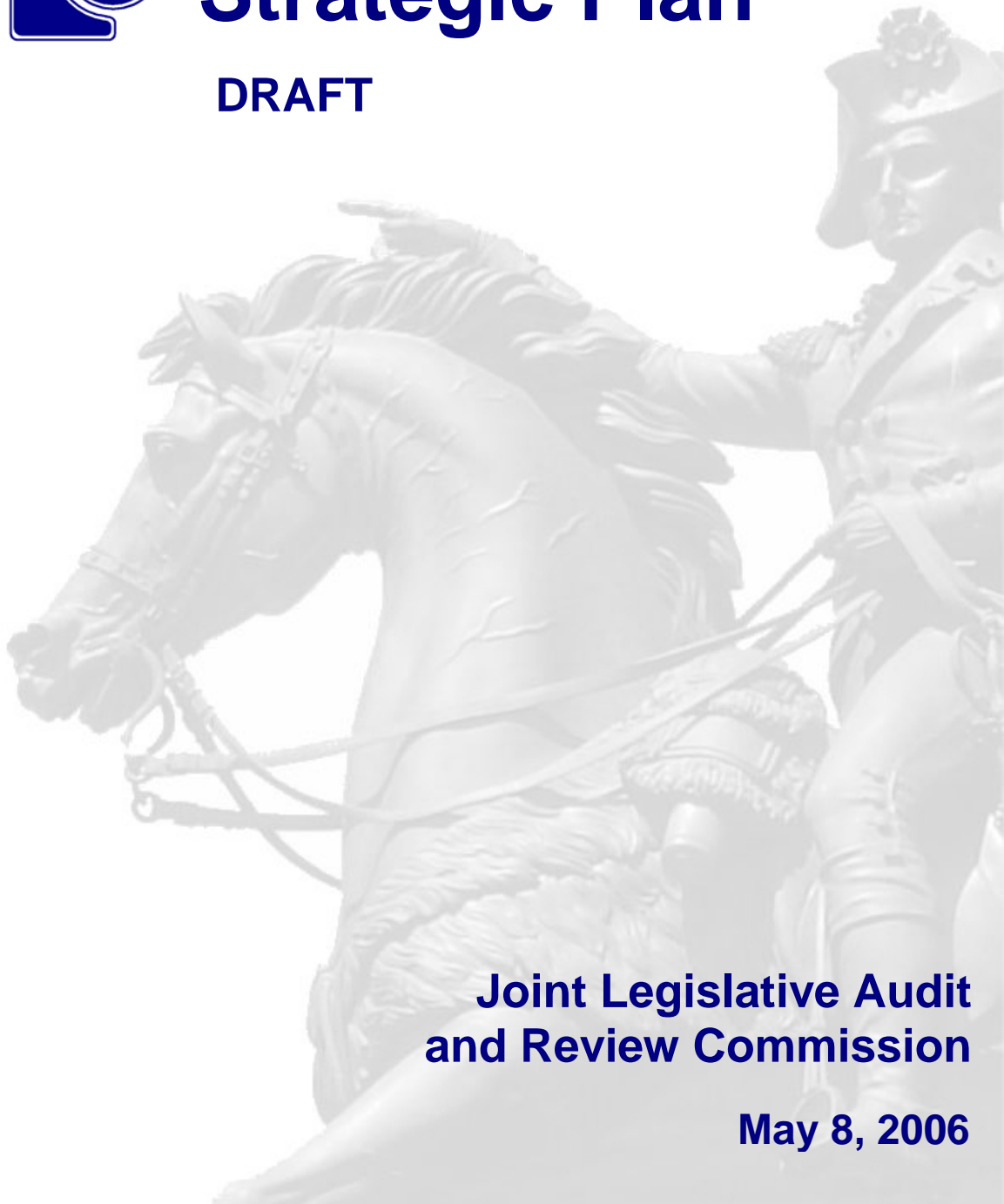




FY 2007 Strategic Plan

DRAFT



**Joint Legislative Audit
and Review Commission**

May 8, 2006

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JLARC FY 2007 Strategic Plan

PART 1: BACKGROUND AND AGENCY RESOURCES

The Joint Legislative Audit and Review Commission (JLARC) is the oversight agency of the Virginia General Assembly. It was established by the Legislature in 1973 to review and evaluate the operations and performance of State agencies and programs.

