiveness of UVA's efforts to improve faculty recruitment, retention, and compensation.

Department of Social Services

- Review the impact of Human Resource management on the effectiveness and efficiency of operations.
- Review the impact of systems availability on the effectiveness and efficiency of operations.
- Determine the adequacy of oversight to ensure localities comply with state and federal guidelines.
- Review effectiveness and efficiency of state and local employee training.
- Review effectiveness and efficiency of the Human Resource function.

Virginia Department of Emergency Management

- Evaluate the efficiency of the manual process in Recovery and Mitigation and assess the flow of work for possible internal control weaknesses.
- Determine whether the use of reservists is effective including how are they selected and trained, and whether background checks are performed.
- Determine whether a sufficient hiring and training plan is in place to fill vacant positions within the finance and grants area.
- Determine whether the agency's Cardinal implementation is on schedule and that agency financial management is able to participate in required meetings and activities.
- Evaluate whether preventive and detective controls are in place to identify symptoms of fraud, waste and abuse and to follow-up for resolution, as needed.

Department of Motor Vehicles

- Determine whether the strategic partnerships which management has entered into with other agencies increase the operating economy, efficiency, and effectiveness of the Department of Motor Vehicles (DMV).
- Determine whether DMV management adequately considers the risk environment during the formulation of long term strategy and planning activities.
- Determine whether the strategic planning process effectively creates timelines, research, and strategic operating plans containing future strategic areas to be addressed, as well as action plans for these areas, and whether management reviews and monitors the plan and ensures that actions are taken and timelines are met.
- Determine whether the inventory/asset control process is efficient and effective.
- Evaluate DMV's procurement process for efficiency and effectiveness; that procurement policies are effectively meeting DMV's demand for goods and service in a timely manner; and that DMV is effectively identifying sourcing opportunities and acquisition of goods of right quality and quantity at the right time and place, and at a reasonable cost.
- Evaluate DMV's control process over cash, checks, credit cards, debit cards, etc. for efficiency and effectiveness.

- Determine whether DMV uses an efficient and effective model for forecasting future budgetary needs/revenues.
- Evaluate DMV's efforts to ensure citizen satisfaction for efficiency, effectiveness, and economy.
- Determine whether DMV's employee training/competency processes are efficiently and effectively performed.
- Evaluate DMV's monitoring and reporting measures that support achievement of the strategic plan, overall goals, and efficient and effective operations.
- Determine whether processes over risk areas reviewed are effectively designed to deter fraud, waste, and abuse.

Virginia Employment Commission

- Confirm that the existing performance management framework effectively, efficiently, and accurately captures performance measures.
- Confirm the performance management process provides effective timelines, correctly and efficiently reallocates funds to achieve agency goals, captures performance measures in a timely manner for use by management, and aligns with employee performance.
- Confirm the performance measures being reported to Virginia Employment Commission (VEC) management support the achievement of VEC's strategic plan.
- Confirm that the revenue process effectively captures all available revenue for VEC.
- Confirm that effective oversight policies and processes exist to control revenues.
- Confirm that contract management policies provide for an effective and efficient degree of oversight over third parties.
- Determine that performance measures and commitments contained in third party contracts include opportunities to decrease contractual risk and increase the ease of contractual oversight.
- Confirm that third party relationships increase efficiency through meaningful improvements in processes or providing constituent services.
- Confirm that the current VEC Records Management policy and procedures effectively address the recordkeeping issues identified in a case resulting in the United States Department of Labor Settlement Agreement between VEC and the federal government.
- Determine whether or not the new VEC Records Management project management process is being performed in an effective and efficient manner.
- Determine if social media goals and objectives have been identified.
- Determine if social media is monitored to ensure accuracy of information posted and controls are in place over the access to posting information on individual sites.
- Determine whether VEC's efforts to monitor customer satisfaction are efficient, effective, and economical.
- Determine whether VEC's workforce services area efficiently and effectively interacts with

other workforce services entities to provide effective services to customers.

- Determine the status of open audit recommendations from the special project report issued June 13, 2013.
- Determine whether processes over risk areas reviewed are effectively designed to deter fraud, waste, and abuse.

Virginia Commonwealth University

- Determine whether VCU has an efficient and effective method of managing STEM-H.
- Determine whether VCU has an efficient and effective method of overseeing faculty start-up packages.
- Evaluate the efficiency of the process to transfer and return collected revenues.
- Determine whether VCU has an efficient and effective method of assessing the economy, efficiency, and effectiveness of administrative functions to determine whether each function should be insourced/outsourced.
- Determine whether similar administrative functions are efficiently performed across university departments and programs.
- Determine whether VCU has an efficient and effective method of assessing and applying facility utilization and technology methodologies to help ensure that buildings are used to the maximum usage possible and limit the need for constructing similar buildings.
- Evaluate the effectiveness of universities'/colleges' and businesses' collaboration efforts to develop a successful academic program to prepare graduates for the workforce.
- Determine whether the university has reasonable progress and outcome metrics to measure students and educational programs success.
- Determine if there are indicators or opportunities for fraud, waste, and abuse in the investment in STEM-H, faculty start-up packages, transfer and return of collected revenues, administrative functions, facility utilization and strategic planning and performance measures for student success processes.

