

Joint Legislative Audit and Review Commission

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2010 JLARC Workplan

Commission Briefing
May 10, 2010

Studies and Oversight Activities Under Deputy Director Glen S. Tittermary

- Placing More Treasury-Managed Funds in Virginia Banks
- State Spending (2010 Update)
- Internal Service Fund Oversight
- Virginia Retirement System Oversight



Placing More Treasury-Managed Funds in Virginia Banks

Staff: Kimberly Sarte (Team Leader), Paula Lambert, Greg Rest,
Christine Wolfe

Study Resolution

- Approved at May 11, 2009 JLARC meeting
 - Study the benefits of placing more public deposits, investments, and other Treasury-managed funds with banks operating within the Commonwealth

Background

- Concern that Treasury may have shifted investments out of State in recent years
- View that keeping public funds in-state will lead to increased lending in Virginia
- Bills proposed in 2009 and 2010 Sessions would have required
 - No less than 10% of local government investment pool assets be invested in time, savings, or demand deposits at in-state banks

Study Issues

1. Public deposits and investments held by Virginia banks and how they have changed over time
2. Other states' policies for requiring that public funds be deposited or invested in-state
3. Potential impacts on safety, liquidity, and return of Treasury's investment portfolios from requiring that increased funds be placed in-state
4. Potential statewide economic development and revenue impacts of such a policy

Research Activities

- Structured interviews
- Literature reviews
- Data analysis
- Surveys of Virginia banks and local governments
- Economic impact models
- Contact with other states

Schedule

Report Drafting

Spring 2010

Commission Briefing

July 12, 2010



State Spending (2010 Update)

Staff: Walt Smiley (Team Leader), Paula Lambert

Study Mandate

- *Code of Virginia* §30-58.3 directs JLARC to review State spending annually
 - Largest and fastest growing functions and programs
 - Causes of expenditure growth
- Prior reports focused on spending trends

Background

- Combination of methods best explains long-term growth
- Societal factors: population growth, inflation, personal income growth, federal policies, etc.
- Virginia-specific factors: initiatives, funding decisions, caseloads, etc.
- Budget drivers: agencies that account for bulk of growth
- Individual agency and program budgets

Research Activities

- Focus: FY 2001 – FY 2010
- Examine major trends and factors
- Review selected topics

Schedule

Data Analysis

Summer-Fall 2010

Commission Briefing

November 8, 2010



Internal Service Fund Oversight

Staff: Justin Brown, Ashley Colvin

Background

- JLARC statutory responsibility (§2.2-803 of *Code of Virginia*)
 - Creation of new funds as necessary
 - Elimination of funds no longer needed
 - Transfer of excess balances to general fund
- Commission policy
 - Review of quarterly financial statements
 - Approval of changes in billing formulas and rates
 - Approval of changes in scope and nature of services

Current Funds

- Department of General Services (DGS)
 - Fleet Management
 - Virginia Distribution Center
 - Federal Surplus Property
 - Graphic Communications
 - Facilities Management
 - State Surplus Property
 - Consolidated Laboratory Services
 - Real Estate Services
 - Capital Outlay Management

Current Funds

- Virginia Information Technologies Agency (VITA)
 - Computer services
 - Automated services
 - Telecommunications

- Department of Accounts (DOA)
 - Payroll Service Bureau

Schedule

Consideration of VITA rate requests	May 2010
Review of additional rate requests	As needed



Virginia Retirement System Oversight

Staff: Tracey Smith, VRS Oversight Analyst

Background

- VRS Oversight Act requires JLARC to
 - Oversee and evaluate VRS on a continuing basis
 - Prepare semi-annual investment reports
 - Prepare a biennial status report
 - Conduct a quadrennial actuarial analysis
 - Publish an informational guide for legislators
 - Hire an actuary for use by JLARC, House Appropriations, and Senate Finance

