

**REPORT TO THE
JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION**

**FOR THE QUARTER
JULY 1, 2000 TO SEPTEMBER 30, 2000**

***AUDITOR OF
PUBLIC
ACCOUNTS***



COMMONWEALTH OF VIRGINIA

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October 5, 2000

The Honorable Vincent F. Callahan, Jr., Chairman
and
Members, Joint Legislative Audit and Review Commission
General Assembly Building
Capitol Square
Richmond, Virginia 23219

This transmits our quarterly summary of reports issued for the period July 1, 2000 through September 30, 2000.

The *Executive Summary* includes reports that may be of special interest to the members of the Commission. We have included a report in the summary for the sole purpose of bringing to your attention matters of significance. These summaries do not include all findings within a report or all reports with findings.

The *Summary of Reports Issued* lists all reports released during the quarter and shows reports that have audit findings.

We will be happy to provide you, at your request, any reports in their entirety. We welcome any comments concerning this report or its contents.

Sincerely,

Walter J. Kucharski
Auditor of Public Accounts

WJK:aom

EXECUTIVE SUMMARY

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES
Respite Care Review as of October 31, 1999

In May 1999, the Department of Medical Assistance Services (DMAS) notified this Office that they had received allegations from one of their providers concerning an employee's falsification of Medicaid billings. Based on the nature of the allegations, we recommended that DMAS management immediately contact the State Police, which they did.

Our Office, the State Police, and DMAS's Internal Auditors and program personnel met and began a preliminary investigation of the allegations. On June 4, 1999, based on preliminary findings, we communicated to you that DMAS had notified us of the possibility of improper Medicaid payments and that the potential loss could exceed \$100,000.

Since then, we continued to meet with representatives of DMAS, the State Police, and the Office of the Attorney General to discuss the circumstances. The State Police asked us to assist with its investigation, and this report summarizes the work we performed and our findings.

Conclusion

Although the respite care situation involved collusion with a DMAS analyst, the lack of adequate DMAS internal and system controls provides many opportunities for providers to take advantage of both respite care and personal care payment processes. DMAS needs to improve its internal control policies and procedures over its home health services, including its monitoring of the service providers. Further, the lack of adequate system controls requires that DMAS completely reevaluate and update its Medicaid Management Information System. Without significant changes in these major areas, DMAS will continue to be highly susceptible to Medicaid fraud.

We completed our investigation in October 1999, but delayed issuance of this report at the request of the Attorney General's Office pending further investigation. In July 2000, the Attorney General's Office stated that it is continuing its investigation, but indicated that we could proceed to issue our report.

DMAS has been developing a new information system for the past eight years. System controls cited above that are absent from the current MMIS system will be included in the new MMIS system scheduled for completion by June 2001.

DEPARTMENT OF MINORITY BUSINESS ENTERPRISES
For the period July 1, 1998 through April 30, 2000

The issues found in this report represent a severe deficiency of internal controls and increase the risk that fraud or misappropriation of funds could occur and go undetected. While we found no fraud or misappropriation of funds, the staff lacks financial experience and knowledge of state rules and regulations. Although the Department of Minority Business Enterprises has taken corrective action on many of the issues cited in this report, we continue to question the Department's ability to effectively process transactions and ensure their compliance with the appropriate rules and regulations.

Additionally, the size of the agency and complexity of operations makes it cost prohibitive for the Department to maintain the appropriate levels of staff to handle purchasing and accounting operations. We therefore strongly recommend that the Secretary of Commerce and Trade work with the Secretary of Finance to determine the agency that could best handle the purchasing and accounting operations for this agency.

REVIEW OF THE INTEGRATED HUMAN RESOURCES INFORMATION SYSTEM

We have completed an examination of the current human resources and payroll technical environments to include all **Integrated Human Resources Information System (IHRIS)** development efforts to date and an assessment of planned deliverables as required by the 2000 Appropriations Act.

Our examination found that there is no common vision for IHRIS and no sound timeframe for its completion. There is no central reference of what IHRIS encompasses supported by a current project plan that shows the process by which the Department of Human Resource Management (DHRM, formerly the Department of Personnel and Training) intends to achieve this project. A project plan, schedule, and budget serve as the architectural design and blueprint of the project, outlining the critical information for both management and the project team to control and manage the work.

We recommend no future funding for IHRIS. This recommendation's primary consideration is the lack of a central reference for IHRIS. The project plan we received and reviewed does not replace the existing legacy systems, does not include the integration of payroll, does not provide a private and controlled environment over the Internet, and does not implement Compensation Reform.

We recommend before funding any future human resource systems that DHRM develops a central reference of what the system will encompass and what actions and considerations must occur to integrate or exchange information with the State Comptroller's payroll systems. This central reference should clearly describe the scope and objectives of the human resource system. After completion of the plan, the Secretary of Information Technology should approve the formal project plan that describes all necessary tasks along with sound completion dates and budget estimates. Further, if this system will integrate or exchange information with the State Comptroller, then the Secretary of Finance should also review and approve the plans.

REVIEW OF THE PERFORMANCE MEASURES PROCESS AT HIGHER EDUCATION INSTITUTIONS

We have reviewed the performance measures process at 10 higher education institutions to determine the reliability and accuracy of performance measures information reported to the Department of Planning and Budget (DPB). We reviewed a total of 120 performance measures. We found that the higher education institutions had reported to DPB 106 (88 percent) of the measures using reliable sources of information and accurately reported 109 (91 percent) of the measures. We also identified the following weaknesses in the performance measures reporting process:

- There are inconsistencies between the institutions in the performance measures calculations for four measures. DPB provides definitions for the measures, but the definitions do not include all factors necessary to calculate performance. As

a result, the institutions have developed their own methodologies on how to calculate the measures.