This strategic plan for JLARC is produced in compliance with the requirements of §2.2-2683 to §2.2-2687 and §2.2-1508 of the *Code of Virginia* and is updated annually as a part of the work-planning process for the agency.

Mission Statement

The mission of the Joint Legislative Audit and Review Commission is to provide the General Assembly with an objective and rigorous oversight capability. Through analytic research and evaluation, the Commission aids in ensuring that the Legislature is informed about State program operations, agencies fulfill legislative intent, and programs operate efficiently, effectively, and economically.

Agency Vision

The Joint Legislative Audit and Review Commission will provide accurate, objective, and timely analysis and evaluation for the Virginia General Assembly.

Agency Values

JLARC's core values are important to its long history of success and to its future ability to serve the General Assembly and the citizens of Virginia. These values are also integral to the professional practice of the Commission's staff. The core values are:

- **Accountability.** JLARC helps the Virginia General Assembly oversee State programs and operations to ensure accountability to the citizens of Virginia. The Commission seeks to enhance the effectiveness, efficiency, and economy of State government.
- **Integrity.** JLARC has set high standards for the conduct of its work. The General Assembly recognizes JLARC's research

as professional, objective, fact-based, nonpartisan, and balanced.

- **Reliability.** To serve the Legislature's need for information, JLARC's work must be reliable. JLARC is dedicated to producing reports, briefings, and other products that are timely, accurate, and clear.

Agency Goals

JLARC's goals are based on the agency's statutory mandates:

- Provide the General Assembly with reliable and timely information for use in legislative decision-making.
- Monitor and report whether State agencies and programs comply with legislative intent concerning appropriations and objectives.
- Determine whether State agencies and programs meet the criteria of efficiency, effectiveness, and economy, and make recommendations for improvements.

These three agency goals align with the agency's core values as well as with the State's long-term goals to be the best-managed state in the nation and to ensure that its citizens are well informed.

Statutory Authority

The Commission is established by §30-56 to §30-63 of the *Code of Virginia*. It is composed of nine members of the House of Delegates, of whom at least five also serve on the House Appropriations Committee, and five members of the Senate, of whom two also serve on the Senate Finance Committee. Delegates are appointed by the Speaker of the House and Senators by the Rules Committee. The Auditor of Public Accounts is an ex-officio, non-voting member. The Commission provides leadership and direction for the organization and annually approves the overall workplan for the staff. The Commission also authorizes the publication of study reports.

JLARC also has statutory responsibility to review internal service fund accounts (§2.2-803, *Code of Virginia*), periodically review the codified exemptions and exclusions from the Administrative Process Act (§9-6.14:4.1G, *Code of Virginia*), and annually report on State expenditures that are made for the purpose of meeting the State share of costs for Virginia's educational Standards of Quality (§22.1-97, *Code of Virginia*).

In 1978, the General Assembly expanded the JLARC oversight role by enacting the Legislative Program Review and Evaluation Act (§30-65 to §30-72 of the *Code of Virginia*). The Act provides for the periodic review and evaluation of selected topics from among the seven functional areas of State government (such as administration of justice, individual and family services, or transportation). It also establishes a process for involving House and Senate standing committees in the Commission's study activities. The authority of the Commission to conduct follow-up studies was clarified and formalized by the 1980 General Assembly (§30-58.2 of the *Code of Virginia*).

In 1994, the General Assembly passed the Virginia Retirement System Oversight Act (§30-78 through §30-84 of the *Code of Virginia*). This Act designated JLARC as the legislative agency responsible for carrying out retirement system oversight. The Commission is required by this Act to make semi-annual reports to the General Assembly regarding investments and quadrennial reports on the actuarial soundness of Virginia Retirement System (VRS) trust funds.

In 1999, language was added to the Appropriation Act to provide JLARC with additional funds to expand the technical support staff of JLARC “to assist with legislative fiscal impact analysis” and “to conduct oversight of the expenditure forecasting process.” A fiscal analysis section was established and staffed in 1999. Funding and language for this section have been continued in subsequent years, including Item 21D of the 2004-2006 Appropriation Act.

Since 2001, JLARC has been required by statute to provide the General Assembly and the Governor with annual reports on State spending. Section 30-58.3 of the *Code of Virginia* requires JLARC to study State spending over the prior decade, identify the largest and fastest growing programs, analyze the causes of expenditure growth, and assess various means of addressing growth in State government.