Activities

- Attend meetings of the Board and IAC
- Update the online *Guide to VRS*
- Prepare semi-annual investment reports
- Status reports by VRS Director and CIO
- Quadrennial actuarial audit
 - Based on June 30, 2009 valuation
 - Completed by Mercer (actuary contracted by JLARC)

Schedule

Semi-annual Investment Report July 12, 2010

VRS Status Reports

Quadrennial Actuarial Audit Report

Semi-annual Investment Report December 13, 2010

Studies Under Division Chief Robert B. Rotz

- Reducing Veteran Homelessness in Virginia
- Review of Post-Election Audits of Voting Equipment
- Cooperative Procurement Among Local School Divisions
- State Spending on Standards of Quality (SOQ) Costs (2010 Update)
- Third Grade Reading Proficiency (Due 2011)
- Coordinating Role of the Secretary of Education (Due 2011)



Reducing Veteran Homelessness in Virginia

Staff: Eric Messick (Team Leader), Janice Baab, Jenny Breidenbaugh,
Martha Erwin, Tracey Smith

Study Mandate

- Study requested by Delegate Cox in January 2009 letter and directed by the Commission at the May 2009 JLARC meeting
- JLARC staff directed to study ways to reduce homelessness among veterans in the Commonwealth
 - Veteran service organizations concerned about coordination of service delivery system and gaps in services for homeless veterans

Background

- Number of Virginia veterans and homeless veterans, January 2010*
 - About 820,000 veterans
 - About 860 homeless veterans were counted, but actual number believed to be 2,100 or higher
- Factors leading to homelessness are similar for veterans and non-veterans, such as poverty, lack of affordable housing, and medical and behavioral health problems
- Homeless veterans may access specialized services through the VA and services for homeless Virginians from State, local, and private sources

* Source: U.S. Department of Veterans Affairs; Virginia homeless assistance groups

Study Issues

1. Examine the extent of coordination between homeless service providers and other entities assisting veterans
2. Examine current level of services provided by federal, State, local, and private resources
3. Identify gaps in those services
4. Identify strategies to improve coordination of services
5. Identify strategies and services which appear most effective in addressing veteran homelessness, and the need for and cost of expanding these services

Schedule

Research and Analysis

Fall 2009 -
Spring 2010

Report Drafting

Spring 2010

Commission Briefing

June 14, 2010



Review of Post-Election Audits of Voting Equipment

Staff: Justin Brown (Team Leader), Stefanie Papps,
Dr. Greg Rest

Study Mandate

- SJR 328 (2009) directs JLARC to study post-election audits of voting equipment in Virginia

Background

- Post-election audits
 - Compare election results to the results of an audit conducted after the election
 - Various statistical strategies and audit methods
- Post-election audits are not currently required in Virginia
- 23 other states require some form of post-election audit

Study Issues

1. Post-election audit statistical strategies and methods
2. Security, accuracy, and reliability of Virginia's voting equipment
3. Other states' post-election audit strategies, methods, and results
4. Findings and lessons learned from Virginia's post-election audit pilot project
5. Changes needed to the *Code of Virginia* if audits were required
6. Potential role of post-election audits in Virginia

Schedule

Interim Briefing

Nov 2009

Research and Analysis

Winter - Spring
2010

Pilot Post-election Audits

Feb – March 2010

Commission Briefing

June 14, 2010



Cooperative Procurement Among Local School Divisions

Staff: Aris Bearse (Team Leader), Jamie Bitz, Mark Gribbin

Study Mandate

- House Joint Resolution 60 (2010) directs staff to
 - Assess feasibility and effectiveness of requiring school divisions to contract collectively for certain areas of procurement
 - Examine current procurement practices of local school divisions and the success of existing cooperative contracts
 - Identify procurement areas that would benefit from a statewide or multiple division contract
 - Estimate cost savings
- Study will consider regional procurement opportunities for school divisions and local governments
 - April 2010 letter to JLARC staff from the chairs of the House Appropriations and Senate Finance Committees notes issue

