



# COMMONWEALTH of VIRGINIA

Hal E. Greer  
Director

*Joint Legislative Audit and Review Commission*  
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JLARC Meeting – Minutes  
May 9, 2016

## Attending

### JLARC Members:

Delegate Robert Orrock, Chairman; Delegate David B. Albo, Delegate M. Kirkland Cox, Senator Emmett Hanger, Senator Janet Howell, Delegate Chris Jones, Delegate R. Steven Landes, Delegate James P. Massie, Senator Thomas K. Norment, Delegate John M. O'Bannon, Delegate Kenneth Plum, Senator Frank Ruff, Delegate Lionell Spruill, 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, Kathy DuVall, Nicole Gaffen, Nick Galvin, Maria Garnett, Mark Gribbin, Nia Harrison, Paula Lambert, Jeff Lunardi, Liana Major, Bridget Marcek, Joe McMahon, Michael Mehen, Ellen Miller, Nathan Skreslet, Tracey Smith, Nichelle Williams, Christine Wolfe.

### Others:

David Reynolds (House Appropriations Committee staff); Brian Goodman (Virginia Retirement System); Betty Mullins (VA529); Emily Grimes (Department of Planning and Budget); Ashley Colvin (VITA); Phil Leone (Virginia Tech); Mark Smith (George Mason University); Ed Rhoades (Fire/EMS Lobbyist); Mike Woods (Troutman Sanders); Massey Whorley (The Commonwealth Institute); Mary Jo Fields (Virginia Municipal League); Tyler Cox (FirstChoice Consulting); Alana Austin (NBC29 WVIR Charlottesville); Saraya Wintersmith (WCVE-FM).

The meeting was called to order at 10:00 a.m. by Delegate Orrock, Vice-Chairman. The first order of business was the election of a new Chairman and Vice-Chairman. Delegate Cox requested a nomination for a new Chairman. Delegate Landes nominated Delegate Orrock as the new Chairman. There being no other nominations, the motion was seconded by Delegate O'Bannon, and Delegate Orrock was elected Chairman unanimously by the Commission. Delegate Orrock then stated that he would like to wait to elect a new Vice-Chairman until more members of the Senate were present at the meeting.

Subsequently, Delegate Orrock requested a moment of silence in memory of former Delegate Joannou who recently passed away.

Delegate Orrock then recognized Hal Greer, JLARC staff Director, who introduced a new JLARC staff member to the Commission (Maria Garnett). Mr. Greer then provided a brief overview of the meeting agenda and presented the 2016 Director's Report to the Commission.

Following Mr. Greer's presentation, Delegate Orrock requested a nomination for a new Vice-Chairman. Senator Norment indicated that he would prefer for the Commission to wait until the next meeting to elect a new Vice-Chairman. There being no objections to this proposal, Delegate Orrock stated that the Commission would elect a new Vice-Chairman at the next JLARC meeting on June 13, 2016.

Mr. Greer then introduced Nathalie Molliet-Ribet, Senior Associate Director, who began the presentation of the *2016 JLARC Workplan* by providing an overview of the projects under her supervision, which include: (1) *Development and Management of State Contracts*, (2) *Efficiency and Effectiveness of the Virginia Economic Development Partnership*, and (3) *Managing Costs in Virginia's Medicaid Program*. Ms. Molliet-Ribet turned the presentation over to the project leaders (Tracey Smith, Drew Dickinson, and Jeff Lunardi), each of whom presented a brief overview to the Commission of the study mandate, background, study issues, and research activities for each project.

