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Report to the Governor and the General Assembly of Virginia

Virginia Department of Health's Financial Management, Staffing, and Accountability

2024

COMMISSION DRAFT

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Summary: Virginia Department of Health's Financial Management, Staffing, and Accountability

WHAT WE FOUND

Several major overlapping developments have created substantial operational challenges for VDH

The Virginia Department of Health (VDH) faced several challenges during the period preceding this study of the agency, which JLARC staff considered when evaluating its operations and management. Most significantly, VDH has led the state's response to the COVID-19 pandemic, which consumed the agency for more than two years. Therefore, it may not be reasonable to expect the agency to be without staffing and operational difficulties so soon afterward. At the same time as it was dealing with the pandemic, the agency also faced challenges associated with a poorly timed and implemented—and ultimately unsuccessful—reorganization of fundamental agency functions and recurrent turnover in key VDH leadership and management positions.

WHY WE DID THIS STUDY

In 2023, the Joint Legislative Audit and Review Commission directed staff to review the operations and management of the Virginia Department of Health (VDH).

ABOUT THE VIRGINIA DEPARTMENT OF HEALTH

VDH has a broad range of responsibilities related to protecting, improving, and preserving public health in Virginia. VDH administers a broad range of public health programs, from detecting, preventing, and mitigating communicable diseases to inspecting restaurants and drinking water sources, among many other responsibilities. VDH, which is the second largest agency in the Health and Human Resources secretariat, delivers most public health programs through its 32 health districts and 114 health departments. State law gives the state health commissioner emergency powers, including the authority to order quarantines or treatments when necessary to protect public health.

Despite the operational challenges and performance issues described in this report, many VDH staff who worked through the demanding pandemic period remain with the agency and have exhibited a strong commitment to fulfilling the agency's mission. Other staff have since joined VDH, intending to help resolve the agency's many challenges.

VDH's problems managing and accounting for state and federal funds have affected other agencies and required intervention from the legislature and executive branch

Effective financial management is essential given the agency's numerous programs, its widespread health districts and departments across the state, the distribution of financial management responsibilities across the agency, and the significant complexity and volume of its funding streams and financial transactions. However, VDH lacks sufficient qualified and well-trained staff, reliable and efficient systems, and effective processes and internal controls to manage its finances.

Frequent turnover in key financial management positions has disrupted the agency's financial operations, and many current employees with financial responsibilities report being untrained to perform their roles. Since 2018, 13 individuals have held four key financial management leadership positions, including the deputy commissioner of administration and director of the Office of Financial Management (OFM). Between

June 2023 and June 2024, 43 percent of OFM staff left the agency. In addition, in survey responses, nearly half of central office staff with financial management responsibilities and one-third of health district staff reported being insufficiently trained or otherwise qualified to perform some of their responsibilities.

VDH's internal controls are also insufficient to effectively safeguard public funds and ensure their proper expenditure. VDH struggles to pay its vendors, other state agencies, and employees on time; mistakenly issues overpayments to vendors, other state agencies, and employees; and has problems accounting for, reporting on, and otherwise managing the agency's state and federal funds. VDH's financial management challenges have not only caused internal difficulties, but they have negatively affected other agencies and external entities and have required emergency infusions of state general funds a few times.

Like other states' public health agencies, VDH is heavily reliant on federal grant funds to operate many of its programs, but VDH has experienced significant challenges managing its grant funding. For example, VDH has sometimes not drawn enough grant funds to keep up with program expenses or even overdrawn its grant funding. Because of these challenges, some federal grantors have responded by modifying their practices for issuing funds to VDH, such as requiring approval before withdrawing grant funds or not providing grant funding upfront, which has exacerbated cashflow pressures in the agency.

Current VDH leaders and the administration appear to recognize the magnitude of the agency's financial challenges and have taken many important steps toward resolving them. VDH recently presented a financial improvement action plan for FY25 to House Appropriations and Senate Finance and Appropriations committee staff. This is encouraging, and VDH's leaders must continue to keep sustained attention on strengthening the agency's financial management staffing and capabilities and maintaining the progress that has already been made. VDH's substantial financial management challenges demonstrate the need for the state to ensure all agencies have proper internal financial controls and accountability measures.

VDH has experienced considerable staffing challenges in recent years, and many VDH offices report insufficient staff to handle the workload

VDH's agencywide turnover and vacancy rates have increased over the past five years, and VDH's voluntary turnover rate was 16 percent in FY24—higher than the statewide voluntary turnover rate of 10 percent in FY24. Staff survey responses indicate that this trend is likely to continue, at least in the near term; 19 percent of VDH employees responding to a JLARC survey reported that they were considering leaving their job within the next six months. Survey respondents indicated dissatisfaction with VDH as an employer and with their job as the primary reasons they were considering leaving, as opposed to retirement or personal reasons.

Staff turnover and vacancy rates are especially high in VDH offices responsible for carrying out critical administrative functions, including finance and human resources. Some health districts also have major staffing challenges. For example, 10 districts had turnover rates higher than 20 percent in FY24, and four had turnover rates that were 25 percent or higher.

Close to half of central office staff who responded to JLARC's survey reported that their office or work unit had insufficient staff to handle their workload. Insufficient staffing levels have affected VDH's ability to fulfill some of its key public health responsibilities. For example, its Office of Licensure and Certification has been unable to perform key state-mandated inspections of home care organizations, nursing homes, inpatient hospitals, and outpatient surgical hospitals and has been unable to investigate complaints and complete required federal inspections of nursing homes. In another example, insufficient staffing levels have affected VDH's ability to ensure its sensitive IT systems are secure.

VDH relies on contractors more than other agencies, which increases its operating costs and prevents it from stabilizing its workforce

Over the past five years, VDH has relied heavily on contract staff, which is not solely explained by using temporary contractors to respond to the COVID-19 pandemic. Available data indicates that VDH is much more reliant on contractors than other Virginia state agencies and similar public health agencies in other states. As of June 2024, 36 percent of all VDH staff were contract employees. The number of contractors at VDH has decreased since the pandemic but is still substantially higher than pre-COVID levels. Less than one-third of contractors are classified as COVID contractors by VDH, indicating that VDH is relying on contractors for other reasons.

Contractors can be valuable for certain job roles at an agency, and it is reasonable to use them in certain cases, but they can be more expensive than classified staff, which is evident for some VDH positions. Heavy reliance on contractors also prevents the agency from creating a stable workforce because they are less likely to stay with the agency for an extended period and provide less continuity than classified employees, leading to a loss of institutional knowledge.

Fundamental deficiencies in VDH's Office of Human Resources have prevented the agency from resolving agency staffing and workplace culture problems

VDH's Office of Human Resources (OHR) is responsible for supporting the agency's hiring and personnel management needs. The key purposes of a central OHR are to ensure uniform and consistent human resources practices agencywide and to provide support from human resources experts to the agency's many divisions, offices, and even smaller work units. VDH's staffing needs are significant, but OHR has not been an effective resource for the agency and has not been well managed. VDH staff outside OHR report considerable dissatisfaction with the support provided by that office,

and OHR has not provided its human resources staff with some fundamental tools needed to perform their jobs effectively. OHR employees were candid about their office's challenging working conditions and expressed concerns about the effectiveness of their managers.

OHR also provides ineffective support during the hiring process, even as the agency contends with high staff turnover and vacancies. VDH's hiring process is slower than other state agencies; agency-wide confusion about the hiring process contributes to avoidable delays; and poorly written job descriptions for advertised positions unnecessarily prolong the hiring process.

Furthermore, VDH's negative workplace culture is a top reason why employees reported dissatisfaction with their job or VDH as an employer. Survey respondents cited distrust, bullying, retribution, and unprofessionalism. Improving the agency's culture should be a high priority for OHR.

A majority of VDH staff do not think VDH is well managed, and VDH staff are not consistently held accountable for their performance, perpetuating a negative workplace culture

VDH staff at all levels reported concerns about the agency's lack of effective management and accountability. Only one-third of VDH staff who responded to JLARC's survey agreed that "VDH is a well-managed organization," and these employees also tended to believe that the agency does not hold employees accountable for their performance. About half of staff who were dissatisfied with VDH as an employer reported that the lack of accountability for job performance was a major reason for their dissatisfaction.

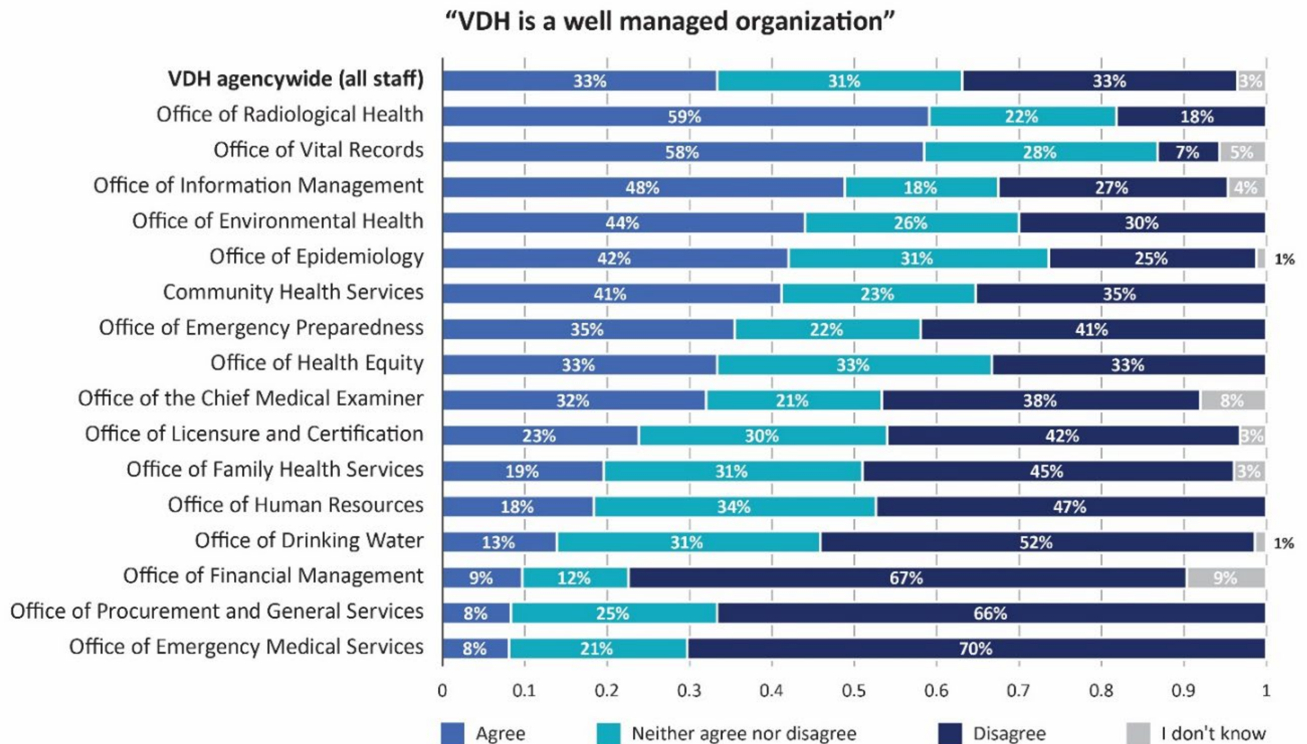
VDH has not equipped its supervisors to hold their direct reports accountable, and agency culture reportedly tolerates underperformance. Employees are not given clear performance expectations, supervisors are not trained in how to manage employee performance, and some VDH supervisors oversee too many direct reports to be able to effectively measure and manage performance. Supervisors from multiple offices and districts gave examples of staff performance management being neglected for months or years, contributing to poor morale within their work unit.

A lack of attention to, and even awareness of, the operations and performance of the agency's offices and districts has allowed problems to grow. The recent financial mismanagement at the Office of Emergency Medical Services, for example, could have been prevented with basic attention to how well the office managed its funds. Similarly, some fundamental problems with OHR could have been identified and resolved if agency leaders had basic information about the office's interactions with other offices and health districts.

Current VDH leadership has taken steps to better monitor central office operations and performance and increase its oversight of health districts. However, its visibility into the operations and performance of the agency's 32 health districts, where about

two-thirds of VDH staff work, remains limited and insufficient. This is especially problematic given the lack of any internal audit reviews of VDH health districts since March 2020.

One-third of central office staff disagree that VDH is well managed



SOURCE: JLARC survey of VDH staff (July and August, 2024)
NOTE: N=2,505 for VDH agencywide (all staff), N=908 in central office. In the figure, "agree" includes "strongly agree" and "agree," and "disagree" includes "disagree" and "strongly disagree." Excludes two offices with fewer than 10 staff responding (Office of Communications and Office of Internal Audit) and the Office of the Commissioner.

Leadership and other staffing requirements for VDH need strengthening

VDH needs leaders with strong administrative and leadership experience to overcome its numerous management, accountability, staffing, and financial challenges, which will likely take years to resolve.