Background

- About 27% of local school division budgets is used for procuring goods and services (\$4.1 billion)
 - Capital outlay
 - Insurance
 - Materials and supplies
 - Purchased services
- Opportunities for leveraging buying power through collective contracts
 - Multiple division
 - Joint school division/local government(s)
 - Statewide contracts
 - National purchasing consortia

Research Activities

- Structured interviews
- Data collection and analysis
- Survey of local school divisions
- Site visits

Schedule

Research and Analysis

Spring - Summer 2010

Report Drafting

Fall 2010

Commission Briefing

December 13, 2010

State Spending on Standards of Quality (SOQ) Costs (2010 Update)

Staff: Bob Rotz

Study Mandate

- Section 22.1-97 of the *Code of Virginia*
- Statutory section provides that
 - The Department of Education must report data on required and actual local expenditures for the SOQ
 - JLARC is required to report on State expenditures for the SOQ

Background

- Sixth in series of annual special reports by JLARC was completed December 2009
- State SOQ spending in FY 2009 was \$5.62 billion
- Report briefed by JLARC staff to the Commission, then furnished to House Appropriations, Senate Finance, and education committees

Study Issues

- Total State SOQ spending statewide in FY 2010
- Factors impacting the amount of State SOQ spending
- State dollars spent in each school division, total and per pupil

Schedule

Data Analysis

Oct - Nov 2010

Commission Briefing

December 13, 2010

Written Report to Standing
and Money Committees

January 2011



Third Grade Reading Proficiency

Staff: Stefanie Papps, Others to be assigned

Study Mandate

- Senate Joint Resolution 31 (2010) directs JLARC to study ways to increase reading proficiency among third graders
- Mandate suggests the importance of early reading proficiency for academic success

Study Issues

1. How many of Virginia's third grade students are reading at least at grade level?
2. How do school divisions rank in the proportion of third graders who are reading at least at grade level?
3. Are there any best practices which appear to account for heightened success in reading among third graders in some school divisions?
4. What does national and State literature say about early reading proficiency?
5. What strategies could be used to increase reading proficiency among Virginia's third graders?

Schedule

Research and Analysis

Summer 2010 -
Summer 2011

Commission Briefing

Fall 2011



Coordinating Role of the Secretary of Education

Staff: To be assigned

Study Mandate

- Senate Joint Resolution 32 (2010) directs staff to
 - Examine statutory authority and duties of Secretary of Education in overseeing education from K-12 through higher education
 - Consider ways to improve coordination of education through expansion of oversight authority or duties
 - Consider how to better direct students toward education and training that will fulfill the Commonwealth's needs

Background

- Secretary of Education is “responsible” for the Department of Education and State Council of Higher Education, which oversees Virginia Community College System
- Secretary of Education presently does not have statutory responsibility to coordinate education in the State or ensure that students receive education and training that will meet workforce needs

Study Issues

1. Should the Secretary of Education play an expanded role in coordinating education at all levels?
2. Can the Secretary of Education play a greater role in directing students toward education and training that will better meet the State's workforce needs?

Schedule

Research and Analysis

Fall 2010 to
Spring 2011

Report Drafting

Spring 2011

Commission Briefing

Summer 2011

Studies Under Division Chief Hal Greer

- Fraud and Abuse in Virginia's Medicaid Program
- Review of the Virginia Corporate Income Tax
- Performance Audit of Transportation Planning and Programming
- Review of Tobacco Indemnification and Community Revitalization Commission (Due 2011)
- Review of Mandated Health Insurance Benefits
- Oversight of VITA
- Review of Tax Preferences (Due 2011)



Fraud and Abuse in Virginia's Medicaid Program

Staff: Ashley Colvin (Team Leader), Brad Marsh, David Reynolds

Study Mandate

- HJR 127, passed by 2010 Session, directs JLARC to study and describe nature and extent of fraud, waste, abuse, and inefficiency in Medicaid
 - Compare nature & scope of these activities in Virginia with other states
 - Identify programs in Virginia & other states that have reduced these activities