Department of Education's Direct Aid to Public Education

The consulting firm, SC&H Group, was selected to conduct a performance review of the Department of Education's (DOE) Direct Aid to Public Education (DAPE) with the Performance Review Services Division providing oversight. The chief objectives of the review are to:

- Ensure various data collections used to allocate DAPE funds are accurately submitted by the Local Education Agencies (LEAs).
- Ensure that minimum funded positions established by the *Code of Virginia*, Appropriation Act, and Board of Education (BOE) regulations are met at the Local Education Agencies for FY 2014.
- Assess the overall efficiency and effectiveness of the Department of Education (DOE) in

determining and executing state funding for DAPE and ensure fraud risks are appropriately considered by DOE and LEAs.

- Ensure state grant reimbursement requests are submitted properly and in compliance with state regulations.
- Ensure that DOE is properly tracking performance measures and those individual program goals are properly aligned with legislation and strategic plans.

Special Projects

Virginia Department of Emergency Management

At the request of the Virginia Department of Emergency Management (VDEM) State Coordinator, OSIG reviewed the organizational structure of the VDEM financial division and provided recommendations on how to improve the structure, what kind of staff to hire, and how many staff to hire. OSIG performed the review and prepared a presentation, which was delivered to VDEM management in March 2015, that included the recommendations.

Department of Corrections' Agribusiness Program

The 2014 Appropriations Act required that OSIG perform a limited review of certain areas of the Virginia Department of Corrections' Agribusiness Program. The review has been completed and the report is to be issued in the first quarter of FY 2016. The review was performed to determine:

- The costs and benefits to the Commonwealth of utilizing inmate labor to operate the correctional farm system.
- The value of cooperative agreements with Virginia's institutions of higher education to improve the productivity of the system.
- The actual cost of food per inmate per day within Virginia's correctional institutions.
- To the extent feasible, the experience of other states' agribusiness programs.
- Potential efficiencies, cost savings, and productivity improvements within the agribusiness program.

Follow-Up Review: Virginia Tobacco Indemnification & Community Revitalization Commission

A follow-up review of the Virginia Tobacco Indemnification and Community Revitalization Commission was conducted and completed during the fourth quarter of FY 2015. The report will be issued in the first quarter of FY 2016. The review was performed to evaluate the corrective actions taken by management to address the 15 issues detailed in the Virginia Tobacco Indemnification and Community Revitalization Commission report ([2013-PR-002](2013-PR-002)).

Secretary of Natural Resources

OSIG conducted a review regarding potential overlap in water pollution prevention activities and

other areas among the Department of Game and Inland Fisheries, the Virginia Marine Resources Commission, and the Department of Conservation and Recreation that focused on:

- Coordination of water pollution prevention/water quality activities, such as grant funding and data sharing.
- Potential need for a statewide environmental plan.
- Efficiency and effectiveness of managing the Agricultural Stewardship Act (ASA).

The completed review with three OSIG recommendations was released to the Secretary of Natural Resources on May 26, 2015.

Behavioral Health and Developmental Services Division

The OSIG's Behavioral Health and Developmental Services (BHDS) Division legislative mandates are delineated in *Code* § 2.2-309.1 and include:

- Conducting annual unannounced inspections of the 15 state facilities operated by DBHDS.
- Inspecting, monitoring, and reviewing the quality of services at the state-operated facilities and providers of behavioral health and developmental services.
- Assuring that the General Assembly and the Joint Commission on Health Care are fully and currently informed of significant problems.
- Investigating specific complaints of abuse, neglect, or inadequate care.
- Reviewing, commenting on, and making recommendations about, as appropriate, any reports prepared by DBHDS.

Issued Reports

Review of the Application of the Human Rights System in State-Operated Behavioral Health Facilities

The purpose of this review was to evaluate DBHDS' application of the Human Rights Regulations and identify opportunities for improvement and areas for concern. Overall OSIG found that facility human rights policies were aligned with Human Rights Regulations. Practices, however, varied among facilities, and there was no clear process to identify practices that should be standardized. Additionally, the DBHDS Secure Site Database, used to document facility and Community Services Boards (CSBs) discharge planning activities was often unavailable, and monitoring activities and procedures to support accountability were limited. The report (2014-BHDS-008) was issued on August 28, 2014.

Fourteen observations and recommendations were identified in four key areas:

- Leadership
- Quality Improvement
- Consistency of Practice
- Resource Allocation

Annual Review: Department of Behavioral Health & Developmental Services' Virginia Center for Behavioral Rehabilitation

The purpose of the Virginia Center for Behavioral Rehabilitation (VCBR) inspection was to understand the implementation of VCBR's double bunking process and to determine the strategy's progression, including identification of concerns or challenges specific to the process. The inspection also included a focused review of VCBR's application of the Human Rights Regulations. While the process of double bunking VCBR residents holds inherent risks of residents engaging in inappropriate activity, VCBR has developed a strategy for minimizing these risks. OSIG also found

that VCBR policies and procedures are aligned with the variances to the Human Rights Regulations granted them. The report (2014-BHDS-009) was issued September 9, 2014.