In late 2022, the governor appointed a chief operating officer (COO) position to oversee and improve the administrative functions of the agency. The addition of the COO position—and filling it with someone possessing several years of health care-related administrative and compliance experience—bolstered the agency's ability to identify and begin to address its operational and financial problems. However, VDH's COO position is not required by statute, and whether future administrations will continue the position is uncertain. The same is true of the agency's recently created controller

position, which is to be responsible for ensuring the adequacy of the agency's internal controls.

The Code of Virginia requires the state health commissioner to be a physician, which is clearly relevant to the agency's core mission. However, the commissioner is not required to have experience managing large and complex organizations, which is also an important qualification. Some states (e.g., Michigan, Florida, Arizona, and Utah) have added managerial experience requirements for their public health leaders.

VDH's problems warrant ongoing attention by the legislature, at least temporarily

In 2023 and 2024, VDH received increased attention from legislators, the executive branch, and public news reports when examples of financial mismanagement surfaced. Its current leadership has been transparent about these deficiencies, taken steps toward addressing them, and reported its intention to address many others. Resolving VDH's management and operations challenges will take multiple years and require sustained attention across administrations, which could mean across several different VDH leaders. Ongoing attention to VDH's performance by the General Assembly would help ensure that recent improvements are sustained and progress continues.

WHAT WE RECOMMEND

The following recommendations include only those highlighted for the report summary. The complete list of recommendations is available on page ix.

Legislative action

- Require the VDH commissioner to designate a senior staff member, such as a chief financial officer, responsible for ensuring the adequacy of VDH's internal controls and taking all necessary steps to correct any deficiencies identified by VDH or external entities, such as the Department of Accounts (DOA) or the Auditor of Public Accounts;
- Establish a VDH chief operating officer position in statute;
- Fund four positions at VDH dedicated exclusively to recruiting qualified candidates into especially critical or hard-to-fill positions and two positions to conduct IT audits;
- Add "organizational leadership and administration experience" to the required statutory qualifications for the state health commissioner;
- Require the VDH commissioner to provide semi-annual written and in-person reports on the agency's progress in implementing JLARC's recommendations to the Joint Subcommittee on Health and Human Resources Oversight through at least December 2026.

Executive action

- The secretary of administration should direct DHRM to, as time and resources permit, help VDH identify key vacant financial management positions, assist with recruiting for them, and report the status to money committee staff;
- The secretary of finance should direct DOA to, as time and resources permit, help VDH determine the necessary credentials and experience for key vacant financial management positions and help screen candidates for those positions;
- DOA should prioritize VDH for a 2025 Quality Assurance Review and conduct a follow-up review to ensure identified deficiencies are corrected;
- VDH should develop an internal policy on the use of contract employees, determine whether each contract position is necessary, and develop a plan to replace contractors with classified staff as needed;
- VDH should develop and implement a plan to improve the management and culture of the Office of Human Resources;
- VDH should work with DHRM and other executive branch agencies to identify ways to increase hiring efficiency and timeliness;
- VDH should develop a written description of the agency's hiring process and distribute it to all human resources staff and hiring managers and ensure that all advertisements for open positions include enough detail to attract interested and qualified applicants;
- VDH should develop a standard training program about the executive branch's performance management requirements and provide it to all supervisors, and develop and implement a process to ensure that all staff receive annual performance evaluations; and
- VDH should develop and maintain an agency management dashboard with up-to-date and actionable information about the operations and performance of all program and administrative offices.

Recommendations: Virginia Department of Health's Financial Management, Staffing, and Accountability

RECOMMENDATION 1
The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Health to report on progress implementing the recommendations made by the Department of Planning and Budget to improve its grants management capabilities to the Joint Subcommittee on Health and Human Resources Oversight no later than September 1, 2025. (Chapter 3)

RECOMMENDATION 2
The secretary of administration should direct the Department of Human Resource Management to lend its expertise, as time and resources permit, to (i) identify key vacant financial management positions at the Virginia Department of Health (VDH), (ii) develop a plan and timeline for filling those positions, (iii) assist VDH with recruiting candidates for those positions, and (iv) provide a status report on this effort to the staff of the House Appropriations and Senate Finance and Appropriations committees by October 1, 2025. (Chapter 3)

RECOMMENDATION 3
The secretary of finance should direct the Department of Accounts to lend its expertise, as time and resources permit, to (i) help identify key vacant financial management positions at the Virginia Department of Health; (ii) advise on the qualifications necessary for each vacant position; (iii) assess the quality of the applicant pools; and (iv) provide limited participation in the final interviews of selected candidates with the recommended qualifications. (Chapter 3)

RECOMMENDATION 4
The secretary of administration should direct the Department of General Services to, with the assistance of the Virginia Department of Health (VDH), (i) identify VDH staff with procurement and contract administration responsibilities, (ii) determine the extent to which staff need additional training, and (iii) provide procurement and contract administration training to those staff or facilitate training through appropriate providers. (Chapter 3)

RECOMMENDATION 5
The Virginia Department of Health's chief financial officer should examine the agency's strategy for staffing its financial management functions and (i) determine whether the agency has an appropriate number of staff with the right qualifications and training to carry out these functions, (ii) take appropriate steps to ensure that all staff with financial management responsibilities are trained or otherwise qualified to perform those responsibilities, and (iii) propose changes to the agency's financial management workflows, if needed, to improve their efficiency and accuracy. (Chapter 3)

RECOMMENDATION 6
The Virginia Department of Health should (i) fully utilize the state's online procurement system, Electronic Virginia (eVA), for purchasing goods and services, receiving, and paying vendor invoices, and (ii) arrange training through the Department of General Services for relevant employees on how to use eVA. (Chapter 3)

RECOMMENDATION 7
The General Assembly may wish to consider amending § 32.1 of the Code of Virginia to require the Virginia Department of Health (VDH) to designate a senior staff member, such as the chief financial officer, to be responsible for (i) ensuring and certifying the adequacy of the agency's internal controls over its financial processes, and (ii) taking all necessary steps to ensure the correction of any identified deficiencies in internal controls, including those identified by the VDH Office of Internal Audit, the Auditor of Public Accounts, or the Department of Accounts, in a timely manner. (Chapter 3)

RECOMMENDATION 8
The Virginia Department of Health should have its new controller position report to its chief financial officer instead of the director of the Office of Financial Management. (Chapter 3)

RECOMMENDATION 9
The Department of Accounts should complete a quality assurance review of the Virginia Department of Health's key financial processes, internal controls, and implementation of Virginia's Agency Risk Management and Internal Control Standards as soon as practicable. (Chapter 3)

RECOMMENDATION 10
The Department of Accounts should complete a second quality assurance review of the Virginia Department of Health between six months and one year following the completion of its initial quality assurance review to determine whether previously identified deficiencies have been addressed and what additional changes, if any, should be made. (Chapter 3)

RECOMMENDATION 11
The General Assembly may wish to consider including language in the Appropriation Act to direct the Virginia Department of Health (VDH) to (i) identify the causes for problems related to late payments and funding underutilization for VDH-administered nursing incentive programs, (ii) develop and implement a plan to address the causes, and (iii) report to the Joint Subcommittee on Health and Human Resources on its progress in addressing identified problems, including the percentage of payments made within 30 days and the proportion of available funding that VDH has utilized. (Chapter 3)

RECOMMENDATION 12

The Virginia Department of Health, in consultation with the Department of Human Resource Management and the Department of General Services, should (i) develop an internal policy that specifies the circumstances under which offices and health districts may use contract employees, including guidelines for the maximum length of time a contract employee should be allowed to work at the agency; (ii) restrict offices and health districts to hiring contract employees in the circumstances enumerated in the policy; and (iii) implement a process to ensure offices and health districts are following this policy. (Chapter 4)

RECOMMENDATION 13

The Virginia Department of Health should (i) review its use of contractors to determine whether each contract position is necessary and, if so, whether it should be converted into a classified position; and (ii) develop a plan, as needed, to replace contractors with classified staff or transition contract employees to classified positions. (Chapter 4)

RECOMMENDATION 14

The Office of the Commissioner of the Virginia Department of Health (VDH) should (i) develop and implement a plan to improve the management, culture, and accountability within the Office of Human Resources (OHR) in consultation with the Department of Human Resource Management; (ii) monitor and document OHR's progress in implementing the recommendations in this report and improving the timeliness, consistency, and reliability of services provided to VDH offices and districts; and, if necessary, (iii) take steps to support OHR leadership in this effort and hold them accountable for improvements. (Chapter 5)

RECOMMENDATION 15

The Virginia Department of Health's Office of Human Resources should work with staff from the Department of Human Resource Management (DHRM)—and human resources leaders in other executive branch agencies recommended by DHRM—to identify ways to increase the efficiency of its hiring process and the timeliness of filling vacant positions and, as soon as practicable, modify its hiring processes accordingly. (Chapter 5)

RECOMMENDATION 16

The Virginia Department of Health (VDH), in consultation with the Department of Human Resource Management, should develop a written description of the agency's hiring process and make it available to all staff involved in hiring, including human resources staff and hiring managers. The description should be kept current, differentiate between practices to be followed for central office versus district-level positions, identify by position who is responsible for completing each component of the hiring process, and assign approximate timeframes for each component that reflect VDH's hiring timeframe goals. (Chapter 5)

RECOMMENDATION 17
The Virginia Department of Health should ensure that all advertisements for open positions (i) include only the job duties and minimum qualifications for the specific position to be filled and (ii) include enough detail to attract interested and qualified applicants, even if doing so requires more detail than is reflected in the official position description ("Employee Work Profile") adopted by the agency. (Chapter 5)

RECOMMENDATION 18
The General Assembly may wish to consider including general funds in the Appropriation Act for at least four full-time classified recruiter positions within the Office of Human Resources at the Virginia Department of Health (VDH). These positions should be dedicated exclusively to recruiting qualified candidates into especially critical or hard-to-fill positions within the central office and health districts, and VDH should base the responsibilities and objectives of the new positions on successful examples at other executive branch agencies. (Chapter 5)

RECOMMENDATION 19
The Virginia Department of Health (VDH) should—with input from the Department of Human Resource Management, newly hired employees, and VDH's director of workforce development and employee engagement—revise the new employee onboarding process to ensure that all new employees receive within the first 90 days of their start date (i) similar information about working for the agency and state government and the resources available to acclimate them to the agency, their office, and their work unit; (ii) a comprehensive and understandable description of their job responsibilities; and (iii) relevant and useful guidance and training to fulfill their roles and responsibilities. (Chapter 5)

RECOMMENDATION 20
The Virginia Department of Health should develop and maintain, in consultation with the Department of Human Resource Management, a comprehensive, official human resources manual that provides the agency's policies and procedures for all key human resources activities. (Chapter 5)

RECOMMENDATION 21
The Virginia Department of Health (VDH) should develop and implement a process to ensure that all VDH staff are provided with employee work profiles that (i) reflect their actual job responsibilities to the greatest extent practicable, (ii) include qualitative and quantitative measures against which their performance will be assessed; and (iii) are reviewed at least annually for any modifications that may be necessary. (Chapter 6)

RECOMMENDATION 22
The Virginia Department of Health (VDH) should conduct a targeted review of the employee work profiles (EWPs) of all agency supervisors and ensure that all supervisors' EWPs include detailed tasks related to performance management, including providing onboarding and training, establishing clear expectations, and documenting underperformance. (Chapter 6)

RECOMMENDATION 23
The Virginia Department of Health (VDH) should (i) develop a standard training program for all VDH supervisors about the executive branch's performance management requirements and supervisors' related responsibilities and (ii) provide it annually to all supervisors. (Chapter 6)

RECOMMENDATION 24
The Virginia Department of Health (VDH) should require its Office of Human Resources to develop and implement a process to ensure that every classified VDH employee receives a timely annual performance evaluation. (Chapter 6)

RECOMMENDATION 25
The Virginia Department of Health (VDH) should identify supervisory positions that have either too many (more than 13) or too few (one or two) direct reports and develop and implement a plan to ensure supervisors have appropriate spans of control. (Chapter 6)

RECOMMENDATION 26
The Virginia Department of Health should develop and maintain an agency management dashboard that (i) provides agency leaders with up-to-date and actionable information on the operations and performance of each of its program offices, administrative offices, and health districts; and (ii) includes appropriate measures and benchmarks to assess whether the key functions in each office or health district are being performed adequately. (Chapter 6)

RECOMMENDATION 27
The Office of the Governor should direct the Office of the State Inspector General to assign all waste, fraud, and abuse hotline investigations relating to the Virginia Department of Health (VDH) to its own staff rather than VDH's Office of Internal Audit. (Chapter 6)

RECOMMENDATION 28
The General Assembly may wish to consider including general funds in the Appropriation Act for at least two additional IT auditor positions within the Office of Internal Audit at the Virginia Department of Health. (Chapter 6)

RECOMMENDATION 29

The General Assembly may wish to consider amending §32.1 of the Code of Virginia to establish a chief operating officer (COO) for the Virginia Department of Health, which shall be a full-time classified position, and require that the COO have an advanced degree in, and at least five years of experience in, healthcare administration or business administration. (Chapter 6)

RECOMMENDATION 30

The General Assembly may wish to consider amending §32.1-17 of the Code of Virginia to add "organizational leadership and administration experience" to the required qualifications for the commissioner of health. (Chapter 6)

RECOMMENDATION 31

The General Assembly may wish to consider including language in the Appropriation Act to require the commissioner of the Virginia Department of Health to provide semi-annual written and in-person reports on the agency's progress implementing the recommendations in this report to the Joint Subcommittee on Health and Human Resources Oversight through at least December 2026, and, thereafter, until the Joint Subcommittee is satisfied with the agency's performance and operations. (Chapter 6)

1 The Virginia Department of Health

In November 2023, the Joint Legislative Audit and Review Commission (JLARC) directed its staff to review the Virginia Department of Health's (VDH) operations and management. JLARC staff were directed to review several aspects of the agency, including its spending and financial management, staffing, organizational structure, and information technology staffing and systems. Staff were also directed to review the agency's programs for improving the pipeline of nurses. (See Appendix A for the study resolution.)