Background

- Departments of Medical Assistance Services (DMAS) & Social Services (DSS) share responsibility for determining eligibility of recipients
 - DMAS pays DSS \$50 M for their role in this process
 - Medicaid enrollment increased by 53,120 from FY 2008-09
- DMAS enrolls 300-400 new Medicaid providers per week
 - About 70,000 currently enrolled
- In FY 2009, DMAS processed more than 28 million Medicaid payment claims
 - 30% were denied

Background (FY 2009)

- Virginia's Medicaid expenditures equaled \$5.4 billion (State's share was \$2.7 billion)
- DMAS recoveries for **improper payments**
 - \$7.7 M from providers and \$4.5 M from recipients
 - Often results from clerical errors or misunderstanding of rules
- Legal restitution orders for Medicaid **fraud**
 - \$21 M from providers by Attorney General's Medicaid Fraud Control Unit
 - \$284,000 from recipients by Commonwealth's Attorneys

Study Issues

1. Review State's processes for ensuring that only eligible applicants are enrolled in Medicaid
2. Review State's processes for ensuring that only eligible providers are enrolled
3. Evaluate State's procedures to prevent payment of ineligible Medicaid claims
4. Assess procedures used to identify paid claims that were fraudulent or erroneous
5. Compare integrity efforts of Virginia's Medicaid program to efforts in similar states

Research Activities

- Data collection & analysis of
 - Clients, providers, and claims processed
 - Instances of fraud and error discovered
 - Dollars saved through current processes
- Structured interviews with
 - DSS, DMAS, and MFCU staff
 - Medical provider associations
- Review best practices from national & other state evaluations of Medicaid programs