Six observations and recommendations were identified in four key areas:
- Leadership
- Quality Improvement
- Consistency of Practice
- Resource Allocation

Review of Critical Events: Environmental Safety at the Commonwealth Center for Children & Adolescents

The purpose of the inspection was to evaluate safety at Commonwealth Center for Children and Adolescents (CCCA) in response to several critical events which occurred between December 2013 and February 2014. The events included an elopement and several significant episodes of aggression that required assistance of local law enforcement. OSIG found that direct care staff and facility management had different perceptions of safety at the facility and recommended increased focus on that difference by the facility. The report (2014-BHDS-010) was issued on September 8, 2014.

Review of the Department of Behavioral Health & Developmental Services-Operated Training Centers

The purpose of this inspection was to evaluate DBHDS compliance with the U.S. Department of Justice (DOJ) Settlement Agreement, facility discharge planning and outcomes, enhanced case management, and stakeholder opinions on development of community services and the planned closure of Virginia's training centers. The report (2015-BHDS-001) was issued May 27, 2015.

Recommendations included the following:
- DBHDS should develop and publish a work plan specifically geared toward meeting the requirements under the Settlement Agreement relevant to the Quality and Risk Management System.
- DBHDS should develop standardized hand-off communication processes for Training Centers relevant to implementation of individual support plans and transfer of care between Training Centers and community primary care providers.
- DBHDS should review the function of the offices of Human Rights and Licensing and quantify the additional work load imposed by the Settlement Agreement as confirmation of the need for additional positions.
- DBHDS should regularly schedule meetings with members of Training Centers Parent Associations to actively address concerns regarding plans to close the remaining Training Centers.

- DBHDS should assess current community capacity, identify current and future capacity needs, and create specific and public plans to fortify or create needed services.

Special Projects

In addition to regularly scheduled activities for FY 2015, the BHDS Division conducted several reviews and investigations including the following:

Fluvanna Correctional Center for Women Review of Healthcare Services

OSIG conducted a review of healthcare services provided to several women in the custody of the Department of Corrections (DOC) at the Fluvanna Correctional Center for Women (FCCW) during calendar years 2004 to 2013. The results of the review were forwarded to the DOC Director.

Central Virginia Training Center Summary of Complaint Investigation

A complaint was received from the parent of an individual served at the Central Virginia Training Center (CVTC) that included an allegation of inadequate medical care and an allegation that CVTC did not send medical records or CVTC medications to a private hospital along with the resident when the individual was referred to the Emergency Room. The results of the investigation were forwarded to the DBHDS Commissioner.

Virginia Beach Psychiatric Center Summary of Complaint Investigation of Death Following Discharge

A complaint investigation into the death of a patient within 24 hours of the individual's discharge from Virginia Beach Psychiatric Center (VBPC) was performed. The results of the investigation were forwarded to the VBPC Chief Executive Officer.

Western State Hospital Summary of Complaint Investigation

A complaint investigation into personnel actions taken by Western State Hospital in response to a substantiated case of abuse against a staff member was performed. The results of the investigation were forwarded to the DBHDS Commissioner.

Outstanding Recommendations

BHDS Division staff track the status of all outstanding recommendations. During this past year, the Division worked with DBHDS to improve the reporting process for outstanding recommendations. The outstanding recommendations at the end of FY 2015 are included in Appendix.

Monitoring Activities

Critical Incident Data

The BHDS Division, pursuant to *Code* § 2.2-309.1 [B](5) reviews, comments on, and makes recommendations about, as appropriate, any reports prepared by DBHDS including critical incident data collected by the DBHDS to identify issues related to the quality of care, seclusion and restraint, medication usage, abuse and neglect, staff recruitment and training, and other systemic issues.

According to DBHDS Departmental Instruction (DI) 401(RM) 03 Risk and Liability Management, facility Risk Managers or their designee assign clinical outcome severity levels and index codes to each event and enter all events into a facility-based event database. Only events resulting in an injury that required intervention by a physician or physician extender are entered into a DBHDS Central Office database, PAIRS. OSIG access to PAIRS was obtained in June 2015. Facility reporting into this database is inconsistent and limited in scope. Definitions of events for classification allow for a single event type to be entered as several different event types, or not entered at all depending upon the judgement of the Risk Manager, making review and analysis challenging. Report options are also limited and must be run by individual facility name or provider and hand tallied. Custom reports are not available.

Significant events occurring in Training Centers vary in frequency by location and resident acuity. Events reported with the highest frequency include accidents, falls, self-injurious behavior, and deaths.

Significant events occurring in Behavioral Health facilities also vary according to facility, location, and patient type. Events reported with the highest frequency include falls, self-injurious behavior, and deaths which occurred with greatest frequency in facilities operating geriatric programs.

DBHDS has reported that several existing reports have been added to their Data Warehouse report menu that combine facility and community information and allow for reports to be run with greater detail and specificity. Data is reportedly reviewed monthly by the DBHDS Central Office Risk Management Review Team with outliers and concerns being shared with the DBHDS Senior Leadership Team on a routine basis. DBHDS also reports that the Data Warehouse will not be completed for several years but is operational and includes data from the following:
- o CHRIS (Human Rights Database)
- o PAIRS (DBHDS Event Database)
- o ABUSE/NEGLECT
- o CCS3 (CSB Database)
- o AVATAR (Billing and Census Database
- o OLIS (Licensing Database)

Media Alerts
- o 161 Media Alerts received from DBHDS, an increase of over 200% from FY 2014.

o   29 warranted additional review or investigation due to the nature of the event.