JLARC staff used various methods to address the study mandate, including over 100 interviews with VDH senior leadership, administrative office directors and staff, other state agency staff, and national subject matter experts, as well as site visits to two VDH health districts. Staff also conducted two statewide surveys: a survey of all VDH classified and contract staff and a survey of participants in VDH-administered nursing incentive programs. Staff analyzed data on VDH staffing levels, invoice payments, and supervisory spans of control. Staff also conducted reviews of relevant documentation, including internal reports and financial documents, audits, Office of the State Inspector General hotline complaints, and other states' nursing incentive programs. (See Appendix B for a detailed description of research methods.)

VDH has a broad range of responsibilities related to protecting, improving, and preserving public health

In state law, VDH is broadly tasked with assisting the State Board of Health and state health commissioner in carrying out their various public health responsibilities. These broad statutory responsibilities include:

- administering and providing a comprehensive program of preventative, curative, restorative, and environmental health services;
- educating the citizenry in health and environmental matters;
- collecting and preserving vital records and health statistics; and
- abating hazards and nuisances to residents' health and the environment, both emergency and otherwise.

VDH is led by the state health commissioner, a licensed physician appointed by the governor, who reports to the secretary of health and human resources. The 15-member State Board of Health is a policy-making board that promulgates public health regulations, and VDH is responsible for implementing the board's policies. Board members are appointed by the governor and serve up to two four-year terms.

VDH administers a broad range of public health programs, from detecting, preventing, and mitigating communicable diseases to inspecting restaurants and drinking water sources (Figure 1-1). Through its various programs, VDH interacts with a broad range of customers, including pregnant women, children, individuals seeking immunizations or vital records, restaurant owners and staff, nursing home administrators, hospitals applying for a certificate of public need, emergency medical services (EMS) providers, and law enforcement officials (Table 1-1).

Both the State Board of Health and the state health commissioner have powers and responsibilities related to public health emergencies, including emergencies related to the spread of infectious diseases. State law authorizes the Board of Health to establish regulations to prevent or manage public health emergencies and requires the commissioner, as the executive officer of the board, to oversee and coordinate VDH's emergency preparedness and response efforts. State law gives the state health commissioner other emergency powers, including the authority to order quarantines or treatments when necessary to protect public health.

FIGURE 1-1
VDH administers a broad range of public health programs and services

Detects, prevents, and mitigates **communicable diseases** and **chronic diseases**

Administers **health and nutrition programs** for specific populations (e.g., family planning and prenatal services, WIC program)

Maintains and manages the state's system of **vital records**

Supports the state's system of **emergency medical services**

Administers **scholarship and loan repayment programs for the state's healthcare workforce**

Determines the **cause and manner of deaths that occur under certain circumstances**

Regulates and inspects certain types of **services and facilities that can pose risks to public health** (e.g., restaurants, drinking water sources, sewage facilities, and hotels)

Regulates and inspects certain types of **healthcare services and facilities** (e.g., hospitals, nursing homes, home care organizations, and hospice facilities)

SOURCE: JLARC analysis of the Code of Virginia and the VDH website.

TABLE 1-1
VDH reported serving a broad range of customers through its various programs in 2022

	VDH-reported number served annually (2022)
Individuals requesting **vital records**	360,488
Individuals seeking **immunizations**	324,488
Individuals receiving **suicide prevention resources, training, and education**	244,978
Individuals seeking **infectious disease treatment and control**	170,431
Women and children receiving **WIC services and support** (daily)	147,888
Newborns receiving **screenings for inborn errors of body chemistry and hearing impairment**	101,412
Children receiving **screenings for lead poisoning**	98,000
Men and women seeking **contraceptive services**	69,200
Food establishments monitored by VDH	56,407
Individuals receiving services through **early childhood home visiting programs**	23,542
Indigent children and adults needing **dental services**	20,476
Individuals and domestic animals **exposed to a potentially rabid animal**	18,000
Women receiving **prenatal care**	16,816
Residents of the commonwealth who require **community-based nursing home pre-admission screening**	12,412
Hotels, summer camps, campgrounds, swimming pools, and migrant labor camps monitored by VDH	6,200
Healthcare facilities monitored by VDH	5,809
Crab and shellfish processors, harvesters, and oyster gardeners monitored by VDH	4,937
Hospital and nursing facility applicants for a Certificate of Public Need	59

SOURCE: VDH 2022-24 Strategic Plan through DPB Virginia Performs website. This figure shows a sample of the various measures of customers served that VDH presented in its strategic plan.

VDH delivers most public health programs through its 32 health districts and 114 health departments

Unlike most other types of local services in Virginia that typically are provided by local entities, such as local governments and school divisions, the state directly provides public health services in most localities. State law requires all localities to establish and maintain a "local health department" but allows the local governing body to contract with the state to operate it. In practice, almost all localities contract with the state for their local health department, and the state directly operates 32 of 35 health districts and 114 of 119 health departments (sidebar).

There are three additional health districts and five departments that are locally operated ("independent") and staffed by local government employees.

Most staff in VDH's health districts and departments are state employees, and the state's direct provision of services gives it considerably more control over the

VDH health districts are generally not standalone facilities, separate from the departments. Instead, one of the health departments typically serves as the health district headquarters.

Several major public-facing VDH programs, such as hospital and nursing home licensure and inspection programs, are provided directly through central office staff rather than VDH district or department staff.

operations of health districts and departments than is typical for other local services, such as K–12 education and social services. As of June 2024, a little more than 2,000 of VDH's 3,104 classified staff (65 percent) worked in a district or health department.

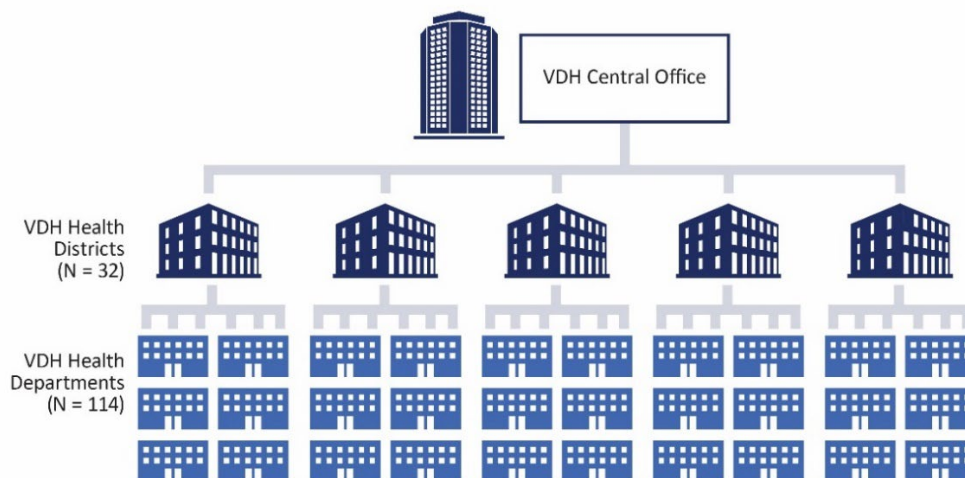
VDH's health departments are generally responsible for public-facing activities such as vaccinations and restaurant inspections, and health districts generally serve as administrative and programmatic headquarters for several designated departments (sidebar). Districts also employ staff who have district-wide responsibilities and support individual health departments as needed. These tend to be positions that are not needed at every health department on a full-time basis, such as epidemiologists.

VDH's central office is responsible for supporting a complex statewide public health system

VDH's central office is generally responsible for managing and supervising the implementation of public health programs across the health districts and departments, but it also provides some services directly to the public (Figure 1-2) (sidebar). An effective and efficient central office is needed to support and oversee public health services provided throughout the state.

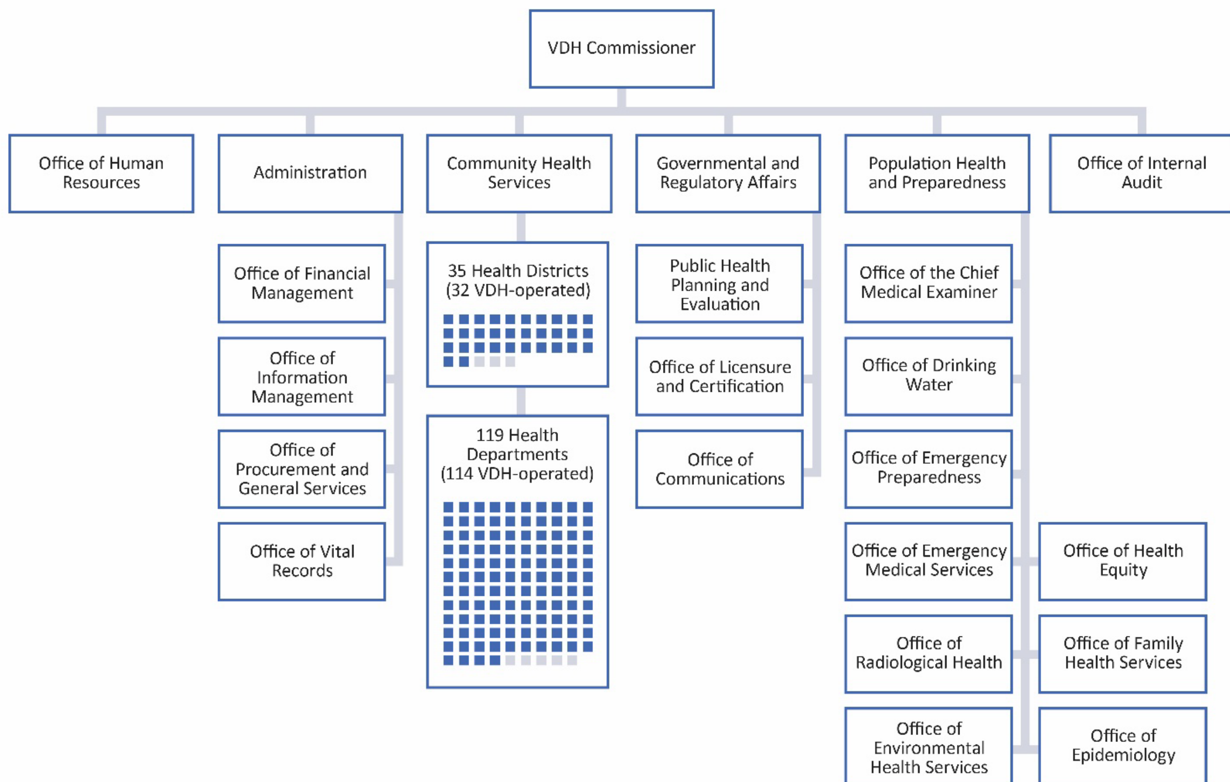
Only about one-third of VDH's classified staff work for the central office (1,081), and staff are generally organized into either program offices (e.g., Office of Epidemiology, Office of Licensure and Certification, Office of Drinking Water) or administrative offices (e.g., Office of Financial Management, Office of Human Resources, Office of Information Management) (Figure 1-3).

FIGURE 1-2
VDH Central Office is responsible for managing and supervising public health programs across 32 health districts and 114 health departments



SOURCE: JLARC analysis of the Code of Virginia and the VDH website.

FIGURE 1-3
VDH Central Office has many different administrative and programmatic sub-units



SOURCE: JLARC analysis of VDH organizational charts and staffing data.
NOTE: Reflects VDH organization as of June 2024 and does not include VDH's new Office of Grants Administration, which had not yet been staffed as of June 2024. Three health districts are locally operated, and these three health districts have five health departments. Locally operated districts and departments are shaded gray.

A majority of VDH central office staff work in one of six large program offices, including the Office of Epidemiology, Office of Family Health Services, Office of Drinking Water, and the Office of the Chief Medical Examiner. Only about 15 percent of VDH's classified positions in central office work in VDH's administrative offices, which are the Office of Financial Management, the Office of Human Resources, the Office of Procurement and General Services, and the Office of Information Management (Table 1-2).

VDH is the second largest agency in the Health & Human Resources secretariat by number of classified full-time staff. VDH is allocated 3,885 full-time positions, only second to the Department of Behavioral Health and Developmental Services with 7,150 full-time positions.