- The institutions use alumni surveys to gather information for two measures. These surveys are not as reliable as other information sources due to low survey response rates, the subjective nature of surveys, and a lack of controls over the distribution and evaluation process.
- Management review is not sufficient to detect inaccurate reporting to DPB.
- The institutions have not documented the process used to gather and report performance measures information.

SUMMARY OF REPORTS ISSUED

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The following reports on audit were released by this Office during the period July 1, 2000 through September 30, 2000. Those reports which included findings in the area of internal controls or compliance are indicated by an (*) asterisk.

State Agencies and Institutions

Judicial Branch

Office of the Executive Secretary of the Supreme Court of Virginia for the two-year period ended June 30, 1999

Executive Departments

Executive Offices

Division of Selected Support Services for the year ended June 30, 2000
Governor's Cabinet Secretaries for the year ended June 30, 2000
Office of the Attorney General for the year ended June 30, 2000
Office of the Governor for the year ended June 30, 2000
Office of the Lieutenant Governor for the year ended June 30, 2000

Administration

Compensation Board for the two-year period ended December 31, 1999
Department of General Services for the year ended June 30, 1999*

Commerce and Trade

Department of Minority Business Enterprises for the period July 1, 1998 through April 30, 2000*
State Milk Commission for the year ended June 30, 1999

Education

Review of Performance Measures at Selected Higher Education Institutions for the year ended June 30, 1999*
Virginia Community College System for the year ended June 30, 1999*

Education (continued)

Colleges and Universities

The College of William and Mary for the year ended June 30, 1999*
Norfolk State University for the year ended June 30, 1999*
Norfolk State University, Intercollegiate Athletic Programs for the year ended June 30, 1999
Virginia Military Institute for the year ended June 30, 1999*
Virginia Military Institute, Intercollegiate Athletic Programs for the year ended June 30, 1999
Virginia State University for the year ended June 30, 1999*

Health and Human Resources

Department for the Aging for the period January 1, 1998 through June 30, 1999

Public Safety

Department of Corrections and Virginia Parole Board for the year ended June 30, 1999*
Virginia Correctional Enterprises Department of Corrections for the period July 1, 1998 through December 31, 1999*

Technology

Integrated Human Resources Information System (IHRIS) dated July 18, 2000*

Independent Agencies

State Lottery Department for the years ended June 30, 1999 and June 30, 2000
State Lottery Department, Report on Applying Agreed-Upon Procedures for the period April 1, 1999 through March 31, 2000

Special Reports

Department of Medical Assistance Services, Respite Care Review as of October 31, 1999*

Clerks of the Circuit Courts

Cities:

City of Alexandria for the period July 1, 1998 through September 30, 1999
City of Charlottesville for the period July 1, 1998 through September 30, 1999
City of Clifton Forge for the period July 1, 1997 through September 30, 1999
City of Colonial Heights for the period April 1, 1998 through December 31, 1999*
City of Fredericksburg for the period July 1, 1998 through December 31, 1999
City of Norfolk for the period July 1, 1998 through December 31, 1999
City of Petersburg for the period April 1, 1998 through September 30, 1999*
City of Suffolk for the period April 1, 1998 through September 30, 1999
City of Surry for the period April 1, 1998 through December 31, 1999
City of Virginia Beach for the period July 1, 1998 through September 30, 1999

Counties:

County of Albemarle for the period April 1, 1998 through September 30, 1999
County of Augusta for the period April 1, 1998 through September 30, 1999
County of Fluvanna for the period July 1, 1998 through September 30, 1999
County of Greensville for the period April 1, 1998 through September 30, 1999
County of Isle of Wight for the period July 1, 1998 through September 30, 1999
County of Loudoun for the period April 1, 1998 through December 31, 1999*
County of Lunenburg for the period July 1, 1998 through September 30, 1999*
County of Mathews for the period July 1, 1998 through September 30, 1999
County of Middlesex for the period April 1, 1998 through September 30, 1999
County of Northumberland for the period April 1, 1998 through September 30, 1999
County of Prince George for the period April 1, 1998 through December 31, 1999
County of Richmond for the period April 1, 1998 through September 30, 1999
County of Rockingham for the period April 1, 1998 through September 30, 1999*
County of Russell for the period July 1, 1998 through December 31, 1999*
County of Staunton for the period July 1, 1998 through September 30, 1999
County of Waynesboro for the period April 1, 1998 through September 30, 1999
County of Westmoreland for the period April 1, 1998 through September 30, 1999

General Receivers

Cities:

General Receiver of the Circuit Court of the City of Alexandria for the period July 1, 1998 through June 30, 1999
General Receiver of the Circuit Court of the City of Norfolk for the period July 1, 1998 through June 30, 1999
General Receiver of the Circuit Court of the City of Suffolk for the period July 1, 1998 through February 29, 2000

General Receivers (continued)

Counties:

General Receiver of the Circuit Court of the County of Arlington for the period July 1, 1998 through June 30, 1999

General Receiver of the Circuit Court of the County of Essex, Lancaster, Northumberland, Richmond, and Westmoreland for the period July 1, 1998 through June 30, 1999

General Receiver of the Circuit Court of the County of Isle of Wight for the period July 1, 1998 through June 30, 1999