In 2003, the General Assembly created the "Council on Virginia's Future." Section 2.2-2686 of the *Code of Virginia* directs that "additional assistance as needed shall be provided by the Joint Legislative Audit and Review Commission, the Auditor of Public Accounts" and others. Since its creation, several Commission members have served on the Council, and JLARC staff have provided research and other assistance.

In 2005, the General Assembly provided for independent administrative and financial operation of Virginia's State-supported colleges and universities. A part of the General Assembly's oversight of the independent status of the institutions of higher education is

a JLARC review of the initial management agreements between the State and the institutions (§23-38.88 D.3 of the *Code of Virginia*). Compliance with each initial management agreement and the impact on students and employees are to be evaluated by JLARC after 24 months of implementation. JLARC is authorized, but not required, to review subsequent management agreements.

The 2006 General Assembly directed JLARC staff to assist the Special Advisory Commission on Mandated Health Insurance Benefits. JLARC is directed to assess, analyze, and evaluate the social and economic costs and benefits of proposed health insurance mandates (§2.2-2503 of the *Code of Virginia*). During 2006, the fiscal analysis section will develop a process for reviewing proposed health insurance mandates.

Customers

JLARC customers include the members of the Virginia General Assembly, staff of the legislative money committees, the Governor, State agencies, and individuals and organizations with an interest in the subjects of JLARC studies.

Products and Services

All JLARC studies are selected and authorized by the Virginia General Assembly or by the Commission. JLARC staff do not initiate or select the topics of studies to be completed. JLARC's products are intended to communicate to customers the information, findings, conclusions, and recommendations from program evaluations, performance audits, and other oversight functions (for VRS, fiscal analysis, and internal service funds). JLARC reports and other products are available on the JLARC website. In addition, JLARC publishes a CD-ROM with all of the reports from evaluations and performance audits completed since 1994.

JLARC has 14 major products available to customers, including the public. The two primary products for program evaluations and performance audits are (1) the final report and (2) presentations to the Commission and the standing committees of the House and Senate. Products for retirement system oversight include (3) the online *Legislator's Guide to the Virginia Retirement System*, (4) semi-annual investment reports, (5) a biennial status report on retirement issues, (6) a quadrennial actuarial audit, and (7) periodic special reports. The fiscal analysis section produces (8) an annual report on the growth of State spending, (9) an annual report on State spending for Standards of Quality (SOQ) costs, (10) periodic reports on expenditure forecasting, (11) reviews of fiscal impact statements produced by the Department of Planning and Budget and other agencies during sessions of the General Assembly, (12)

reports on the evaluation of mandated health insurance benefits, and (13) a booklet of comparative statistics on the 50 states. Finally, as part of the review of internal service funds, the JLARC Internal Service Fund Subcommittee prepares (14) subcommittee reports to outline its findings and recommendations on internal service fund rate requests.

Financial Resources

Currently, JLARC is funded from general funds (96%) and special funds from VRS (4%), but these proportions may vary from year to year. For the 2007-2008 biennium, funding is shown in Table 1.

Table 1: 2007-2008 Biennial Budget for JLARC

	Year One		Year Two	
	General Fund	Non-General	General Fund	Non-General
Base Budget	\$2,809,438	\$99,701	\$2,809,438	\$99,701
Changes to Base	<u>169,240</u>	<u>5,837</u>	<u>169,240</u>	<u>5,837</u>
Total	\$2,978,678	\$105,558	\$2,978,678	\$105,538

Human Resources

As of May 1, 2006, JLARC has an authorized FTE level of 37, with 28 positions currently filled and nine vacancies. There are currently no factors significantly impacting the agency's human resources.

An ongoing challenge is to recruit and retain highly qualified staff with the appropriate analytical and communications skills needed to perform complex research analyses required by the General Assembly. JLARC staff turnover is high because experienced analysts are in demand by other legislative, executive, and private sector organizations. Turnover has averaged about 11 percent over the past five years.