Over the past several years, VDH has also become heavily reliant on temporary contract staff. As of June 2024, 1,751 VDH staff were contract employees, making up about one-third of the agency's current workforce. Contract employees are used throughout the central office and the health districts, but the offices with the greatest number of contract employees are the Office of Epidemiology, the Office of Information Management, and the Office of the Chief Medical Examiner.

TABLE 1-2
VDH Central Office employed 1,081 classified staff as of June 2024

VDH Central Office sub-unit	Number of classified employees (June 2024)	Percentage of central office classified employees (June 2024)
Office of Epidemiology	221	20%
Office of Family Health Services	147	14%
Office of Drinking Water	103	10%
Office of the Chief Medical Examiner	97	9%
Office of Licensure & Certification	85	8%
Office of Environmental Health	62	6%
Office of Emergency Medical Services	49	5%
Office of Vital Records	45	4%
Office of Information Management [a]	43	4%
Office of Financial Management [a]	42	4%
Office of Human Resources [a]	42	4%
Office of Emergency Preparedness	36	3%
Office of the Commissioner	26	2%
Office of Radiological Health	25	2%
Office of Procurement & General Services [a]	21	2%
Office of Communications	11	1%
Office of Health Equity	9	1%
Office of Internal Audit	9	1%
Community Health Services	8	1%
Total VDH Central Office Staff	**1,081**	

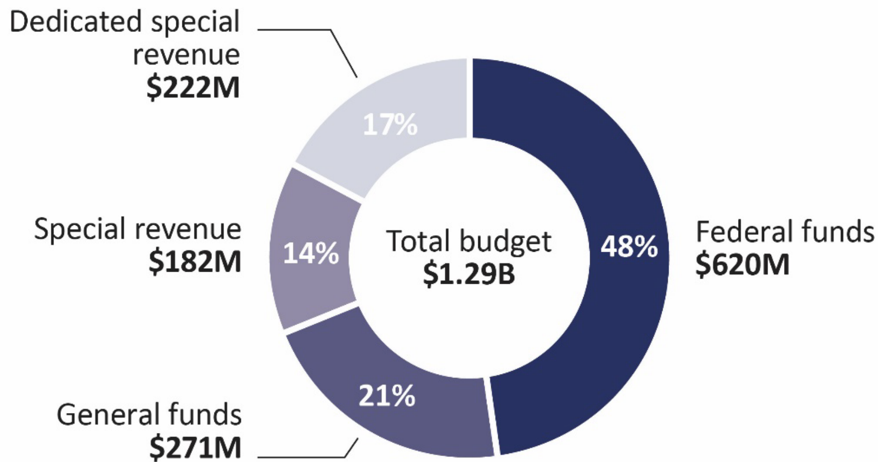
SOURCE: VDH staffing data (June 2024). Excludes contract and wage staff.
NOTE: [a] denotes VDH administrative offices.

VDH relies heavily on federal funds and received an influx of funds following the COVID-19 pandemic

VDH's budget is heavily reliant on federal funding, similar to public health agencies in other states, and federal funding has significantly increased in the past four years. VDH's FY24 budget totaled $1.3 billion, 48 percent of which came from federal grants (Figure 1-4). VDH's total budget increased significantly at the onset of the pandemic (Figure 1-5).

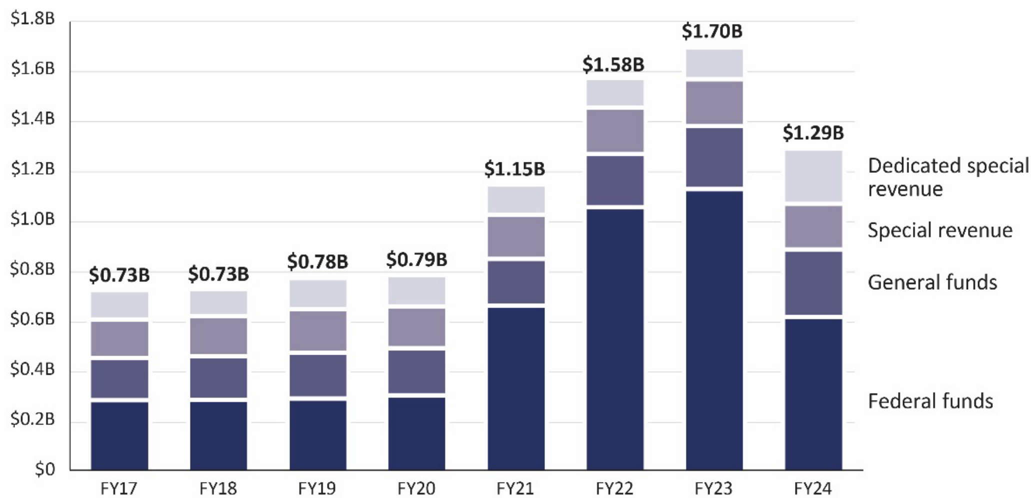
As of September 2024, VDH reported it was responsible for managing 165 active grants totaling $2.2 billion, including many grants spanning multiple years. All but a small fraction (less than 0.5 percent) of this grant funding came from federal agencies, most from the U.S. Department of Health and Human Services (79 percent), the U.S. Environmental Protection Agency (12.7 percent), and the U.S. Department of Agriculture (7.8 percent). The VDH offices with the highest federal grant budgets are the offices of Epidemiology, Family Health Services, and Drinking Water.

FIGURE 1-4
VDH's FY24 budget is heavily reliant on federal grant funds



SOURCE: JLARC analysis of FY24 APA Budget data
NOTE: Dedicated special revenue and special revenue both refer to revenue streams outside of the general fund that are earmarked for a particular purpose. Special revenue refers to funds collected for a specific purpose that may be used for that purpose (e.g., Office of Licensure and Certification collecting fees for inspections that fund office operations), while dedicated special revenue funds are permanently earmarked for specific use (e.g., the Office of Emergency Medical Services is partially funded by DMV vehicle registration fees).

FIGURE 1-5
VDH's total budget has increased significantly in the last four years because of the influx of federal funds in response to the pandemic



SOURCE: JLARC analysis of FY17–FY24 APA Budget data. Funding fell in FY24 because of the expiration of several COVID-era federal funding streams.
NOTE: Dedicated special revenue and special revenue both refer to revenue streams outside of the general fund that are earmarked for a particular purpose. Special revenue refers to funds collected for a specific purpose that may be used for that purpose (e.g., Office of Licensure and Certification collecting fees for inspections that fund office operations), while dedicated special revenue funds are permanently earmarked for specific use (e.g., the Office of Emergency Medical Services is partially funded by DMV vehicle registration fees).

2 Major Factors Affecting VDH's Performance

This report describes numerous financial management, staffing, and agency management problems within the Virginia Department of Health (VDH). These problems have developed over several years and were exacerbated by several major overlapping developments, including the COVID-19 pandemic, an unsuccessful reorganization of certain agency functions, and significant turnover in key agency leadership and management positions. Understanding these circumstances and their impact is important context for understanding the agency's current challenges.

Staff workloads surged with VDH's central role during COVID-19, contributing to staff departures

VDH was at the forefront of the actions state and local governments took to prevent the spread of the COVID-19 virus and treat those who contracted it. For example, VDH staff conducted public health surveillance and research to understand the virus's characteristics and prevalence. The agency used this information to purchase and deploy supplies and staff; communicate with the public; and determine the necessity, scope, and timing of stay-at-home orders, school closures, phased re-openings, and mask mandates. These efforts placed tremendous pressure and demand on VDH leaders and frontline staff at the central office and health districts.

Responding to the pandemic also strained the agency's administrative functions, especially human resources, finance, and procurement staff, who had to spend and account for a significant influx of federal funds and hire an unprecedented number of temporary employees. VDH received $2 billion in federal funds, deploying these funds in a compressed time period to hire staff, purchase supplies, and architect and execute a statewide vaccination campaign, among other initiatives. Additionally, VDH hired more than 1,000 temporary employees to staff the statewide response, including contact tracers, vaccinators, and many other types of roles.

The pandemic's strain on the agency is evident in employee feedback VDH leaders solicited in 2022. An August 2022 employee engagement survey showed that, at that time, employees held negative views of VDH's senior leaders and were dissatisfied with their workload and the adequacy of the agency's staffing levels. This appears to have led to some staff departures. The agency's vacancy rate was 19.5 percent in 2022 and climbed to 21.6 percent in 2023. This compares to vacancy rates of roughly 13 percent in the years preceding the pandemic.

VDH has reorganized its key administrative functions multiple times since 2019

In December 2019 and throughout 2020, VDH undertook a major reorganization of its administrative functions to standardize administrative processes and create administrative subject matter experts. The agency consolidated human resources, finance, grants management, and procurement functions into a new administrative division, called the Office of Shared Business Services (OSBS), to support the rest of the agency. Prior to the change, VDH program offices had their own staff who were responsible for these functions. Once OSBS was established, OSBS staff members were to provide human resources, finance, and procurement services for VDH program offices, and to some extent the health districts.

OEMS experienced a $33.3 million shortfall in FY23 because of inadequate internal controls and a lack of fiscal oversight. Internal control deficiencies resulted in duplicate payments, overspending, noncompliance with the legal requirements of special funds, and fraud by an employee who embezzled over $4 million in agency funding over two and a half years.

According to VDH staff, the $33.3 million shortfall included payments owed to localities (~$6.7M); Rescue Squad Assistance Grants previously awarded (~$1.2M); Trauma Funds used for other activities (~$2.4M); payments due to Regional EMS councils (~$1.9M); FY23 and prior unpaid operating obligations (~$4.7M); and FY24 administrative contractual obligations (~$16.4M).

According to VDH employees with a wide range of seniority, tenure, and job roles, the OSBS initiative was poorly executed and highly disruptive. OSBS was unsuccessful for several reasons: the outbreak of the COVID-19 pandemic just after the initiative began, insufficient delineation of administrative roles and responsibilities, and high turnover and vacancies among staff affected by the reorganization. While the onset of the pandemic right after its creation likely hampered the initiative's success, common VDH staff sentiment, expressed through interviews and survey responses, is that it would have likely been a failure regardless of the pandemic. For example, an Office of Internal Audit investigation into the Office of Emergency Medical Services (OEMS) in 2024 attributed that office's financial mismanagement in part to the poor execution of the OSBS initiative, which left OEMS under-resourced and insufficiently supervised (sidebar). The internal audit report states: "According to OEMS and VDH central office staff, SBS roles and responsibilities were not clearly defined, documented, or acknowledged, and kept changing and evolving." Internal auditors' independent investigation validated that there was no clear delineation of roles and responsibilities between OSBS and VDH central office administrative offices. The OIA report also states that "turnover and extensive vacancies in SBS worsened the communication issues and led to delays and errors in completing [finance and accounting] transactions."

VDH formally dismantled OSBS in April 2023 and transferred its staff to administrative offices—rather than back to program offices—as an interim measure. For example, financial management staff were transferred to the Office of Financial Management. Then, in May 2024, VDH returned financial management and other administrative support positions to the program offices. (How these functions were carried out between April 2023 and May 2024 is unclear because many current VDH staff lack historical knowledge of the creation and dismantling of OSBS.)

Under the current reorganization, these staff who returned to program offices are now being supervised by new "business operations managers," who are responsible for the daily business operations of one to three offices. Many of the support positions that were returned to the program offices in 2024 were vacant, and the agency has

been slow to fill them. Business operations managers, office directors, and fiscal office staff have voiced concerns that successfully implementing the new post-OSBS model will be challenging with so many vacancies among support positions.

VDH has relied extensively on contract employees since the pandemic

Since the onset of the pandemic, VDH has engaged several different management consultants and staffing agencies for a variety of functions, including designing and implementing new business processes and conducting organizational reviews of certain VDH offices. Some of these contracts have been expanded and extended numerous times to address newly identified agency needs. For example, one consultant initially hired in 2021 had received a total of $118 million from VDH as of May 2024, the majority of which funded activities related to VDH's COVID-19 response and were paid for with federal COVID relief funds. This consultant has been engaged in multiple projects for VDH since 2021, most recently in various VDH infrastructure and administrative projects to which VDH has committed $36.5 million, roughly double the value of the contract at the beginning of FY23. VDH modified this consultant's scope of work roughly a dozen times between 2022 and 2024, with each modification occurring within a few months of the last one. Most modifications required an increase in the number of contractors dedicated to fulfilling the scope of work. Since January 2024, VDH leadership has taken steps to control the rapidly escalating costs of the consultant's contract, including requiring all future modification requests to be approved by the agency's chief operating officer, regardless of their amount.

VDH is now at a point where more than one-third of its workforce is contract employees who are either employed by a consulting agency or a staffing agency. Contract employees make up 46 percent of central office employees, and several offices employ more contract employees than classified staff.

VDH's reliance on contract employees increases the agency's personnel costs and prevents VDH from achieving a stable workforce. In addition, the agency's use of contractors is significantly higher than other executive branch agencies and public health agencies in other states. VDH leaders are currently examining the agency's use of contract employees and have reported reducing contractor positions and transitioning some to classified positions. These are positive steps but will take time to execute. Meanwhile, according to interviews and survey responses, the prevalence of temporary contract employees throughout the agency has negatively affected the morale of many classified employees. Many classified employees do not view them favorably and have expressed frustration and dissatisfaction with their effectiveness, especially relative to their cost, and their lack of accountability to agency managers.