Schedule

Research and Analysis

February - Summer 2010

Report Drafting

Summer 2010

Commission Briefing

October 12, 2010



Review of the Virginia Corporate Income Tax

Staff: Nathalie Molliet-Ribet (Team Leader), Ellen Miller,
Massey Whorley

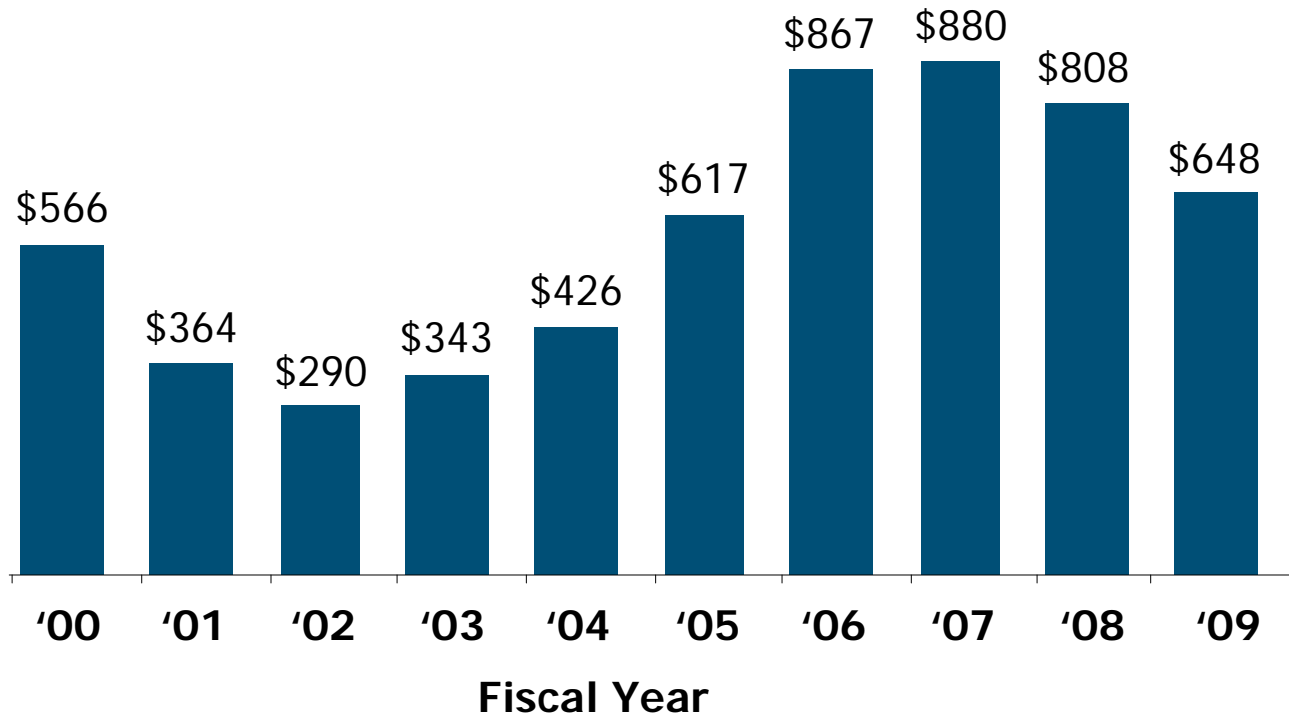
Study Mandate

- House Joint Resolution 681 (2009) directs staff to
 - Compare Virginia's corporate income tax system to that of other similar states
 - Consider cost-of-performance rather than market-based assessment to calculate tax liability of multi-state corporations
 - Examine impact of tax structure on corporate patterns in Virginia during past 20 years

Background

- Tax rate = 6% of Virginia taxable income
- C Corporations subject to corporate income tax
 - Receive “income from Virginia sources”
 - Have *de minimis* presence in State
 - Exclude nonprofit, banking, insurance, and some public service corporations
- 63% of FY 09 corporate returns with no tax liability

Corporate Income Tax Revenues Fluctuate But Greater in Recent Years



Study Issues

1. Compare Virginia's corporate income tax (CIT) to other states
2. Evaluate simplicity of CIT
3. Assess equitability of CIT
4. Examine adequacy and appropriateness of CIT
5. Understand impact of CIT on economic development
6. Identify options to improve CIT system in Virginia

Research Activities

- Structured interviews
- Data collection and analysis
- Survey of corporations
- Case studies of corporations

Schedule

Research and Analysis

Fall 2009 - Summer 2010

Report Drafting

Summer 2010

Commission Briefing

November 8, 2010

Related 2011 Study

- Senate Joint Resolution 21 (2010) directs staff to study the effectiveness of tax preferences
 - Available to businesses and individuals
 - Granted through income tax and retail sales & use tax
- Expected Commission Briefing in Fall 2011



Performance Audit of Transportation Planning and Programming

Staff: Justin Brown (Team Leader), Others to be assigned

Study Mandate

- HB 42 and SB 201 (2010) direct JLARC staff to audit operational and programmatic performance in the Transportation Secretariat
 - Transportation planning and programming divisions in the Departments of Transportation and Rail and Public Transportation

Study Issues

- Variety of issues, primarily addressing planning and programming, with specific emphasis on the State and Metropolitan Planning Organizations
 - Deficiencies in the current processes for distributing staffing
 - Levels and effectiveness of State and regional collaboration and coordination
 - Degree to which statewide and regional processes adhere to, and align with, federally prescribed procedures

Schedule

Research and Analysis

Summer - Fall 2010

Final Report

December 2010



Review of Tobacco Indemnification and Community Revitalization Commission

Staff: Walt Smiley (Team Leader), Others to be assigned

Study Mandate

- 2010 Budget Conference Committee Report, Item 30
 - JLARC to evaluate and report on the performance of the Tobacco Indemnification and Community Revitalization Commission (TICR), including
 - Review effectiveness of economic revitalization grants
 - Evaluate TICR economic revitalization strategy
 - Make recommendations on TICR's outcome metrics and accountability measures