Information Technology

JLARC's information technology infrastructure consists of desktop computers for all staff and a Windows-based local area network operated and maintained by the Division of Legislative Automated Systems (DLAS). DLAS also provides servers for the JLARC website, the web-based *Legislator's Guide to the Virginia Retirement System*, and JLARC's online survey system (SQL Server). DLAS is also responsible for daily and monthly backup of all file servers and for the off-site storage of backup media. Through DLAS,

JLARC also has connection to the State's central administrative systems such as CARS, CIPPS, and FATS.

The applications base consists of Microsoft Office applications; Lotus Notes for email, procurement tracking, and fiscal impact statement tracking; SAS for statistical analysis; the ArcView geographical information system for spatial data analysis; Ultimate Survey for online survey administration; Acrobat Professional for document processing; and Dreamweaver MX for web development. The JLARC *Style Guide*, a writing manual, is available to staff as an intranet website.

JLARC also has two applications developed in-house for staff time tracking and out-of-office reporting. The in-house applications use a DB2 database hosted by DLAS. In-house applications are developed with Borland's Delphi Enterprise object-oriented programming environment.

In addition to JLARC staff, users of the JLARC systems include State and local government agencies and the general public. These users have access to the JLARC website, the online *Legislator's Guide to the Virginia Retirement System*, and the JLARC Survey System (to respond to surveys).

No substantial changes in the agency's information technology are expected for the next two years, and no major projects or capital replacements are anticipated.

Capital Investments

JLARC offices are located on the eleventh floor of the General Assembly Building, which is maintained by the Department of General Services. No capital investments are anticipated for the next biennium.

PART 2: AGENCY EXECUTIVE PROGRESS REPORT

Over the past year, JLARC has successfully reported to the General Assembly all of the studies assigned and completed many other products for use by the Legislature, members, and the public.

Current Service Performance

JLARC measures its performance generally in terms of its on-time completion of organizational products. During the past calendar year, 100 percent of performance reports, semi-annual VRS investment reports, fiscal impact statement reviews, and other products were complete on or before their established deadlines.

JLARC also assesses performance by tracking the cumulative dollar savings from JLARC report recommendations. Over the past 30 years, the documented savings from these recommendations totals \$505 million. Compared to JLARC's budget, the ratio of savings to costs is more than 10 to 1. Beginning in 2007, savings for the most recent four-year period will also be used to measure performance.

Also in 2007, JLARC will begin to assess the implementation of recommendations and options from reports completed in the prior four-year period. This measure of performance will be part of the biennial *Report to the General Assembly*.

Productivity

JLARC seeks to produce in-depth, reliable research products, so report quality is considered more essential than quantity. However, JLARC productivity can be measured in terms of the number of reports and other products completed by staff. For FY 2006, staff completed 84 products, including 18 major reports, 40 presentations, and seven fiscal impact reviews. On average, the staff has completed about 14 reports per year, so the number of reports produced in FY 2006 was higher than prior years. JLARC has never failed to complete an evaluation or other assignment.

The products for each evaluation or special study include more than just the final report and Commission presentation. During the course of a JLARC project, staff also produce a detailed research plan, several drafts of each report (including an exposure draft for review by the affected agency), survey instruments, memos, correspondence with agency personnel, interview guides, and contact notes of telephone and in-person interviews. Staff completed hundreds of these internal documents in FY 2006.

With the current staffing level, the number of reports completed in FY 2006 is near the limit of the number of products that can be produced by existing staff in a year. Producing more reports on a regular basis would require additional staff, excessive overtime by existing staff, or a change in the comprehensiveness of the reviews.

Major Initiatives

JLARC has re-designed both the format and organization of its evaluation reports. The purpose of the new design is to better serve the General Assembly by making evaluation and performance information easier to access and use. A second goal is to make the development of reports by staff more efficient.

The revised report format will be used for all of the reports in calendar year 2006. This strategic plan and the 2006 workplan are produced in the new format.

Also during 2006, JLARC will use a new design for presentations to the Commission. The new format will allow study findings and recommendations to be presented with greater clarity and conciseness. Changes to the presentations are an extension of the effort to improve the reporting of JLARC study findings.

Virginia Ranking and Trends

JLARC is recognized nationally as a leader in performance auditing, evaluation, and policy research. Most recently, JLARC received the 2005 Impact Award of the National Legislative Program Evaluation Society (NLPES) of the National Conference of State Legislatures (NCSL) for *Review of Emergency Medical Services in Virginia*. JLARC received the 2004 Impact Award for *Review of Information Technology Systems Development*, and the 2001 Impact Award for *Virginia Medicaid Reimbursement of Nursing Facilities*. Also in 2001, JLARC received the NLPES Award for Excellence in Research Methods. Between 1979 and 2000, JLARC received eight other awards from NCSL.