VDH experienced significant leadership changes and vacancies in key administrative offices recently

Since the COVID-19 pandemic, VDH leaders have struggled to manage the agency effectively. Turnover and vacancies among agency leadership and critical agency support positions, including in key financial management leadership positions, have contributed to confusion, instability, and insufficient accountability at the agency. The state health commissioner who led the agency through most of the pandemic left in 2022. Since then, VDH has been led by two different commissioners. The first served as commissioner for nine months before being replaced by the current commissioner in May 2023. More than half (55 percent) of VDH staff who were working in the Commissioner's Office in June 2019 were no longer employed at VDH in June 2024. In FY23 alone, 35 percent of Commissioner's Office staff left the agency.

Several of VDH's critical administrative functions have also lost a large proportion of the staff they had five years ago. Ninety-two percent of Office of Human Resources staff and 59 percent of Office of Financial Management staff in June 2019 were no longer at the agency in June 2024.

Current VDH leadership inherited significant problems plaguing the agency

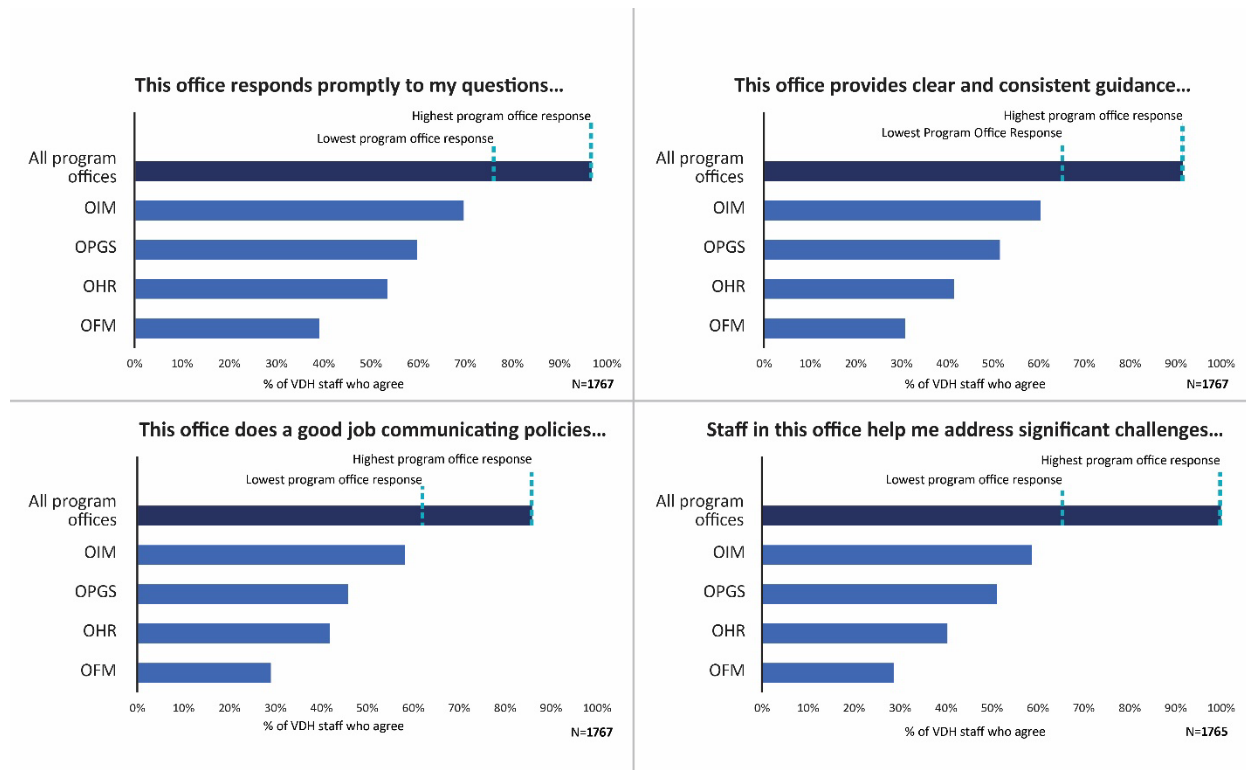
JLARC staff's review found significant deficiencies in VDH central office's ability to administer the agency's financial, human resources, and accountability and oversight functions over the past several years. In addition, during and just before JLARC's review, significant financial mismanagement and fraud issues emerged and received public scrutiny.

Internally, there is widespread dissatisfaction among staff at all levels and throughout the state about the performance of several VDH administrative offices—especially those related to financial management and human resources (Figure 2-1). The remaining chapters of this report describe the causes of those problems, as well as others JLARC staff identified through their research.

VDH's current leadership has begun to take steps to address many of the deficiencies identified in this report and has made several promising organizational changes. For example, the Office of Human Resources, which has had significant challenges supporting the agency's hiring needs, now reports directly to the commissioner. In addition, the appointment of a chief operating officer has improved oversight and management of VDH's administrative functions.

However, the breadth of the agency's challenges will require major changes to the agency's administrative processes, agency culture, staff accountability, agency systems, and oversight. VDH will also need to recruit and hire new staff. These changes will require continued attention and dedication from leadership over several years.

FIGURE 2-1
Surveyed VDH staff in central office and districts were generally dissatisfied with the responsiveness, clarity, and reliability of OFM, OHR, and OPGS



SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: Only staff who reported having interacted with a particular office within the past six months were able to provide feedback about the office, and staff were not able to report on their experiences with their own office. For simplicity purposes, "Agreeing" includes both "Agree" and "Strongly Agree." Administrative offices are shown in light blue, while program offices are shown in dark blue. For simplicity purposes, only the highest and lowest program office responses are shown. OIM = Office of Information Management; OPGS = Office of Procurement and General Services; OHR = Office of Human Resources; OFM = Office of Financial Management.

3 Financial Management at VDH

The Virginia Department of Health (VDH) is a large, financially complex agency with numerous funding streams. In FY24, VDH was responsible for managing about $1.3 billion in funding—including funding provided through approximately 165 federal grants, state general funds, dedicated special revenue, local matching funds, and self-generated revenue.

VDH's funding and financial transactions have remained elevated since the pandemic, which brought a substantial increase in dollars flowing through the agency and a higher workload for financial management staff. While pandemic funding peaked in FY23, VDH's FY24 funding was still 64 percent higher than FY20. VDH also processed 84 percent more invoices in FY24 than in FY20.

Effective financial management is essential given the agency's numerous programs and health districts, the distribution of financial management responsibilities across the agency, and the significant complexity and large volume of its funding streams and financial transactions. Financial management requires qualified and well-trained staff, reliable and efficient systems, and effective processes and internal controls.

As discussed throughout this chapter, VDH is experiencing significant financial management challenges, and these challenges are affecting other entities, including other state agencies. VDH's current senior leaders are aware of many of these challenges and have taken some important steps to begin to address them.

Two offices lead VDH's financial management activities, but many other staff are involved

Financial management responsibilities are distributed across the agency. Staff in the Office of Financial Management (OFM), Office of Procurement and General Services (OPGS), central office's program offices, and health districts have varied responsibilities related to accounting, budgeting, payroll, invoice processing, procurement, and grants management.

OFM oversees finance and accounting for the agency. OFM staff, which include 29 classified staff, are responsible for budget oversight and assistance, payment and payroll processing, grant funding drawdowns and reporting, revenue management, and external financial reporting to state and federal agencies, among other responsibilities. OPGS oversees the purchasing of goods and services for the agency. Its 12 classified procurement staff are responsible for ensuring the agency complies with state laws

and regulations, taking the lead on complex procurements, and providing guidance and training to other staff with procurement or contract administration responsibilities.

Outside of OFM and OPGS, there are approximately 150 additional classified financial management staff supporting offices and districts (e.g., fiscal techs, business managers, buyers, accountants, grants specialists). VDH also had about 120 contractors with financial management roles to supplement its classified staff as of June 2024.

In recent years, staff in VDH's program offices who do not have financial management expertise have increasingly needed to perform financial management tasks. Staff who had this expertise were reassigned at the beginning of 2020 to a centralized financial management office under the agency's unsuccessful "Shared Business Services" initiative described in Chapter 2. However, some financial management tasks continued to be performed within the program offices and were handled by office directors and remaining staff, who often did not have the required experience or training. Despite discontinuing the Shared Business Services initiative in April 2023, VDH did not begin returning financial management staff to program offices until May 2024.

VDH's numerous financial problems have affected other organizations and required state intervention

In recent years, VDH has exhibited substantial shortcomings in its ability to effectively and efficiently manage its federal and state funding. Examples include an inability to pay its vendors, other state agencies, and employees on time; overpayments to vendors, other state agencies, and employees; and problems accounting for, reporting on, and otherwise managing the agency's state and federal funds.

VDH's financial management challenges have not only caused internal difficulties, they have negatively affected external entities and, at times, have necessitated emergency infusions of state general funds.

VDH has had significant problems managing and accounting for state and federal funds

VDH has experienced a multitude of problems in recent years in properly accounting for, reporting on, and managing state and federal funds. For example,

- VDH's Office of Emergency Medical Services (OEMS) had a $33 million deficit in FY24 because of overspending, poor financial management, and fraudulent activity by an employee who embezzled more than $4 million over 2.5 years before the agency discovered it. This financial mismanagement resulted in VDH being unable to return $12.5 million to the state general fund at the end of FY23, as required by law, and having to use $5.6 million of grant funding for the agency's administrative support services (known as "indirect cost recovery funds") to help cover some of OEMS's overspending. According to VDH, this was approved by the Department of Planning and Budget;
- VDH's Office of Drinking Water experienced a $2 million budget shortfall starting in FY22 because it used one-time funds for recurring expenses (e.g., salary increases, hiring additional staff) and required additional funding from the General Assembly to avoid staff layoffs;
- U.S. Environmental Protection Agency reviews of VDH have repeatedly found problems with VDH's financial management activities, including improperly documenting expenses, late and inaccurate financial reporting, overdrawing and underdrawing federal funds, and not spending grant funds in a timely manner;
- APA has found repeated problems in VDH's financial reporting, internal controls, and documentation necessary to support federal spending over the past several years; and
- In a 2024 review, DGS found that one-third of VDH's tested procurement-related transactions for non-technology goods and services were not in compliance with state requirements and rated VDH's performance "unsatisfactory."

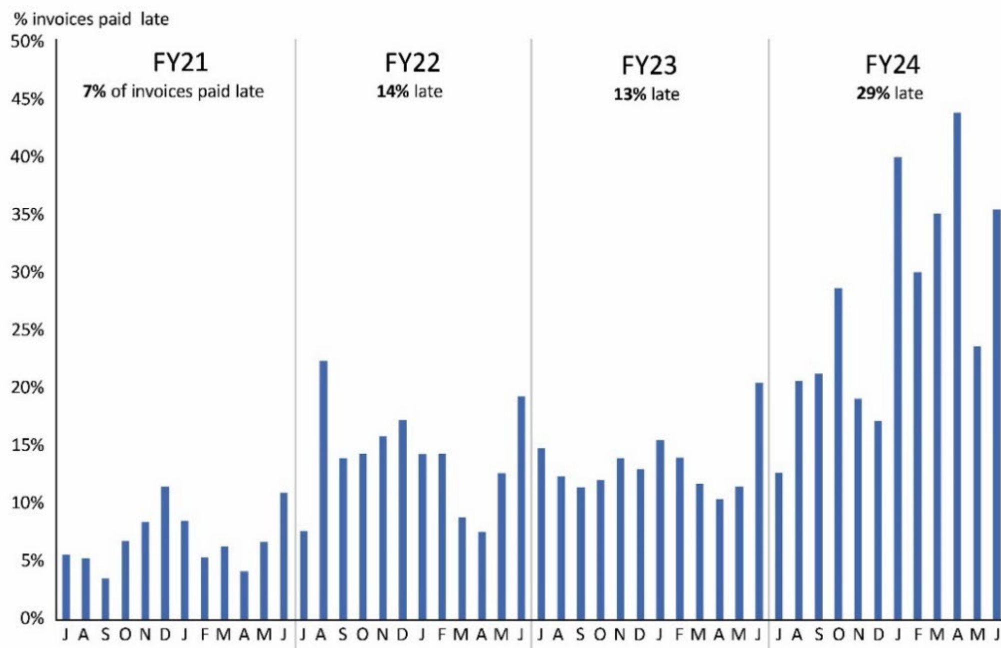
The federal government has noticed VDH's financial management problems, and some grantors have modified their practices for issuing funds to VDH to reduce the risk of mismanaged federal funds. For example, due to concerns about VDH's financial management capabilities, the U.S. Environmental Protection Agency (EPA), VDH's second-largest federal funder, now requires the agency to submit reimbursement packages to the EPA rather than being able to receive funding prior to expenditures—a situation that senior leadership at VDH characterized as being "on probation." Because of multiple instances of duplicate draws of grant funding and late submissions of required financial reporting, the Health Resources and Services Administration now requires VDH to receive permission before drawing funding for two of its grants. Another federal grantor has also reportedly warned VDH of potential impacts to future funding because of late financial reporting.

