COMMONWEALTH of VIRGINIA

Hal E. Greer
Director

Joint Legislative Audit and Review Commission
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JLARC Meeting – Minutes

November 10, 2014

Attending

JLARC Members:
Senator John C. Watkins, Chairman; Delegate David B. Albo, Delegate M. Kirkland Cox, Senator Janet Howell, Delegate Johnny Joannou, Delegate Chris Jones, Delegate R. Steven Landes, Delegate James P. Massie III, Senator Thomas K. Norment, Delegate John M. O'Bannon, Delegate Lionell Spruill, Sr., Senator Walter Stosch, Ms. Martha Mavredes, Ex Officio.

JLARC Staff:
Hal Greer, Director; Nathalie Molliet-Ribet, Senior Associate Director; Justin Brown, Associate Director; Kimberly Sarte, Assistant Director; Lauren Axselle, Erik Beecroft, Sarah Berday-Sacks, Jamie Bitz, Susan Bond, Drew Dickinson, Chris Duncombe, Kathy DuVall, Bridget Farmer, Nicole Gaffen, Mark Gribbin, Nia Harrison, Liana Kleeman, Paula Lambert, Jeff Lunardi, Joe McMahon, Ellen Miller, David Reynolds, Beth Singer, Tracey Smith, Nichelle Williams, and Christine Wolfe.

Others:
Peter Blake, Yan Zheng, Alan Edwards (State Council of Higher Education for Virginia); Tony Maggio, Susan Massart (House Appropriations Committee); April Kees (Senate Finance Committee); Jo Flores (Deputy Secretary of Health and Human Resources); Ashley Colvin (Virginia Information Technologies Agency); Mark Smith (George Mason University); Phil Leone (Virginia Tech); Pam Currey (Virginia Commonwealth University); Sam Jones (College of William and Mary); Laura Fornash (University of Virginia); Michael Swink (VA529); Michael Martz and Karin Kapsidelis (Richmond Times-Dispatch); Joe Damico (Department of General Services); Jane Woods (Driftwoods Consulting); Bob Lewis (McGuireWoods Consulting).

The meeting was called to order at 10:06 a.m. by Senator Watkins, Chairman. Senator Watkins recognized Hal Greer, JLARC staff Director, who provided the Commission with an overview of the meeting agenda and prepared remarks regarding JLARC's higher education report series and the study mandate (House Joint Resolution 108 approved by the 2012 General Assembly) that directed JLARC to study the cost efficiency of the Commonwealth's public institutions of higher education and to identify opportunities to reduce the cost of public higher education in Virginia. Following Mr. Greer's remarks, he introduced Justin Brown who provided the Commission with some brief comments about the fifth and final higher education report in the series. In addition, Mr. Brown expressed appreciation to the higher education institutions for their assistance

over the last 18 months. Following Mr. Brown's remarks, he introduced David Reynolds who presented a briefing of the *Addressing the Cost of Public Higher Education in Virginia* report. Mr. Reynolds responded to a number of questions from the Commission throughout his presentation. In addition, Delegate Landes and Delegate Massie requested a breakdown of current versus former board of visitors member survey responses by institution to assess the dispersion across institutions. Senator Watkins requested information regarding the funding sources of athletic coaches' salaries, as some institutions have coaches that also teach physical education related classes. Subsequently, Delegate Jones requested a schedule of debt retirement by institution over time. At the conclusion of Mr. Reynolds' presentation, Senator Watkins requested a motion to receive the report and authorize printing. A motion was made by Delegate O'Bannon, which was seconded by several Commission members and approved unanimously by the Commission.

Mr. Greer then turned the meeting over to Kimberly Sarte who presented a briefing of the *Review of State Spending: 2014 Update* report. Ms. Sarte responded to several questions from the Commission during her presentation. Senator Watkins requested information regarding the funding breakdown (general fund versus non-general funds, by type) for the Department of Education (Direct Aid). At the conclusion of Ms. Sarte's presentation, Senator Watkins requested a motion to receive the report and authorize printing. A motion was made by Delegate Albo, which was seconded by Delegate O'Bannon and approved unanimously by the Commission.