Following Tracey Smith's presentation on the *Development and Management of State Contracts* workplan, Delegate Massie asked how "value" was defined for this study. Ms. Smith explained that the Code of Virginia section pertaining to state contracts defines value as achieving a balance between the lowest cost and highest quality services or products. Senator Norment commented that higher education institutions have questioned why they are required to purchase items such as furniture from certain vendors. Ms. Smith explained that the team looked into mandatory source policies and will present findings and recommendations to the Commission at the June meeting. Delegate O'Bannon asked if the team worked with VDOT and VITA during this study. Ms. Smith stated that the team worked with both agencies and also received assistance from JLARC staff who have ongoing oversight responsibilities to gain a better understanding of VITA's operations regarding the management of state contracts. Delegate Orrock asked if the team developed a formula to perform a cost benefit analysis of state policies that require agencies to purchase certain goods and services from other state entities. Ms. Smith explained that the team did not perform a cost benefit analysis, but that this concept was incorporated in the team's research.

The Commission did not have any questions for Drew Dickinson regarding the *Efficiency and Effectiveness of the Virginia Economic Development Partnership* study.

Following Jeff Lunardi's presentation on the *Managing Costs in Virginia's Medicaid Program* workplan, Delegate O'Bannon asked if the team plans to look at fraud and abuse and the payment schemes that providers are using to receive fraudulent payments. Delegate

Orrock asked if a question about fraud and abuse should be added to the list of study issues. Ms. Molliet-Ribet explained that a recommendation was previously made to DMAS to implement software to detect fraudulent payments and that if this was reviewed again, the team would likely find the same issues because DMAS had not implemented the recommendation. Senator Howell asked if the team will be looking at the structure of behavioral health services and whether Community Services Boards (CSBs) are properly divided in the state. Mr. Lunardi explained that this will be included in the team's research as it relates to the impact on Medicaid costs. Delegate Landes asked how the team is engaging the consulting firm. Mr. Lunardi explained that the consultants are performing an extensive data analysis, which has allowed the team to gain a deeper understanding of the cost drivers for the Medicaid program. In addition, the consultants are reviewing best practices used in other states that could be considered in Virginia. Senator Hanger asked if the team is reviewing the federal laws related to sheltering assets versus using the assets to pay for medical services. Mr. Lunardi indicated that the team considered this in its research around eligibility last year, and decided to focus on how Virginia is implementing current policies rather than what legal avenues individuals can take to shelter their assets. Mr. Lunardi further explained that this is because Virginia has limited ability to change these federal policies.

Subsequently, Justin Brown, Associate Director, provided an overview of the projects under his supervision: (1) *Impact of Regulations on Virginia's Manufacturing Sector* and (2) *Effectiveness of Virginia's Water Resource Planning and Management*. Delegate Massie asked if the manufacturing study includes both federal and state regulations, and Mr. Brown confirmed that it does.

Mr. Brown then turned the presentation over to the project leaders (Ellen Miller and Jamie Bitz), each of whom presented a brief overview to the Commission of the study mandate, background, study issues, and research activities for each project.

Following Ellen Miller's presentation on the *Impact of Regulations on Virginia's Manufacturing Sector* workplan, Delegate Orrock commented that the team should coordinate with Drew Dickinson and his team regarding the impact of manufacturing regulations on VEDP.

During Jamie Bitz's presentation on the *Effectiveness of Virginia's Water Resource Planning and Management* workplan, Delegate O'Bannon asked if the team plans to look at how economic development plays into the use of water. Mr. Bitz indicated that this is included in the team's workplan. Delegate Cox asked Mr. Bitz if the team plans to interview companies to discuss their challenges regarding the barriers with nutrient credits. Mr. Bitz stated that this is outside the scope of their study, which is focused on water supply and quantity, not water quality. Senator Hanger asked Mr. Bitz if his team was aware of the Hampton Roads project to recharge their aquifer. Mr. Bitz indicated that they were aware of this project. Senator Hanger also asked if the team planned to examine the effectiveness of the programs that provide grants to localities for water quality issues. Mr. Bitz noted that the team does not plan to look specifically at the effectiveness of these programs since this is also more of a water quality issue. Delegate Orrock commented that there is no mention of the agricultural community in the study issues or research activities. He also noted that most

permits are on a maximum daily withdrawal, which will have an impact on the Chesapeake Bay as well, and that perhaps permitted amounts could account for seasonal changes. Justin Brown stated that the team will contact members of the agricultural community as a part of their research.