VDH has struggled to pay its bills promptly and accurately in recent years, which has negatively affected other entities

In recent years, VDH has struggled to fulfill its financial obligations on time, and some challenges, such as late payments to vendors, worsened in FY24. The following examples illustrate the various problems VDH has experienced related to timely payments and the effects of delinquent payments on state agencies, vendors, and VDH employees:

- VDH paid 29 percent of vendors' 29,688 invoices late in FY24, compared with 13 percent in FY23 and 7 percent in FY21 (Figure 3-1). The total value of all invoices paid late by VDH in FY24 was $193.6 million, and the average number of days between invoice receipt and payment was 79 days across all invoices paid late. VDH program staff report that late payments are particularly disruptive to vendors who are non-profits or community-based organizations that need timely payments to pay staff and maintain their operations. Late payments in FY24 cannot be attributed to catching up on pandemic backlogs because approximately 90 percent correspond to invoices received in FY24.

FIGURE 3-1
VDH paid substantially more vendors late in FY24 than in previous years



SOURCE: Invoice payment data provided by VDH.
NOTE: Payments are grouped by month paid. Payments are categorized as late if paid 31 days or more after the invoice receipt date. Code of Virginia requires that state agencies promptly pay nongovernmental, privately owned enterprises for delivered goods or services by the required payment date or 30 days after receipt of an invoice.

- VDH was past due on almost $17 million billed from the Virginia Information Technologies Agency (VITA) in December 2023, and VDH's delinquency reportedly forced VITA staff to secure a line of credit from the Department of Accounts in January 2024 to ensure the agency could meet its own financial obligations.
- In FY24, VDH paid its rent to the Department of General Services (DGS) eight months late and still owed DGS $4.3 million as of May 2024 for bills dating back several fiscal years. According to DGS staff, VDH's delinquent payments caused DGS to have to pay $1.25 million of its own invoices late in FY24.
- As of June 2024, VDH was taking an average of 45 days to reimburse its staff for work-related travel expenses—significantly longer than the state requirement of five working days. Some employees reported that slow reimbursements for travel have resulted in personal financial strain, as they waited months for reimbursements of several hundred dollars to over $1,000 and accrued late fees on their personal credit cards. Agency leadership has reported progress on addressing these delays in FY25, but for an agency struggling with staffing turnover and where many positions require frequent work-related travel, delayed reimbursements have contributed to staff dissatisfaction.

VDH has also made duplicative payments to vendors, state agencies, and staff, and the full extent of overpayments is unknown at this time. For example, in April 2024, VDH made multiple duplicate payments to DGS, totaling about $1.3 million in excess payments. Notably, VDH has often only become aware of duplicative payments after being notified of them by other organizations, indicating that the agency is not taking sufficient steps internally to ensure proper management of its finances.

If not corrected, overpayments waste state funds directly. If overpayments are made with federal grant funds, VDH may be required by the grantors to repay the funds, and the grantor may be less willing to award future funding. While VDH has reportedly recovered most of the known overpayments, there are likely additional overpayments that have not been detected, given the volume of VDH's transactions. Additionally, APA staff performed an analysis at JLARC's request that supported the possible existence of additional duplicates.

VDH's financial management problems have required intervention from the General Assembly and executive branch

VDH's inability to properly manage its funding has required both the legislative and executive branches to intervene. The Office of the Secretary of Health and Human Resources, including its chief financial officer, and the Office of the Secretary of Finance have dedicated significant time and resources to addressing VDH's financial management challenges, including asking Department of Planning and Budget staff

to evaluate VDH's grants management. In response to the budget shortfall in VDH's Office of Emergency Medical Services (OEMS), the governor allowed VDH to carry over $8 million in FY23 funds into FY24 and included an additional $25 million in the introduced budget to ensure that the agency could meet its financial obligations. The introduced budget also included funding for additional financial management staff and to establish a new Office of Grants Administration in response to VDH requests.

Legislators have also been briefed on some of these challenges and have provided financial support to the agency. The General Assembly appropriated funding to VDH to address financial management deficiencies, including American Rescue Plan Act funds to modernize the agency's administrative systems, funding to avoid staff layoffs after the shortfall in VDH's Office of Drinking Water, and funding to improve its financial and grants management. Recent budget language has also required VDH to report on the current status of its grants, the agency's financial and operational status, the status of program spending, and the sufficiency of revenue generated by fees collected by the agency.

VDH's disorganized approach to grants management has jeopardized essential funding

Although federal grants make up a substantial portion of VDH's budget, the agency has devoted insufficient resources to managing this critical funding. In FY24, federal grants made up 48 percent of VDH's budget, after rising to 67 percent during the pandemic. Prior to August 2024, the agency did not maintain a complete, central data repository of all grants awarded to the agency. VDH has no grants management IT system, and grant drawdowns are calculated and managed manually through spreadsheets.

Federal financial reports (FFRs) are quarterly, semi-annual, or annual reports on grant expenditures and other financial data submitted by grant recipients to the awarding federal agency. FFRs are a key mechanism through which grantors monitor how grant funds are spent. Frequent late or incorrect submissions of FFRs may undermine confidence in the grantee's financial management of grant funds, result in a draw restriction or funding freeze, or affect the grantor's willingness to award future funding.

The agency lacks a comprehensive, centralized grants function to oversee and standardize critical grant processes, such as coordinating and tracking grant applications, monitoring grant compliance, and managing indirect cost reimbursements from grant funding for administrative overhead. Programs are largely responsible for managing their grants, including applying for new grants, administering grant-funded programs, developing and monitoring grant budgets, assigning expenditures to grants and reconciling spending, and monitoring grant compliance. The OFM grants team has more narrow responsibilities, primarily drawing down grant funding and preparing federal financial reports (FFRs, sidebar).

VDH has experienced significant grants management challenges in recent years. The agency has under- and overdrawn grants and has not always returned excess drawn funding, which is in violation of federal regulations. Additionally, at times, VDH staff have not drawn enough grant funds to keep up with program expenses. The agency fell far behind on its FFRs, although focused efforts by leadership and staff have significantly reduced its backlog of over 60 late FFRs.

These problems contributed to the EPA's decision to place VDH on reimbursement status for all of its grants, which make up 13 percent of the agency's grant funding (Case Study 3-1). This status requires VDH to pay grant expenses up front, which has created cashflow pressures within the agency because of its high proportion of restricted funding, exacerbating other financial management challenges, including late payments.

CASE STUDY 3-1
EPA has restricted VDH's access to grant funds because of financial management concerns

The U.S. Environmental Protection Agency (EPA) placed VDH on a reimbursement basis for drawing grant funding in September 2022, after a technical assistance review found that 88 percent of sampled draws of EPA grant funds were improper payments (e.g., because of VDH's drawdown procedures, inadequate documentation of expenses). As of October 2024, VDH was the only state agency in its region (EPA Region 3) that the EPA had placed on a reimbursement basis to receive funding, and EPA staff report that it is uncommon generally for state agencies to need to be placed on a reimbursement basis. The EPA has expressed several concerns about VDH's grants management practices, including a lack of adequate policies and procedures, submission of financial reporting and reimbursement packages that are not timely or accurate, and draw issues (overdrawing, drawing from the wrong account, drawing funds without permission, and excessive negative draws to correct mistakes). The EPA has also expressed concerns about VDH not using funds promptly, including an instance in FY24 where delaying a transfer of funds from the Drinking Water State Revolving Fund resulted in the estimated loss of about $200,000 of unrealized interest. Since May 2021, the EPA has disallowed $1.36 million of grant funds spent by VDH but decided to return all disallowed funding to VDH to avoid programmatic disruptions. While EPA staff report that VDH has made progress toward addressing EPA concerns, VDH is still on a reimbursement basis and continues to struggle to submit up-to-date reimbursement packages on the schedule required by the EPA.

VDH received funding from the General Assembly beginning in FY25 to create a new Office of Grants Administration to add more structure to the agency's grants management. The new office will replace the OFM grants team, and the Appropriation Act specifies that it will take on a broader range of responsibilities, including coordinating grant proposals, tracking the status of current grant awards and grant-funded positions, providing training on grant administration, and ensuring compliance with federal, state, and local regulations. However, VDH has been slow to implement the new office. Although the agency initially reported plans to hire an office director to start in July as soon as funds were available, as of September 2024, VDH had not yet

hired a director, made the necessary organizational changes, or developed a written plan for the office's specific role and responsibilities within the agency.

Inadequate management and controls over grants jeopardize VDH's access to critical funding. Strengthening the agency's grants management function needs to be a top priority for leadership. Earlier this year, the Department of Planning and Budget completed an evaluation of VDH's grants management and made 28 recommendations for improvement, including recommendations related to VDH's drawdowns, federal reporting, staffing, reliance on contractors, lack of policies, and indirect cost recovery (Appendix D). VDH developed a corrective action plan in response to these recommendations and should continue to make progress on implementing those recommendations. VDH should report on its progress until the corrective actions are complete.

RECOMMENDATION 1
The General Assembly may wish to consider including language in the Appropriation Act directing the Virginia Department of Health to report on progress implementing the recommendations made by the Department of Planning and Budget to improve its grants management capabilities to the Joint Subcommittee on Health and Human Resources Oversight no later than September 1, 2025.

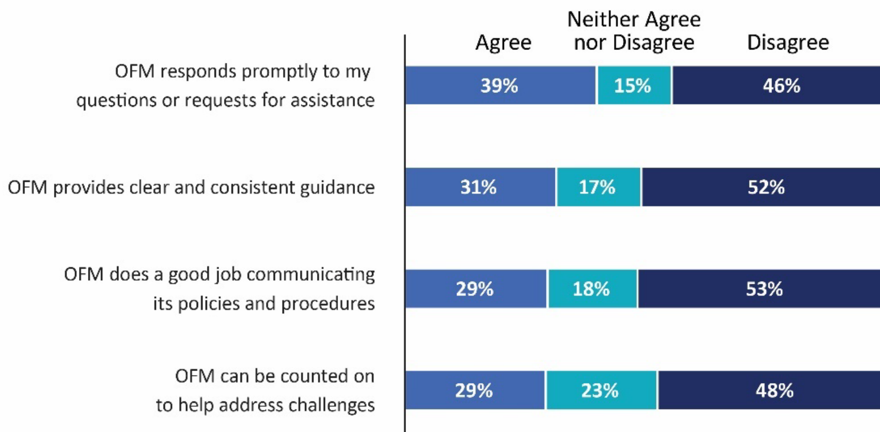
Inadequate support by OFM contributes to agency's financial challenges

In such a large agency, OFM staff, staff in program offices, and staff in districts must maintain effective communications, guidance, and working relationships for efficient functioning of key financial processes and to address problems when they occur. Many processes require the cooperation of both fiscal and program staff (e.g., invoice processing, budget development, federal financial reporting), and poor communication or unclear division of responsibilities can lead to oversights or delays.

JLARC staff conducted a survey of all VDH staff, including classified and contract staff working in central office and in health districts. JLARC received 2,514 completed responses, for a response rate of 52 percent. (See Appendix B for more information.)

VDH staff responding to a JLARC survey reported greater dissatisfaction with OFM than any other office at the agency (sidebar). About half of VDH staff who interacted with OFM in the past six months had poor opinions of OFM's responsiveness, clarity of guidance, communication of policies and procedures, and dependability (Figure 3-2). A greater proportion of central office staff compared to district staff reported unfavorable feedback about their interactions with the office.

FIGURE 3-2
Substantial proportions of VDH staff reported unfavorable feedback for OFM



SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: Includes only staff who have interacted with OFM within the past six months. "Agree" includes both "Agree" and "Strongly Agree" and "Disagree" includes both "Disagree" and "Strongly Disagree."

Staffing challenges, reliance on contractors have contributed to VDH's inability to manage finances

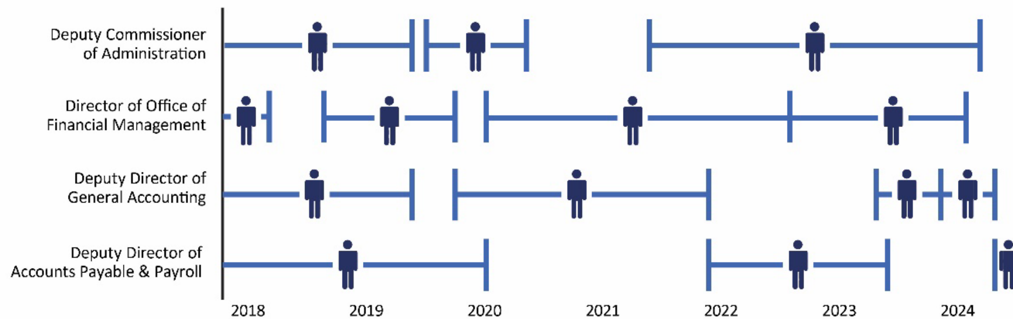
According to staff within VDH and at other agencies that regularly interact with VDH fiscal staff, the departure of experienced fiscal staff has eroded institutional knowledge within the agency, increasing delays, errors, and strain on the remaining staff. Frequent turnover in key financial leadership positions has also contributed to a lack of sufficient oversight over financial processes and ineffective responses to problems that arise.