Complaints

o   75 complaints were received from various sources in FY 2015, an increase from 55 received in FY 2014.
o   19 warranted additional review or investigation by OSIG.
o   51 were referred to DBHDS with follow-up to the OSIG at the end of their inquiry.
o   Five were referred to outside agencies.

Autopsies

o   78 autopsies were received from the State Medical Examiner's Office.
o   12 autopsies warranted additional review or investigation due to the nature of the event.

Investigative and Law Enforcement Services Division

The OSIG's Investigative and Law Enforcement Services Division legislative mandates are delineated in *Code* § 2.2-309 [A](3–6) and § 2.2-309.2 and include:

- Investigating the management and operations of state agencies, non-state 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, employees or independent contractors of state agencies or any officers or employees of non-state agencies.
- Investigating allegations of fraudulent, illegal, or inappropriate activities concerning disbursements from the Tobacco Indemnification and Community Revitalization Endowment and the Tobacco Indemnification and Community Revitalization Fund.

These mandates are carried out through the OSIG Special Agents and Investigators. The chart below reflects the numbers of cases conducted by the OSIG Special Agents and Investigators during the FY 2015.

Investigations Statistical Summaries

INVESTIGATIONS DIVISION CASE SUMMARY	
Cases ongoing from FY14	21
Cases opened in FY15	16
Cases closed in FY15	12
Cases founded	8
Cases unfounded	4
Cases resulting in corrective action recommendations in FY15	8
Cases referred for criminal prosecution in FY15	3
Cases ongoing at end of FY15	25

EXECUTIVE BRANCH AGENCIES INVOLVED IN OSIG INVESTIGATIONS OPENED IN FY15
Department for Aging & Rehabilitative Services
Department of Behavioral Health & Developmental Services
Department of Corrections
Department of Education
Department of Forestry
Department of Health
Department of Housing & Community Development
Department of Social Services
George Mason University
Norfolk State University
Virginia State University
Virginia Tobacco Indemnification & Community Revitalization Commission

TYPES OF CASES OPENED IN FY15	
Misappropriation	4
Procurement violations	1
Contract violations	3
Conflict of interest	2
Fraud	6

Point Of Contact Initiative

The OSIG Point of Contact (POC) Initiative is designed to foster professional and collaborative relationships between the OSIG Investigations and Law Enforcement Services Division and counterparts within executive branch agencies, usually the Internal Audit Director or other senior manager. The POC Initiative promotes exchange of information with executive branch agency officials regarding pertinent activities within OSIG, as well as relevant issues within agencies. Each OSIG Special Agent and Investigator is assigned as the POC Liaison representative for several state agencies. The POC Liaison representatives are tasked to meet with assigned agency POC counterparts annually.

Law Enforcement Liaison and Intelligence Resource Partnerships

OSIG maintains formal Memorandums of Agreement — that promote cooperation and teamwork and avoid unnecessary duplication — with the following agencies:
- Auditor of Public Accounts
- Virginia State Police

OSIG participates in regularly scheduled meetings with the following law enforcement and criminal justice entities:
- Central Virginia Chief Law Enforcement Executives Association
- Federal Bureau of Investigation
- US Secret Service & US Postal Inspections Service – Financial Crimes Task Force
- Virginia Association of Chiefs of Police
- Virginia State Police, Bureau of Criminal Investigations

OSIG maintains membership in the following criminal intelligence and investigative resource organizations:
- National White Collar Crime Center
- Regional Organized Crime Information Center

OSIG observes the professional education and training requirements of the following:
- Association of Certified Fraud Examiners
- Association of Inspectors General

- Crater Criminal Justice Academy
- Department of Criminal Justice Services

Observations of Recurring Deficiencies

Formal case investigations completed by OSIG have identified instances of recurring procurement deficiencies involving sole source acquisition practices that were not in compliance with the Agency Procurement and Surplus Property Manual (APSPM).

Chapter 8 of the APSPM enumerates specific requirements that must be met before a purchase order or contract may be awarded as a Sole Source Procurement. These regulatory guidelines allow sole source procurement of goods and services without the competition imposed by issuance of an Invitation for Bid (IFB) or RFP and the subsequent examination of sealed bids or proposals by the soliciting agency. Consequently, the built-in safeguards offered by competition do not exist in sole source procurement.

Various OSIG case investigations have identified circumstances that involved state officials and employees tasked with developing and managing agency programs that required acquisition of products and services. Deficiencies have proven to be most frequent in procurements initiated by officials in executive or senior management positions that included perceived expectations to "get the job done," and to effectively and promptly meet emerging needs of the Commonwealth.

As state officials have pursued their "expectations" with aggressive enthusiasm, some of these officials operated without adequate guidance or training regarding statutory and regulatory procurement requirements. To minimize future deficiencies regarding sole source procurement, it is imperative that officials and employees engaged in procurement, especially those newly appointed or hired, receive proper oversight when acquiring goods and services on behalf of the Commonwealth.