Mr. Brown then introduced Kimberly Sarte, Assistant Director for JLARC's ongoing oversight and fiscal analysis, who provided the Commission with an overview of her responsibilities: (1) ongoing oversight of the Virginia Retirement System (VRS), Virginia College Savings Plan (VA529), and VITA, and (2) fiscal analysis services, including annual reports and fiscal impact reviews. Ms. Sarte then introduced Mark Gribbin who provided a brief overview of the products and activities planned for the agency's ongoing oversight responsibilities. Delegate Jones asked Mr. Gribbin about the status of VITA's disentanglement process. Mr. Gribbin stated there VITA is providing support to agencies for their IT needs until this process is complete. Delegate Jones indicated that he is not sure this support is being provided to ensure that services do not diminish.

Subsequently, Ms. Sarte presented information on the fiscal analysis annual reports and fiscal impact reviews. Delegate Orrock asked Ms. Sarte if she can provide information on how frequently JLARC concurs with the estimate included in the fiscal impact statement. Delegate Albo commented that the fiscal impact reviews have been a very useful service provided by JLARC staff.

Following Ms. Sarte's presentation, Mr. Greer presented the Commission with an overview of JLARC new responsibilities—ongoing evaluation of economic development incentives (2016 Appropriation Act) and executive order fiscal impact reviews (Senate Bill 680). In addition, Mr. Greer provided a brief summary of the three studies authorized by the General Assembly for 2017: (1) Virginia's Community College System, (2) early childhood development programs, and (3) industrial residuals and biosolids. Lastly, Mr. Greer presented the proposed Commission meeting calendar for 2016.

Delegate O'Bannon asked Mr. Greer if the Commission will be revisiting the list of other potential JLARC studies. Mr. Greer indicated that he does not plan to revisit this list since the research staff are all assigned through 2016 and three studies have been approved for 2017.

Delegate Orrock asked if the ongoing evaluation of economic development incentives will also include local incentives. Ms. Molliet-Ribet indicated that this is something that will be considered as a plan of work is developed for this new responsibility.

Delegate Albo asked if he could request a substitute motion to include fraud, waste, and abuse in the Medicaid study workplan. Delegate O'Bannon commented that the Commission should remain mindful of JLARC's status as a watchdog agency, and that the Commission members' role is to provide comments for the staff to consider as they move forward with their research.

There being no further discussion or questions of the Commission regarding the JLARC workplan presentation, Delegate Orrock requested a motion to approve the 2016 JLARC Workplan. Delegate O'Bannon made a motion to approve the workplan, which was seconded by Delegate Landes and approved unanimously by the Commission.

Delegate Orrock then recognized Ms. Martha Mavredes who presented the Commission with information on the Auditor of Public Accounts (APA) strategic plan, legislative impact on the APA's work plan, and proposed salary scales. Ms. Mavredes then introduced Staci Henshaw, Deputy Auditor, who presented the Commission with the APA's proposed 2017 work plan and a description of the special projects to be completed.

Following Ms. Henshaw's presentation, Delegate Orrock requested the Commission's approval of the APA workplan. There being no objections, the APA workplan was approved by the Commission. Delegate Orrock also requested the Commission's approval of the APA salary scales presented in the workplan. There being no objections, the APA salary scales workplan was approved by the Commission.

Subsequently, Ms. Mavredes presented the Commission with information regarding the audit results and findings of the APA's work in 2015. Delegate Landes suggested creating a dashboard to show which agencies have audit findings. Delegate Orrock suggested sending a letter to committee chairs to ensure that they are aware of which agencies have audit findings.

Lastly, Mr. Greer announced that the next Commission meeting is scheduled for Monday, June 13, which will include a presentation of the findings from the state contracting report and a status update from VITA.

There being no further business, the Commission rose at 12:32 p.m.

Approved by: Hal E. Greer  
Hal E. Greer, Director

Date: 5/12/2016

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