The effects of turnover and vacancies have been further exacerbated by a lack of adequate training and comprehensive, up-to-date financial policies and procedures, most of which have not been updated in the last five years. To effectively rebuild the agency's institutional knowledge, VDH needs to provide staff and contractors with sufficient resources and guidance to perform their financial management responsibilities in addition to filling vacancies.

VDH has experienced significant turnover and vacancies among financial management leadership and staff in central office

Frequent leadership turnover in key financial management positions has disrupted the agency's financial operations and has impeded the resolution of financial management challenges. Since 2018, 13 individuals have held four key financial management leadership positions, including the deputy commissioner of administration and director of the office of financial management. (Figure 3-3). At the end of FY24, five of the 11 OFM management positions were vacant, with an additional two individuals on extended leave.

FIGURE 3-3
Several key financial management leadership positions at VDH have experienced significant turnover and vacancies since 2018 (As of October 2024)



SOURCE: VDH staffing data and organizational charts.
NOTE: Figure shows 14 individuals, rather than 13 (as mentioned in text), because one individual held two positions between 2018 and 2024. Start and end dates are approximations. Vacancies may be for a variety of reasons, including extended leave and position turnover. Acting positions are not included. The director of OFM currently reports to the deputy commissioner of administration, while the deputy directors of General Accounting and Accounts Payable & Payroll report to the director of OFM.

In FY25, the General Assembly appropriated funding to VDH for 13 new financial management positions, including 10 additional positions for OFM and three that will eventually be located in the new Office of Grants Administration.

There have also been high vacancy rates among central office financial management staff in recent years, especially within OFM. Between June 2023 and June 2024, 43 percent of OFM staff left the agency, resulting in a 33 percent vacancy rate as of August 2024, excluding the new FY25 positions that are not yet filled (sidebar).

The agency has also been slow to fill many of the support positions allocated to the new business operations managers within the various programs and administrative offices in central office as part of a recent organizational change. Support staff for the new business operations managers include accountants, fiscal techs, grant specialists, buyers, resource coordinators, and fiscal compliance auditors. Of the 49 support positions allocated across the 12 business operations managers, 18 of those positions (37 percent) were still vacant as of September 2024. Most of these positions are in the early stages of recruitment (e.g., preparing paperwork) or are actively being recruited (e.g., posted, interviewing).

Given the extensive responsibilities that have been returned to offices after the dissolution of Shared Business Services, sufficient support staff appears critical to the success of this organizational change. Business operations managers, office directors, and fiscal office staff have shared concerns that at current staffing levels, the new business managers do not have enough support to effectively perform their responsibilities.

VDH's heavy reliance on contract staff since the pandemic has challenged its ability to build stable, knowledgeable financial management workforce

Contractors hold a variety of financial management positions across the agency, although most work in central office program and administrative offices. VDH

significantly increased its contract staff in financial management roles to address the increased workload caused by the influx of pandemic funding and the significant turnover and vacancies among its financial management staff. As of June 2024, there were more contractors working for or on behalf of OFM than classified staff, with contractors making up 63 percent of OFM's staff and 37 percent of all staff across VDH with finance, accounting, procurement, or grants-focused roles. Contractors are completely or primarily responsible for critical financial management functions for agency and program operations, such as grant drawdowns, travel reimbursement intake, and invoice intake and data entry.

> *The agency has gone from hiring competent FTEs to bringing in contractors, put them in place with no training and set them free to perform their duties. The burden it has caused on my office (OFM) is overwhelming.*
>
> **– VDH employee, Office of Financial Management**

VDH's dependence on contractors to perform financial management roles is impeding the agency's ability to stabilize its financial management staffing and processes. Although contractors can be helpful in some cases, the overuse of contractors perpetuates the costly cycle of staff turnover, making it difficult to maintain consistent and efficient financial processes. As temporary staff, contractors do not help rebuild the institutional knowledge that has been lost through the departure of so many critical financial management staff in recent years.

VDH staff, leadership, and contractors themselves report that contractors often do not receive training on the necessary policies and procedures for their assigned responsibilities, resulting in poor performance. Staff and leadership have also expressed dissatisfaction with the knowledge and skills of some contractors. For example, one manager reported that contractors from an accounting firm had to be trained in using Excel. Multiple staff expressed frustration with contractors repeatedly making incorrect draws of grant funding despite receiving corrective guidance after the initial incorrect draws.

> *There has just been a lack of training available throughout my contract, I have had to search and repeatedly ask for direction and have received it slowly, mainly when a mistake is noticed from my lack of training.*
>
> **– VDH contractor, Office of Financial Management**

Like any new staff member, a contractor requires time and training to be effective in their role and become familiar with VDH policies and processes; however, agency resources would be better invested in recruiting, training, and retaining staff who are more likely to work at the agency long term. Implementing recommendations related to staffing in this chapter and Chapter 4 could help the agency reduce its reliance on contractors.

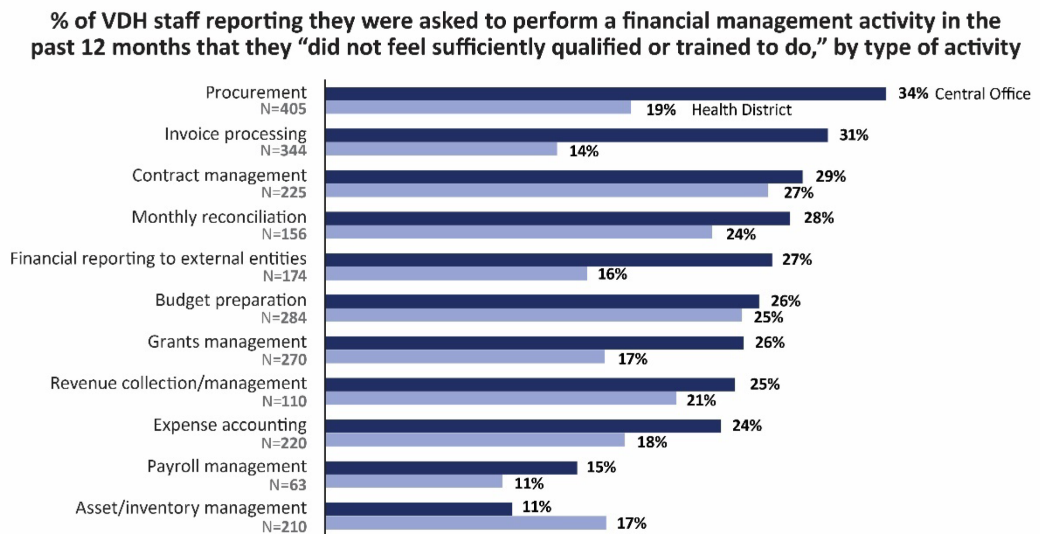
Many VDH staff with financial responsibilities report being untrained or unqualified to carry out their responsibilities

Lack of sufficient training of staff with financial management responsibilities places the agency at risk of errors, confusion, and delays and is likely to have contributed to recent VDH financial management challenges. A substantial portion of both classified and contract OFM staff do not feel that they have received the guidance or training they need to perform their jobs effectively. About a third of OFM staff surveyed by JLARC disagreed or strongly disagreed that VDH has provided them with the training needed to do their job well, that they have been given clear policies and procedures to perform their job, and that they understand the distinction between the responsibilities of their office and those of other offices.

Notably, a substantial proportion of staff outside of OFM with financial management responsibilities do not feel equipped to perform their tasks. In response to JLARC's survey, 46 percent of central office staff outside of OFM and 33 percent of district staff who reported having financial management responsibilities in the last year reported they did not feel that they were sufficiently trained or otherwise qualified to perform at least one of those responsibilities correctly (Figure 3-4).

External entities have noticed the lack of adequate training, particularly among newer staff. For example, in recent audits, APA recommended that OFM prioritize training its new employees to help address identified deficiencies. In a July 2024 procurement review, DGS observed that "most non-compliant findings could be easily corrected with comprehensive staff training."

FIGURE 3-4
Many VDH staff with financial management responsibilities report feeling untrained or unqualified to carry out those responsibilities



SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: Includes 817 VDH staff who reported that they had a responsibility related to financial management. The total is more than 817 because some staff have multiple types of responsibilities.

VDH's inability to sufficiently staff and train financial management functions warrants near-term assistance from DHRM, DOA, and DGS

Stabilizing staffing for positions with finance-related responsibilities is critical to making meaningful, sustained improvements to VDH's financial management. Given the shortcomings identified in Chapter 5 with VDH's Office of Human Resources, it is likely that these challenges will not be fully addressed without the temporary assistance of other state agencies, including the Department of Human Resource Management (DHRM) and the Department of Accounts (DOA).

DHRM and DOA should provide targeted assistance to VDH to help fill financial management leadership and key staff vacancies with qualified individuals. VDH has

been slow to fill many of these positions, and financial management staff have expressed concern that hiring managers are not sufficiently vetting new hires to ensure they have the technical skills required for their roles. DHRM, which is already required by law to provide targeted assistance to state agencies where needed, can help VDH create and disseminate job listings and screen initial applications. DOA can assist VDH by helping to identify the key vacant financial management positions at the agency and advising VDH leadership on the qualifications necessary for each vacant position. It can also help VDH by assessing the quality of applicants for the vacant positions and participating, as appropriate, in the final interviews of the selected candidates.

Understanding that each agency's highest priority is to fulfill its own obligations and responsibilities and that they have limited capacity to provide assistance beyond their regular duties, it will be incumbent upon the leadership of DHRM and DOA to determine how best to deploy their limited resources to be most helpful in these efforts.

RECOMMENDATION 2

The secretary of administration should direct the Department of Human Resource Management to lend its expertise, as time and resources permit, to (i) identify key vacant financial management positions at the Virginia Department of Health (VDH), (ii) develop a plan and timeline for filling those positions, (iii) assist VDH with recruiting candidates for those positions, and (iv) provide a status report on this effort to the staff of the House Appropriations and Senate Finance and Appropriations committees by October 1, 2025.

RECOMMENDATION 3

The secretary of finance should direct the Department of Accounts to lend its expertise, as time and resources permit, to (i) help identify key vacant financial management positions at the Virginia Department of Health; (ii) advise on the qualifications necessary for each vacant position; (iii) assess the quality of the applicant pools; and (iv) provide limited participation in the final interviews of selected candidates with the recommended qualifications.

In addition to filling critical vacancies, VDH needs to sufficiently train new hires and address the knowledge gaps among *existing* staff performing financial management activities. DGS should temporarily provide or facilitate training to VDH staff on procurement and contract administration, the areas with the highest proportion of VDH staff reporting that they felt untrained or otherwise unqualified to perform their responsibilities. DGS has the subject matter expertise to help VDH and is familiar with the agency's procurement practices and challenges, having recently completed a procurement management review of VDH. In that review, DGS identified opportunities for training that would be beneficial for VDH staff (e.g., Virginia Administration and Risk Management Certification course offered through the Virginia Institute of Procurement for all VDH staff administering or managing contracts).

RECOMMENDATION 4
The secretary of administration should direct the Department of General Services to, with the assistance of the Virginia Department of Health (VDH), (i) identify VDH staff with procurement and contract administration responsibilities, (ii) determine the extent to which staff need additional training, and (iii) provide procurement and contract administration training to those staff or facilitate training through appropriate providers.

Beyond these efforts, VDH needs to understand which staff are responsible for key financial management tasks, determine whether those are the appropriate staff members to perform those tasks, and take steps to ensure individuals responsible for financial management tasks are trained or otherwise qualified. The scope of training needs will vary by task and by office or district, and evaluations may identify areas in the agency where additional administrative staff are needed. Some training will also need to be coordinated with technological improvements. As part of this effort, VDH should also critically examine its overall approach to staffing its financial management functions, including the numbers of staff, their responsibilities, and the efficiency and effectiveness of the workflows related to processing, managing, and accounting for financial transactions. Such a review should be undertaken by the newly hired CFO.

RECOMMENDATION 5
The Virginia Department of Health's chief financial officer should examine the agency's strategy for staffing its financial management functions and (i) determine whether the agency has an appropriate number of staff with the right qualifications and training to carry out these functions, (ii) take appropriate steps to ensure that all staff with financial management responsibilities are trained or otherwise qualified to perform those responsibilities, and (iii) propose changes to the agency's financial management workflows, if needed, to improve their efficiency and accuracy.

VDH financial management IT systems are too complicated and contribute to delays and errors

VDH's financial system, F&A, interfaces with Cardinal Financials, the state's accounting system. For most financial transactions, VDH staff enter and review data in F&A rather than directly in Cardinal. Most large, financially complex state agencies (e.g., DMAS, VDOE, VDSS) interface with Cardinal through their own systems, which have broader capabilities.