Furthermore, investigations have shown that in haste, officials have sometimes turned to former associates and friends that operate commercial businesses, in order to procure goods and services necessary to meet their goals.

Currently, the APSPM does not require state officials and employees involved in initiating, approving, researching or otherwise participating in sole source procurement to complete and submit a state "Non-Disclosure Statement" (Annex 7-J). This statement is required of state employees serving on any agency procurement evaluation and selection committee.

Inclusion in APSPM Chapter 8 for requirement of similar disclosure in sole source procurement actions would serve to inform appropriate authorities of potential conflicts of interests and other circumstances that can affect, and perhaps impair, the efficient and effective obligation and expenditure of state resources.

The Secretary of Administration concurs with this assessment and is acting quickly to amend the APSPM with requirement that "… individuals initiating and those responsible for executing and approving 'Sole Source procurements complete a form of a 'non-disclosure statement'…." The Secretary is also amending the Construction and Professional Services Manual accordingly.

The Secretary of Administration also suggests that recommendations be conveyed to the Virginia Information Technology Agency, the Virginia Department of Transportation and all Commonwealth Institutions of Higher Education operating under the Restructured Higher Education Act to adopt policies that require participants in sole source procurement execute a like non-disclosure statement. OSIG is following up on this suggestion.

Administrative Services Division

State Fraud, Waste & Abuse Hotline

The State Fraud, Waste and Abuse Hotline, through the authority of Governor's Executive Order 52 (2012), provides state employees and citizens a confidential method to report suspected occurrences of fraud, waste and abuse in State agencies and institutions, and authorizes OSIG to investigate allegations to determine their validity, and, when appropriate, make recommendations that serve to eliminate future occurrences.

FY 2015 Hotline Statistics

- The Hotline processed 1,055 calls or reports relating to fraud, waste, and abuse.
- Of the calls received, 511 were determined to meet criteria for fraud, waste, and abuse and required formal investigation. This reflects a reduction from 576 cases in FY 2014, and 755 cases in FY 2013.
- *Waste of agency/state resources*, *leave abuse*, and *misuse of a state-owned vehicles* continue to represent the most common cases.
- Of the Hotline cases closed, 23% were determined to be substantiated; 48% were unsubstantiated; 12% were referred to other appropriate entities; and in 17 % of the cases an occurrence of fraud, waste, or abuse was not found, but recommendations to improve and strengthen internal controls or policies were made.
- Twenty-three Hotline calls involved allegations regarding an agency head, an agency internal audit employee, or an "at-will" employee and were investigated by OSIG Hotline staff.
- Revisions to the *Whistle Blower Protection Act Policies and Procedures Manual* were published to accommodate expansion of the Fraud and Whistle Blower Protection Act to all Commonwealth citizens who make "good faith reports" of instances of wrongdoing, fraud, and/or abuse committed by state agencies or independent contractors of state agencies.
- OSIG implemented an interactive online training course to inform and update state employees about the Hotline. A link to the course is available on the OSIG website. More than 1,770 state employees in 63 agencies took the course in FY 2015.

AGENCY	NO. OF CASES
Department of Corrections	76
Department of Transportation	62
Department of Health	54
Department of Behavioral Health and Developmental Services	49
Virginia State University	27
Virginia Community College System	23
Department of Social Services	17
Virginia Tech	14
Department of Juvenile Justice	9
Department of General Services	8
Norfolk State University	7
Department of Conservation and Recreation	6
Department of Motor Vehicles	5
Other Agencies	154
Total	**511**

TYPE	NO. OF CASES
Waste of Agency Resources	58
Leave Abuse	55
Misuse of State Vehicle	37
Not following State hiring policy	36
Non-compliance with agency internal policy	26
Non-compliance with procurement policy	24
Employee wasting State time	22
Falsification of State time	5
All Other Types	248
Total	**511**

CASES CLOSED BY RESOLUTION					
FISCAL YEAR	CLOSED	SUBSTANTIATED	UNSUBSTANTIATED: IMPROVEMENTS RECOMMENDED	UNSUBSTANTIATED	REFERRED TO OTHERS
2015	333	75	56	159	43

Internal Audit & Training Services

OSIG's Internal Audit and Training Services Unit legislative mandates are delineated in the *Code §* 2.2-309 [A](10)(12) and include:

- Coordinating and requiring standards for those internal audit programs in existence as of July 1, 2012.

- Coordinating and requiring standards for other internal audit programs in state agencies and non-state agencies as needed in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls.
- Assisting agency internal auditing programs with technical auditing issues and coordinating and providing training to the Commonwealth's internal auditors.

Internal Audit Structure Advisory Committee

OSIG is required to "Coordinate and require standards for those internal audit programs in existence as of July 1, 2012, and for other internal audit programs in state agencies and nonstate agencies as needed in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls." During this past fiscal year, OSIG worked with the Internal Audit Structure Committee, comprised of Chief Audit Executives representative of the various internal audit programs in executive branch agencies throughout the Commonwealth, to evaluate the current reporting structure of the existing internal audit programs.