Mr. Greer then provided the Commission with a brief presentation of the status of JLARC recommendations for legislative action, which emphasized legislative action needed to implement the recommendations from the *Virginia's Information Technology Governance Structure* report presented to the Commission in September 2014. Senator Watkins' asked about the status of the JLARC report recommendations. Ashley Colvin with VITA provided some comments in response to the Senator's question and explained that several stakeholder groups are currently working together to decide which recommendations to implement. Mr. Colvin also noted that VITA staff is actively contacting the IT Advisory Council (ITAC), which was recently reappointed. Delegate Jones commented that he was under the assumption that planning for the end of the Northrop Grumman contract was moving forward. He then asked whether VITA staff had arranged a meeting with House Appropriations Committee staff to discuss planning activities. Mr. Colvin indicated that planning was moving forward and that a meeting with HAC staff had been scheduled for December 3. Senator Watkins suggested that the Commission may want an update at the December meeting.

Mr. Greer then introduced Nathalie Molliet-Ribet who provided the Commission with an overview of the study resolution directing JLARC staff to review Virginia's Medicaid program. Ms. Molliet-Ribet noted that the resolution language reflects the information included in the scoping document that was previously provided to the Commission. Delegate Spruill asked if there has been a study of the Medicaid program. Ms. Molliet-Ribet stated that JLARC staff conducted a study in 2013 regarding the impact of Medicaid rates on access to health care in Virginia. In addition, staff conducted a study on Medicaid fraud and abuse a few years ago but there has not been a comprehensive JLARC study of the program. Ms. Molliet-Ribet noted that if the study resolution is approved, an interim report would likely be completed and presented in 2015 and the final report would be completed in 2016. Delegate Spruill stated that 2016 would be too late because the Commission members already know how the Medicaid Innovation Reform Commission (MIRC) feels about expanding the program so he is not sure why JLARC staff would do the study. Senator Howell commented that MIRC has already come a long way in answering these questions. Ms. Molliet-Ribet noted that the work of JLARC staff would be coordinated with MIRC and that the JLARC study would involve a more in-depth analysis than perhaps what MIRC has been able to do.

Senator Howell also noted that DMAS has been conducting pilots and is also looking at what other states are doing, so a JLARC study would be extremely duplicative of this work. Delegate Massie stated that the JLARC study resolution would provide for hiring financial and operational auditors, and because there has never been an external audit of the program, it is the right thing to do given the amount of state funds spent on Medicaid. Senator Norment stated that he agrees with Delegate Spruill's previous comments. Delegate O'Bannon said that he is a member of MIRC and wants enough time to do the study properly. He also commented on a recent Wall Street Journal article about 200,000 individuals that were improperly included on Medicaid rolls; therefore, a JLARC study would result in valuable and useful data to help them make decisions about the program. Delegate Landes stated that the issue with MIRC is that it has started its work but the legislative members have not yet seen the results. He them commented that giving the responsibility of the study to JLARC staff would depoliticize the issue, however, this would not preclude MIRC from following a JLARC study. Delegate Landes went on to explain that information on cost savings identified in other states is still unknown, and such savings could be redirected to individuals who need coverage.

Delegate Spruill then re-stated that he is unclear on why they would waste money to have JLARC staff do a Medicaid study. Delegate Massie stated that if JLARC staff found efficiencies and savings, it would be a worthwhile study and he would be surprised if staff did not find enough savings to offset the cost of conducting the study. Delegate Landes then made a motion that the Commission approve the Medicaid study, which was seconded by Delegate Massie. Senator Stosch stated that he would like to know how many audits of Medicaid have been performed and the types of findings that resulted from them. Senator Norment made a substitute motion that JLARC staff come back in December with the information that Senator Stosch requested. This motion was seconded by Delegate Spruill.