In 2005, *Governing* magazine ranked Virginia as the best-managed state in the nation. In recognizing Virginia as a national leader in program and performance evaluation, *Governing* cites JLARC as a factor in the State's outstanding performance, specifically noting the "remarkably high quality" of JLARC's work and the thoroughness of its recommendations.

Customer Trends and Coverage

The JLARC customer base is determined by the agency's mission and authority and has remained unchanged in recent years.

JLARC customers include the 140 members of the Virginia General Assembly, staff of legislative committees, the Governor, State agencies, and citizens who are interested in the subject areas of performance and evaluation reports.

JLARC reports are available as legislative documents and are published on the JLARC website. During calendar year 2005, there were 283,879 downloads of reports, briefings, and other documents from the website, an increase of 25 percent compared to 2004. These downloads were for 29,334 unique users of the site, a 14 percent increase from the prior year. Also in calendar year 2005, 76 users ordered printed copies of reports or report CD-ROMs from the online ordering system.

JLARC maintains a separate website for the online *Legislator's Guide to the Virginia Retirement System*. For calendar year 2005, the number of users declined from 5,021 to 4,870. However, the total accesses to information about the retirement system increased from 38,885 in 2004 to 53,589 in 2005. Users of the site downloaded 2,827 VRS oversight reports.

The importance of these websites as a service to customers cannot be overstated. Many of the more than 34,000 customers of JLARC reports in 2005 would likely have been unable to identify and obtain the reports without the website. Thus, the website enables much greater use of the Commission's work. Also, printing and mailing the reports that were downloaded would have cost more than \$580,000 in 2005.

Future Direction, Expectations, and Priorities

JLARC will continue to provide high-quality research and evaluation for the Virginia General Assembly. With improved report and presentation designs, JLARC staff expect to enhance the usefulness of performance and evaluation information for the members of the Legislature and the public.

Impediments

There are no significant impediments to the successful performance of JLARC's mission. Cooperation with study efforts by State agencies and other entities with pertinent information is critical to success, and such cooperation has almost always been provided. The agency does not foresee Virginia's aging population having an impact on JLARC's ability to serve its customers or to achieve its mission.

As noted earlier, an ongoing challenge is to recruit and retain highly qualified staff with the appropriate analytical and commu-

communications skills needed to perform complex research analyses required by the General Assembly. JLARC staff turnover is high because experienced analysts are in demand by other legislative, executive, and private sector organizations. Turnover has averaged about 11 percent over the past five years.

PART 3: SERVICE AREA PLAN

JLARC has one service area, Performance Audits and Evaluation. This service area directly supports the agency mission to provide the General Assembly with an objective and rigorous oversight capability. It encompasses the full range of research and oversight activities of the agency, including the major evaluation studies, retirement system oversight, fiscal analysis, and other continuing responsibilities.

Objectives

JLARC has 12 service area objectives for the Performance Audits and Evaluation service area. Eleven of those objectives are related to specific statutory requirements and are aligned with the State's goals to be recognized as the best managed state in the nation and to ensure that its citizens are well informed:

1. Complete management, operational, program, and/or performance reviews and evaluations of State agencies and programs as directed by the General Assembly or the Commission in accordance with the Commission's general statutory authority and the Legislative Program Review and Evaluation Act.
2. Provide accurate and timely information about the effectiveness and efficiency of State agencies and programs to members of the General Assembly, other governmental entities, and the citizens of Virginia.
3. Develop report recommendations that will help agencies to operate more efficiently, effectively, or economically; improve services; and identify and eliminate duplication, overlap, and poor performance.
4. Complete annual reviews of spending growth in State government and periodic reviews of expenditure forecasts.
5. Complete reviews of fiscal impact statements as requested by the chairs of the standing committees during sessions of the General Assembly.
6. Oversee and evaluate internal service funds in compliance with statute and legislative direction.
7. Oversee and evaluate the Virginia Retirement System in compliance with statute and legislative direction.
8. Evaluate compliance with, and impact of, the management agreements for State-supported institutions of higher education and report the findings to the General Assembly.