The committee identified and reviewed the nine existing reporting structures and made recommendations to improve the reporting structure within the executive branch agencies to better comply with Institute of Internal Auditors (IIA) standards. The committee proposed two different reporting options that would enhance the independence of the internal audit programs. The committee's recommendations were communicated to the Cabinet Secretaries for consideration.

Quality Assessment Reviews

All internal audit programs which adopt the Institute of Internal Audit Standards are required to have a Quality Assessment Review (QAR) completed once every five years. OSIG monitors compliance with these standards and provides a cost effective alternative through the use of the Quality Assessment Review Committee to conduct QARs. For FY 2015, OSIG completed the following two Quality Assessment Reviews:

- Old Dominion University — The QAR Report was issued on July 22, 2014. The final report was provided to ODU's Board of Visitors in September 2014.
- Department of Mines, Minerals and Energy — The QAR Report was issued on February 2, 2015, and provided to the Agency Head.

The internal audit programs for both agencies received an overall rating of "generally conforms" which is the highest achievable rating.

Training Statistics

In FY 2015, 332 individuals attended 13 OSIG training courses. Training attendees were primarily from state agencies while some attendees were from local government and private sector. OSIG training courses are offered at a fraction of the cost versus training from a private vendor. An

analysis of comparable course offerings determined that the 332 individuals attending OSIG training saved more than $229,000. The savings breakdown per class is shown in the below chart.

Total Savings for Attendees

Class	Savings
Updates to State Procurement Policies, IT Procurement, DHRM Policies, VRS Retirement Plans	$23,210
Chief Audit Executives Round Table	$10,643
Web Security Training	$30,460
Best Practices in Internal Auditing	$9,940
Contract Auditing	$24,342
Assessing Application Security Controls	$83,112
Quality Assessments Performing Self Assessment with Independent Validation (SAIV)	$16,690
Addressing Government Corruption & Conflict of Interests	$6,500
Using Data Analysis to Detect Fraud & Error	$9,563
CAE Sharepoint Training	$14,547

Agency Risk Management & Internal Control Standards

In FY 2015, OSIG completed the Agency Risk Management and Internal Control Standards (ARMICS) implementation project and created an agency ARMICS program in compliance with the Department of Accounts (DOA) ARMICS standard. This includes the agency control environment/overall risk assessment and the financial controls assessment. ARMICS test work programs and work paper templates were developed for the agency to document current and future years test work under the standard.

ARMICS requirements were completed by DOA's September 30 deadline and recommendations were approved by OSIG management. Based on recommendations identified by ARMICS, OSIG has been working to develop stronger controls. Overall, it was determined that OSIG has a strong internal control program. OSIG is currently updating the ARMICS process for FY 2015 compliance, and implementing new requirements issued by DOA.

SharePoint

In FY 2015, OSIG developed a collaboration site for Commonwealth internal audit departments. Access to the site and training classes were provided to all Chief Audit Executives (CAEs). The CAE SharePoint site will be used to share audit documents that exemplify best practices in internal auditing. This site includes a blog function to allow CAEs to discuss important issues or concerns.

This year OSIG is working with CAEs to expand access to additional internal audit employees and to provide additional training to improve usage and collaboration among departments. Training is scheduled for September 1, 2015, with smaller in-person trainings to be provided for those unable to attend.

Appendix

OSIG OUTSTANDING REPORT RECOMMENDATIONS

Inspection of the State Facilities Operated by DBHDS - 2013-BHDS-003		
Focus Area No. 4 - The Environment of Care		
RECOMMENDATION #	RECOMMENDATION	STATUS
#4A	Enhanced performance measures are still needed in many process areas of DBHDS service provision. It was recommended that DBHDS develop and publish a plan for addressing performance enhancement of the state-operated facilities, including measureable objectives so that publicized outcomes could be verified.	DBHDS Asst. Commissioner to forward DBHDS QIC quarterly meeting agenda, minutes, and Quality report to OSIG on an ongoing basis.

A Review of Mental Health Services in Local and Regional Jails - 2014-BHDS-004		
RECOMMENDATION #	RECOMMENDATION	STATUS
#3B	A workgroup consisting of jail medical staff, CSB emergency staff, and DBHDS facility medical staff should develop protocols to guide the pre-admission screening process for individuals with mental illness who are in local and regional jails, focusing on reducing the risk of individuals deteriorating solely as a result of their jail residency.	The DBHDS Commissioner has established a transformation team to identify the behavioral health needs and the best practices for meeting the needs of criminal justice involved individuals. The transformation team will analyze these issues and make recommendations for reducing the risk of individuals deteriorating solely as a result of their residency in jail.

DBHDS Discharge Assistance Program Performance Review - 2014-BHDS-005		
Issue No. 1 - Funding Allocation. The DBHDS did not document its fund allocation methodology or process for the current allocation of DAP funds to CSBs and regions.		
RECOMMENDATION #	RECOMMENDATION	STATUS
#1	The DBHDS should document its fund allocation methodology and maintain documentation to support its periodic reallocation decisions. The DBHDS' instructions to stakeholders on "MH 2014 DAP" funds sent on June 14, 2013, appears to provide a sound and reasonable framework for allocating DAP funds that could be used for the remaining $18.9 million in pre-FY 2014 DAP funds. The DBHDS should evaluate the allocation of local and regional DAP funds annually, and then reallocate statewide DAP funding, as it considers appropriate, in order to achieve maximum efficiency, effectiveness, and economy.	OSIG will continue to monitor.