Background

- In 1999, the General Assembly adopted legislation pursuant to the Tobacco Master Settlement Agreement. Directed by legislation, funds go
 - 50% to TICR
 - 40% to General Fund
 - 2004 General Assembly re-directed this share into Virginia Health Care Fund
 - 10% to Tobacco Settlement Fund
 - Administered by Virginia Healthy Youth Foundation
 - Statutes limit use to efforts to discourage tobacco use by children and reduce childhood obesity

Background

- TICR began awarding funds in FY 2002
- The Commission has awarded more than \$530 million to over 1,100 projects
- Projects are located throughout the 41-locality region, including Southside and Southwest Virginia
- Settlement funding was securitized in 2005 and 2007, generating net proceeds of \$1 billion

Study Issues

1. What is the Commission's strategy for revitalizing Southside and Southwest Virginia?
2. How have the grant projects affected the economy of these areas?
3. What outcome metrics and accountability measures are used by the Commission? What do they show?

Research Activities

- Structured interviews with grant applicants and staff of TICR, planning and economic development organizations, localities
- Review grant applications and status reports
- Analyze change in economic indicators for the 41 TICR localities
- Identify best practices in economic performance and accountability metrics

Schedule

Research and Analysis

Summer – Fall 2010

Report Drafting

Winter – Spring 2011

Commission Briefing

June 2011



Review of Mandated Health Insurance Benefits

Staff: Kimberly Sarte (Team Leader), Jenny Breidenbaugh

Study Mandate

- Sections 2.2-2503 and 30-58.1 of *Code of Virginia* direct JLARC to
 - Assist Special Advisory Commission on Mandated Health Insurance Benefits
 - Evaluate social and economic costs and benefits of proposed mandated health insurance benefits
- Bureau of Insurance also assists Special Advisory Commission

Background

- Health insurance mandates require health insurers to
 - Cover or offer specific benefits
 - Cover specific providers
 - Extend benefits to certain populations

- *Argument For*
 - Provide consumers better access to health care services

- *Argument Against*
 - Can increase health insurance costs

Background

- Approximately 1/3 of Virginians affected by mandates
 - Individual and employer fully insured plans
- 29 mandated benefits and offers of coverage and 15 mandated providers
 - Virginia among top 4 states in number of health insurance mandates in 2009*

**Source: Council for Affordable Health Insurance*

Research Activities

- No proposed mandated benefits expected to require JLARC review
- HB 726 requires Special Advisory Commission to review existing mandated benefits
 - JLARC staff's role has not been determined

Schedule

To be Determined



Oversight of the Virginia Information Technologies Agency

Staff: Ashley Colvin

Study Mandate

- Chapter 145 of 2010 Virginia Acts of Assembly, & the 2010 Appropriation Act, direct JLARC to oversee the Virginia Information Technologies Agency (VITA)
 - New process to oversee IT projects
 - New process to approve VITA's rates
 - VITA's infrastructure outsourcing contracts
 - Adequacy of VITA's planning & oversight
 - Cost-effectiveness & adequacy of VITA's procurement services and oversight responsibilities
- Appropriation Act also provides for a permanent VITA oversight subcommittee

Background

- VITA and its governance structure were substantially modified by the 2010 General Assembly
- VITA & Northrop Grumman (NG) executed two contract amendments in March 2010 that extended the NG contract & increased State payments
- VITA anticipates staff reductions & reorganization
- Almost all VITA rates will be resubmitted this year
 - JLARC's role is now largely limited to reviewing VITA's overhead

Study Issues

1. Are the necessary changes being made to VITA's IT project oversight process, and to its rate development & billing process?
2. Is VITA effectively administering the NG contract?
3. Is VITA appropriately exercising its planning & oversight responsibilities?
 - Security of governmental information
 - Oversight of IT projects
 - Oversight of State agency IT procurements
4. Are VITA & NG's procurement services cost-effective?

Schedule

Status Reports by VITA &
Secretary of Technology

September 13, 2010