Subsequently, Senator Watkins asked Mr. Greer if there would be staff available for additional studies in 2015 if the Commission approved the Medicaid study. Mr. Greer stated that four to five analysts would likely be needed for the Medicaid study, which would leave enough staff available for one additional study in 2015. Senator Watkins also asked Mr. Greer if JLARC has enough money in the agency's budget to hire consultants that would be needed for the Medicaid study. Mr. Greer stated that additional funding would be required. Senator Watkins stated that there is a clear political divide among JLARC on this topic and reminded the Commission members that the study approval process usually goes through the Joint Rules Committee during the General Assembly session. Delegate Cox stated that Medicaid is the most important issue that they face. Senator Norment noted that the study resolution does not include how much it would cost to hire external auditors.

Delegate Joannou then commented that the Commission has approved studies in the past and that they need to decide whether they wish to delay the study approval until December or not move forward with the study. He also noted that the money committee staff could look into the cost of hiring consultants. Delegate O'Bannon asked Mr. Greer how many studies the Commission has approved that did not go through the Joint Rules Committee during the General Assembly session. Mr. Greer noted that in addition to the two studies the Commission approved in at the September 8, 2014 meeting (DMV and state contracting), two examples of studies approved by the Commission include a 2007 resolution directing staff to study total state employee compensation and another in 2011 on retirement benefits for state and local government employees. Martha Mavredes, Auditor of Public Accounts, then stated that her staff conducts financial audits of the Medicaid program, which includes identifying any fraudulent activity. Delegate Massie asked if JLARC staff has a cost estimate

for hiring consultants. Delegate Landes stated that if Commission members are concerned about rushing the study approval, he shares this concern but it has been awhile since MIRC has presented any study findings, which is why he is in support of the JLARC study. Senator Stosch asked how much information in the Medicaid scoping document is already available. He explained that he objects to a financial audit because the APA already does this. Senator Howell commented that when the Commission has approved a study resolution outside of the usual process, there has been a consensus to do it. She also noted that the staff does not have the capacity to do the Medicaid study. Senator Norment stated that he would also like to receive the additional information requested by Senator Stosch and that the study resolution should be more specific about hiring consultants and other third-party financial auditors outside of JLARC, as well as the cost associated with doing so. Ms. Molliet-Ribet noted that specifying this information in the study resolution would limit the agency's scoping process, which is why it was not included. Delegate Jones then stated that the Commission could rise if the two motions were withdrawn. Accordingly, Senator Watkins asked Delegate Landes and Senator Norment to withdraw their motions. Delegate Landes withdrew the first motion that the Commission approve the Medicaid study, and Senator Norment withdrew the substitute motion that JLARC staff come back in December with the information requested by Senator Stosch. Subsequently, Senator Watkins stated that the consideration of the Medicaid study resolution would be moved to the December Commission meeting agenda.

Senator Watkins then said that he had also asked Ms. Mavredes to provide the Commission with a brief report on the Supreme Court audit. Ms. Mavredes stated that the Supreme Court staff were unable to attend the Commission meeting. She explained that VITA is not responsible for providing IT support to judicial agencies, but the Supreme Court is still required to follow system and security requirements set by VITA. She stated that there were four IT issues identified, including a lack of protection logs that would track any changes made in the system. There has not yet been any evidence of erroneous changes being made in the system but she wanted to make the Commission aware of the IT issues identified. Senator Stosch noted that there is not necessarily anything currently wrong but that electronic files could be altered, which would violate the integrity of the files. He suggested that Supreme Court staff respond to the audit letter specifying what progress has been made to address the IT issues identified.

Lastly, Mr. Greer announced that the next Commission meeting is scheduled for Monday, December 8, which will include presentations on JLARC's workforce development and the Line of Duty Act reports. There being no further business, the Commission rose at 12:40 p.m.

Approved by: Hal E. Greer

Hal E. Greer, Director

Date: 11/19/2014

Prepared by: Paula C. Lambert

Paula C. Lambert
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& Senior Legislative Analyst