Issue No. 2 - Inadequate Reporting Requirements for Regions and Community Services Boards. The DBHDS could not confirm actual FY2012 DAP expenditure amounts, uses, or levels of service provided. The OSIG review determined this was in part attributable to relaxed reporting requirements resulting from DBHDS' FY 2010 change in the classification of DAP funds from "restricted" to "earmarked." As a direct result of this change, CSBs were no longer required to periodically report actual DAP fund expenditures to DBHDS.		
#2	DBHDS should require regions and/or CSBs to submit sufficiently detailed periodic financial reports and require timely review of same by management to ensure funds have been expended in accordance with their intended purpose. In the absence of the aforementioned controls, DBHDS should reconsider its policy and restrict all DAP funds. This would improve DBHDS' ability to adequately manage DAP funds statewide and significantly enhance recipient accountability, as well as DBHDS' ability to more closely monitor and ensure that the DAP is administered efficiently, effectively, and in accordance with intended purposes.	OSIG will continue to monitor.
Issue No. 3 - Audit of Discharge Assistance Program Funds		
#3	The DBHDS should: • Take steps to enhance the number and frequency of CSB reviews; • Review regions and their use of DAP funds; • Ensure that reviews include an audit of DAP funds.	The DBHDS Behavioral Health Division is reviewing and revising its role in the audit process. The objective is to ensure the audits support DBHDS's strategic direction, provide accountability in key and target areas, are grounded in evidence based practices, consistent with the performance contract, and use objective criteria/measurement tools. OSIG will continue to monitor.
Issue No. 4 - Performance Management. DBHDS lacked a documented strategy that included objectives, goals, and adequate performance measures necessary to more efficiently and effectively administer and manage the DAP.		
#4	The DBHDS should develop, document, and periodically review (at least semi-annually) DAP-specific goals, objectives, and performance measures to enhance DAP management. The OSIG concurs with the recent recommendations of the DBHDS' private sector consultant that the "Department should consider organizing around strategic and programmatic functions" and "linking performance to outcomes." For example, the program should develop objectives, goals, and measures centered on issues such as addressing barriers to discharge.	DBHDS developed performance measures for the DAP to assess the effectiveness of DAP in reducing barriers to discharge and enhancing success in the community. The DBHDS will use FY 14 fourth quarter data as the baseline. OSIG will continue to monitor.

Issue No. 8 - Community Capacity. Insufficient community based programs exist to allow for the timely discharge of individuals from state –operated behavioral health facilities.		
#8	DBHDS, in coordination with appropriate stakeholders (e.g., regional and CSB representatives, private providers, et al.), should develop and implement a strategy covering DAP-specific objectives, goals, action items, and attendant performance measures (addressing each region or CSB) designed to resolve identified barriers to discharge in order to improve the efficiency and effectiveness of the DAP. OSIG restates the 2012 recommendation of the former DBHDS Office of Inspector General that: DBHDS publish on its website a HIPPA-compliant quarterly update summarizing the number of individuals on the Extraordinary Barriers List (EBL) at each state hospital that includes: the specific barrier(s) to a person's discharge, the estimated cost (supplied by the sponsoring CSB or region) to discharge each person, and the length of time each individual has been on the list. The OSIG would add that individuals removed from the EBL, but not discharged, should be reflected in the quarterly update, along with the reason(s) for their removal from the EBL.	A HIPAA compliant quarterly update summarizing the number of individuals on the EBL has been posted on the DBHDS website since November 7, 2014. This report outlines the requested items over a thirty day period and will be posted quarterly. OSIG will continue to monitor.

Review of the Application of the Human Rights System in State-Operated Behavioral Health Facilities-2014-BHDS-008

Focus Area - Regulations Implementation.

Question No. 1: Are Regulations consistently implemented in DBHDS facilities?

RECOMMENDATION #	RECOMMENDATION	STATUS
#1-A	That DBHDS conduct a performance review of key indicators of a trauma-informed environment to assure that the nationally identified strategies for reducing incidents of complaints, abuse and neglect allegations, and the use of restrictive procedures, such as seclusion and restraint, are in practice at state-operated facilities.	The workgroup, consisting of facility directors, a chief nurse executive, a risk manager, a psychologist, peer specialists, and a representative of Central Office, has researched nationally identified strategies and evidence based practices. It has developed a survey tool based upon this research which will provide each facility director with information and feedback about the Leadership Team's assessment of the facilities' adoption of evidence based practices in these key areas. Using the survey results, each facility director will develop a plan of action to move the facility forward using these evidence-based practices. Central Office will review the plan of action to ensure consistency and provide feedback and oversight to ensure consistency of practices for