9. Evaluate mandated health insurance benefits in support of the Special Advisory Commission on Mandated Health Insurance Benefits.
10. Monitor agency implementation of Commission recommendations and prepare follow-up studies on completed reports as necessary.
11. Complete other oversight responsibilities such as participation in debt capacity and inmate forecasting committees.

One additional service area objective is related to the operation of the agency and is essential to the attainment of the agency goal to provide the General Assembly with reliable and timely research and information:

12. Continuously enhance JLARC research processes and practices, staff skills and abilities, and information technology resources.

Strategies

JLARC has ten strategies to ensure that it will accomplish the objectives set out in this plan. These ten strategies have contributed to JLARC's success and recognition as a national leader in program evaluation and performance auditing:

1. Recruit highly qualified staff and use training to maintain and enhance specific skills related to research, analysis, writing, technology, and management.
2. Maintain written standards of practice in the form of a professional ethics guide, a research guide, a writing style guide, an administrative manual, and a records management guide.
3. Use rigorous research methods and state-of-the-art analytical techniques to produce accurate and reliable information.
4. Develop a detailed research plan for every evaluation and performance audit and require management approval of research plans.
5. Establish specific deadlines and deliverables for every research assignment.
6. Use new technology, where appropriate and cost effective, to improve productivity and enhance analytical capabilities.
7. Establish standard formats and techniques for the presentation of information in JLARC reports, presentations, and other products.

8. Apply a multi-step internal quality control process to every JLARC study.
9. Expose before publication the information, findings, and recommendations of JLARC reports to the agencies that are the subject of the evaluation or audit to verify the accuracy of information and the reasonableness of findings and recommendations.
10. Follow up periodically on the progress of agencies in implementing the recommendations of JLARC reports.

Performance Measures

JLARC has five performance measures that are related to the informational, performance audit, and evaluation products that result from the agency's research:

1. The number of informational, evaluative, performance, and investigative products provided to the General Assembly and others.

Frequency: Annual.

Source and Calculation: A count of the number of products provided, to include at least the following: major evaluation reports; special reports, VRS oversight reports; subcommittee reports; Commission briefings; presentations to standing committees; presentations to civic, professional, or other organizations; fiscal impact statements; informational memos; journal articles; and papers for professional organizations.

Baseline: A new measure, so no baseline is available.

Target: The number of products will vary based on the number of requests.

2. The percentage of organizational products completed on or before the established reporting deadline.

Frequency: Annual.

Source and Calculation: A comparison of the actual reporting date of JLARC work products with the planned reporting date from the approved workplan.

Baseline: 100 percent.

Target: 100 percent.

3. The percentage of recommendations made or options presented four years ago that have since been implemented or addressed affirmatively by the agencies or the General Assembly.

Frequency: Biennial. The first report on this measure will be a part of the 2007 *Report to the General Assembly*.

Source and Calculation: A comparison of the number of all recommendations and options made four years ago with the number of those recommendations and options that have subsequently been implemented by the agencies, as reported by the agencies, or by the General Assembly through legislative action.

Baseline: A new measure, so no baseline is available.

Target: 75 percent.

4. The potential and actual dollar savings from the recommendations of evaluation and performance audit reports completed in the past four years.

Frequency: Biennial. The first report on this measure will be a part of the 2007 *Report to the General Assembly*.

Source and Calculation: The estimated potential savings from JLARC reports and the actual savings reported by the agencies over the past four years. Calculation of the estimated and actual savings will vary based on the nature of the recommendation.

Baseline: A new measure, so no baseline is available.

Target: The nature of the research topics assigned to JLARC by the General Assembly from year to year can vary considerably. The organizational commitment is to identify and document opportunities to achieve savings, where applicable, within the study areas determined by the General Assembly.

5. The cumulative potential and actual dollar savings from the recommendations of evaluation and performance audit reports.

Frequency: Biennial.

Source and Calculation: The estimated potential savings from JLARC reports and the actual savings reported by the agencies. Calculation of the estimated and actual savings will vary based on the exact nature of the recommendation.

Baseline: \$505 million since 1975.

Target: The nature of the research topics assigned to JLARC by the General Assembly from year to year can vary considerably. The organizational commitment is to identify and document opportunities to achieve savings, where applicable, within the study areas determined by the General Assembly.

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