		quality care and safety in these key areas.
#1-B	That DBHDS work with facilities to create a means through which facilities can share and identify quality improvement processes that contribute to the consistent application of human rights.	The DBHDS workgroup's first focus has been on the implementation of nationally recognized and evidence-based practices for Trauma-Informed Care and seclusion and restraint practices.The Committee's second focus is developing a survey tool to obtain feedback from direct care staff. It will use these survey results to guide its quality improvement efforts around the consistent application of human rights regulations. Registered Nurse and Direct Service Associate representatives have been added to the committee. Additionally, the Office of Human Rights has drafted a human rights training curriculum which will be used at all facilities to increase consistency in the application of human rights regulations.
#1-E	That DBHDS work with facilities to improve the documentation of individual and staff debriefings after incidents of seclusion and/or restraint. Practices in facilities with high rates of unit level staff affirmation of debriefings may offer valuable models for standardization.	See Recommendation #1A
#1-F	That DBHDS work with facilities to assure greater consistency in rules or regulations regarding access to outside food and sharing meals with friends and families.	See Recommendation #1A

Question No. 2: Are State Human Rights Regulations consistently supported by leadership and staff in DBHDS behavioral health facilities?		
#2-A	That DBHDS continually align their stated values of a recovery and person-centered system of care in all training and communications relevant to the human rights regulations.	Draft Human Rights training has been developed and will be made available to all the advocates for review and comment on April 1, 2015. Once finalized, this training will be sent to the Assistant Commissioners for final approval. Target date for implementation: July 2015.
#2-B	That DBHDS incorporate reviews of human rights information, including A&N data, in their Senior Leadership Team meetings, mirroring the efforts that facilities make to monitor this information within their senior leadership meetings.	The DBHDS Data Warehouse will not be completed for several years but is operational and includes data from:CHRIS; PAIRS; ABUSE/NEGLECT; CCS3; AVATAR; OLIS (LICENSING). Data is reviewed monthly by the Risk Management Review Team with outliers and concerns being shared with the Senior Leadership Team on a routine basis.
#2-C	That DBHDS work with facilities where program leadership and unit staff have a shared perception of human rights being valued, in order to identify strategies, activities, or practices that may warrant replication.	See Recommendation #1A
#2-D	That DBHDS take additional steps to determine what factors are influencing staff's negative perceptions of facility leadership in areas related to human rights and empowerment to assist individuals residing in their facility.	See Recommendation #1A
Question No. 3: Are there any consistent concerns or challenges associated with implementing the Regulations in DBHDS facilities?		
#3-C	That DBHDS establish a work group comprised of facility Directors, facility department leadership, and unit level staff to identify practices that can help address staff's negative perception regarding the balance of patient and staff rights. The OSIG believes this recommendation can impact the overall culture of a unit or facility, which can impact a range of other areas, including rate of peer-to-peer aggression rates.	See Recommendation #1A
Focus Area - Secure Site Database Documentation of Discharge Planning for Individuals Readmitted to DBHDS Facilities		
Question No. 1: Do facility records or the Secure Site Database contain clear documentation of the facility and CSB performing the duties assigned to them in the Discharge Protocols for CSBs and State Hospitals?		
RECOMMENDATION #	RECOMMENDATION	STATUS

#1	That DBHDS work with facilities and CSB's to improve documentation of discharge planning activities on the secure site and that a mechanism is created for monitoring adherence to the protocols, to include empowering a DBHDS or regional entity that can address accountability.	The requirement for discharge planning are identified in DBHDS Discharge Protocol, Appendix A: Continuity of Care Procedures within the Community Services Performance Contract. Staff from Acute Care Services will work with the Social Work Directors to identify time frames and quality indicators for documentation and consider this as an audit focus for under- performing boards, e.g., those with extensive EBL lists. Tammy Peacock is working with social work directors to increase specificity.

Question No. 2: Do facilities and CSBs consistently document discharge planning?		
#2	See Recommendation #1	See Recommendation #1

Annual Review of DBHDS-VCBR - 2014-BHDS-009

Regulations Implementation

RECOMMENDATION #	RECOMMENDATION	STATUS
#2-A	That DBHDS review indicators of a trauma-informed environment to assure that the nationally identified strategies for reducing incidents of complaints; abuse and neglect allegations; and the use of restrictive procedures, such as seclusion and restraint, are embedded in state-operated behavioral health facility practices.	Remains Open.
#2-B	That DBHDS will work with VCBR to improve the documentation of staff debriefing after the incidents of seclusion and/or restraint. Practices in facilities with high rates of unit level staff affirmation of debriefing may offer valuable models for replication. DBHDS will convene a committee, consisting of facility directors and Central Office staff to identify and establish processes for replicating best practices for consistent and documented debriefings of individuals and staff following incidents of seclusion and/or restraint.	See Review of the Application of the Human Rights System in State- Operated Behavioral Health Facilities- 2014-BHDS-008 : Question No. 1 Recommendation #1A

Annual Review of DBHDS-CCCA - 2014-BHDS-10

RECOMMENDATION #	RECOMMENDATION	STATUS
#2	That CCCA work to increase communication between direct care staff and facility management to help mitigate differing perceptions between direct care staff and facility management.	See Review of the Application of the Human Rights System in State- Operated Behavioral Health Facilities- 2014-BHDS-008 : Question No. 1 Recommendation #1A