VDH's financial system, "F&A," is the primary system that helps track agency revenues, expenses, budget, and payroll by agency subunit (sidebar). VDH developed the system in 2004, and it still lacks certain key functionalities. F&A does not have budget development capabilities or a general ledger, is not used for the initial processing of invoices and travel reimbursement requests, and does not interface with Electronic Virginia (eVA), the state's procurement portal that agencies are required to use for purchasing and receiving (i.e., confirmation of delivery of goods and services).

Deficiencies in F&A have required workarounds, cumbersome procedures, and manual processes, with important financial transactions tracked in Excel sheets or on paper. These inefficiencies and silos have resulted in delays and errors and make it more difficult for staff to generate useful reports or review transactions for accuracy.

The General Assembly allocated VDH $50 million of American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds to modernize the agency's administrative systems and software. As of June 2024, VDH had spent about $28 million, with at least half spent on consultant-led efforts to improve the agency's financial processes and systems. By September 2024, however, there had been relatively little progress in addressing key system deficiencies, and the reasons for this lack of progress remain unclear.

More recently, VDH leadership has taken more targeted steps directing remaining ARPA funds toward the systems that most need improvement. For example, leadership reports that VDH has contracted with and committed ARPA funds for a new financial management system, which will replace F&A and include integrated budget and grants management capabilities.

VDH's complex approach to receiving and processing vendor invoices in central office is contributing to delays and errors

VDH's invoice payment process is overly cumbersome and involves manual entry of invoices and relevant data, multiple rounds of staff approvals, and opportunities for bottlenecks if staff at any stage are not responsive. It also separates critical information necessary to effectively ensure that the invoice matches the agreed-upon price and that the billed goods or services were actually delivered (called a "three-way match") (sidebar). The complicated process contributes to delayed payments and increases the risk of errors, such as duplicate payments and payment of contracts where the ordered goods or services have not been fully delivered.

A best practice for paying invoices is to perform a three-way match, where the purchase order, receiving document (e.g., packing slip or confirmation of delivered services, confirmed by the organization), and invoice are compared before scheduling the payment.

OFM staff are not performing a true three-way match because of the disaggregated approach to invoice approval and the lack of interfacing among systems involved in the procure-to-pay process. While purchasing is done in eVA, and agencies are also required to use eVA for receiving, VDH does not consistently do so. Accounts payable staff cannot pull up and compare purchase orders, receiving documents, and invoices since they are spread across systems or, in the case of the receiving document, may only exist on paper. Instead, they rely on program offices to confirm that a charge from a vendor is appropriate.

DGS is currently in the process of making available a new procure-to-pay update in eVA, which would allow VDH to perform a true three-way match, reduce inefficiencies, and potentially reduce errors. The update will enable agencies to order, receive, and pay invoices within the same system, creating a simplified workflow that should allow OFM to access all relevant documentation related to an invoice. Vendors will be able to directly upload an invoice to eVA, assign it to an office, and monitor its status, increasing visibility for vendors and eliminating the need for an invoice intake team and the use of the agency's invoice portal. DGS staff say that fully utilizing these new eVA capabilities should also reduce the likelihood of duplicate payments because of increased visibility.

RECOMMENDATION 6
The Virginia Department of Health should (i) fully utilize the state's online procurement system, Electronic Virginia (eVA), for purchasing goods and services, receiving, and paying vendor invoices, and (ii) arrange training through the Department of General Services for relevant employees on how to use eVA.

VDH's travel reimbursement process is causing considerable frustration among staff, but VDH reports plans to implement new software

Many VDH staff reported frustration with the agency's cumbersome travel reimbursement process, which often results in employees waiting months to receive reimbursement for work-related travel. As of October 2024, VDH did not have software for the submission and management of employee travel reimbursements. Instead, VDH employees fill out a form that goes through multiple rounds of approval via email, is uploaded to a shared document management site, and is eventually entered into F&A for final OFM review and processing. Like invoice processing, the disaggregated process can lead to bottlenecks, and requests are often initially denied and returned to the traveler for correction—restarting the entire process.

The agency recently entered into a contract for software used by universities and private businesses that should simplify the submission and approval of employee travel reimbursements. Employees will be able to enter their travel documentation directly into the software, which will prevent submission if required information is missing. The software will also automatically calculate items like per diem allowances. These features should prevent most of the back and forth between travelers and fiscal staff to correct submissions. VDH reports that this project will be funded by ARPA dollars and aims for the software to be operational in January 2025. As an interim measure, VDH developed and implemented a dashboard in September 2024 to monitor the status of travel reimbursement requests.

Lack of budget software compromises programs' and districts' ability to effectively develop budgets and monitor funding

Office and district directors report that it is difficult to understand and monitor their budgets throughout the fiscal year because of VDH's highly manual approach to budgeting. VDH has no budget development software and maintains over 100 Excel files to monitor budgets and spending across offices, districts, and grants, which do not interface with one another and are not all stored centrally. Offices and districts develop their budgets in Excel workbooks before they go to OFM for review and approval. Staff report that the workbooks are time consuming, requiring manual entry of information that a budgeting system would be able to pre-populate. Throughout the review process, making even simple changes to the budget workbook can be time consuming for OFM, program, and district staff, and can require rebalancing.

Because of the lengthy budget development process, OFM typically does not approve final office and health district budgets for the state fiscal year until November, though final budgets have been reportedly approved as late as April of the fiscal year. Without a finalized budget in the early months of the fiscal year, directors report hesitation to approve unplanned expenses, such as in-band salary adjustments recommended by the Office of Human Resources or purchases of needed equipment, feeling that they do not have enough information to make decisions.

Even after budgets are finalized, directors report that it is difficult to determine whether they will go over their budgets by year-end because of a lack of adequate real-time data. While OFM provides directors with information on their unit's spending and revenue throughout the year, because VDH has no encumbrance system, those reports only track dollars spent but not committed funds (i.e., purchase orders and contracts that have not yet been fulfilled or paid). Staff also report that OFM does not consistently provide those reports in a timely manner.

An agency of VDH's size and financial complexity needs more sophisticated budgeting. Other agencies complete their internal budgets prior to or not long after the beginning of the fiscal year and are able to more effectively track those budgets. VDH has indicated plans for budgeting capabilities to be incorporated in the new financial system that will replace F&A. If implemented well, this will be a positive change.

VDH's internal controls are insufficient to mitigate risk of errors or misuse of agency funding

Given VDH's financial complexity and substantial budget, the agency needs strong internal controls to effectively safeguard public funds and ensure their proper expenditure (sidebar). VDH's serious financial management challenges, such as duplicate payments, repeated incorrect grant funding draws, budget shortfalls, and fraud, are evidence of inadequate internal controls for financial processes (Case Study 3-2).

Internal controls are the processes, policies, and procedures established by an organization to improve the reliability of financial transactions and records, reduce errors, and prevent fraud.

Agency Risk Management and Internal Control Standards (ARMICS) is the state's primary mechanism for agencies to regularly evaluate their internal controls, and the state's comptroller has directed agencies to comply with ARMICS. Agencies must complete annual ARMICS assessments that include identifying agency- and transaction-level controls, testing those controls, and documenting the results of tests. An agency must file a corrective action plan when significant weaknesses in internal controls are discovered.

For the last three years, VDH has self-certified as non-compliant or partially compliant with ARMICS standards. In FY23, VDH's ARMICS assessment reported 14 transaction-level accounting controls and two procurement controls failed testing, as well as the agency's noncompliance with federal regulations related to grant subrecipient monitoring. Several controls have failed across multiple fiscal years (e.g., insufficient monitoring to ensure monthly reconciliations are performed by offices and districts).

CASE STUDY 3-2

Insufficient internal controls permitted $33 million budget shortfall in VDH's Office of Emergency Medical Services

Inadequate internal controls and lack of oversight allowed significant financial mismanagement in the Office of Emergency Medical Services (OEMS) to go unchecked for years before discovery. Internal control deficiencies resulted in duplicate payments, overspending, noncompliance with the legal requirements of special funds, and fraud by an employee who embezzled over $4 million of agency funding over two and a half years. That employee directed a regional EMS council, which was later reimbursed by OEMS, to pay fraudulent invoices to a company owned by the employee. While some contributing factors to the OEMS budget shortfall are distinct to the structure and operations of OEMS (e.g., use of regional EMS councils to bypass state procurement policy), others reflect broader deficiencies in internal controls elsewhere in the agency. OEMS lacked segregation of duties, with one person granted significant autonomy to approve expenditures, administer contracts, and monitor the office budget. Other deficiencies included a lack of clear roles and responsibilities between OEMS and central office, lack of internal financial policies, neglect of corrective action following internal audits, lack of monthly reconciliations to ensure the accuracy of OEMS expenditures, invoices paid without matching supporting documentation to ensure funds were spent on approved purchases, and improper training of administrative staff in central office who could have identified irregularities.

In addition, VDH's approach to ARMICS is not sufficiently rigorous to identify known deficiencies. For example, despite APA's repeated material weakness finding that VDH has inadequate controls over its financial reporting, eight of the nine tests VDH conducted for its FY23 ARMICS related to financial reporting found no deficiencies. The only test that failed was because of an inability to locate documentation.

Recognizing the need for more careful and sustained attention to internal controls at the agency, VDH has taken an initial positive step by creating a new "controller" position. Given the challenges VDH has faced and the importance of effective financial management to safeguard public funds and maintain trust from federal grantors, the state should codify the expectation that VDH maintains staff responsible for ensuring proper and effective internal controls, such as a controller or chief financial officer, regardless of organizational and leadership changes.

RECOMMENDATION 7

The General Assembly may wish to consider amending § 32.1 of the Code of Virginia to require the Virginia Department of Health (VDH) to designate a senior staff member, such as the chief financial officer, to be responsible for (i) ensuring and certifying the adequacy of the agency's internal controls over its financial processes, and (ii) taking all necessary steps to ensure the correction of any identified deficiencies in internal controls, including those identified by the VDH Office of Internal Audit, the Auditor of Public Accounts, or the Department of Accounts, in a timely manner.

VDH has reported plans to have its new controller position report to the director of OFM, which could present several challenges to ensuring the position is as effective as possible. Most notably, with the planned reporting structure, VDH's controller would not have oversight of the agency's new Office of Grants Administration. For VDH's new controller position to be most effective, the position should be responsible for overseeing the internal controls of all of VDH's key financial processes, including accounts payable, grants administration, general accounting, and payroll. To address this issue, VDH should have its new controller report to the agency's new chief financial officer position, as VITA and some higher education institutions do, rather than reporting to the director of OFM.

RECOMMENDATION 8

The Virginia Department of Health should have its new controller position report to its chief financial officer instead of the director of the Office of Financial Management.

VDH would also benefit from an external review of its internal controls and financial processes. DOA does not annually assess the quality of each agency's ARMICS self-assessments, but it has historically conducted quality assurance reviews. These reviews include on-site visits to agencies to review the accuracy of the agency's financial statement attachments, the processes through which they prepare those statements, reconciliation procedures, accounts receivables procedures, compliance of expenditures with state policies, and approach to and compliance with the requirements of ARMICS. However, DOA was unable to conduct any of these reviews during the pandemic but reports planning to resume them, as discussed below. Given deficiencies with VDH's internal controls, DOA should prioritize VDH for a quality assurance review but should allow VDH to implement some of its planned improvements first so that they are subject to the review.

Given the extent of the agency's financial management challenges, the planned and ongoing efforts to address these challenges, and the many financial management vacancies the agency needs to fill, DOA should conduct a second quality assurance review a year later. This second review should determine the extent to which deficiencies identified in the previous review have been addressed and recommend additional actions needed to address any remaining deficiencies.

RECOMMENDATION 9
The Department of Accounts should complete a quality assurance review of the Virginia Department of Health's key financial processes, internal controls, and implementation of Virginia's Agency Risk Management and Internal Control Standards as soon as practicable.

RECOMMENDATION 10
The Department of Accounts should complete a second quality assurance review of the Virginia Department of Health between six months and one year following the completion of its initial quality assurance review to determine whether previously identified deficiencies have been addressed and what additional changes, if any, should be made.

The experience at VDH suggests that the state needs to ensure that strong internal controls are in place at other agencies. The Auditor of Public Accounts has identified significant problems with VDH's internal controls, and some, including a material weakness, have been allowed to persist since FY21. Additionally, starting in 2020, all ARMICS findings from state agencies about the sufficiency of their internal controls have relied entirely on self-certification. In addition, ARMICS findings have not been subject to independent reviews because DOA redirected staff who typically provide these independent reviews to manage reporting for federal ARPA funds.

The current administration is aware of these gaps and has taken several steps to begin to address them, including resuming DOA quality assurance reviews of state agencies' internal controls and reviving a program evaluation unit within the Department of Planning and Budget, with the first evaluation focusing on VDH grants management. Additional measures should be considered for all state agencies, including establishing or reinforcing internal audit functions and other governance, risk, and compliance functions, particularly within higher-risk agencies, and holding agency management accountable for the resolution of material and significant deficiencies identified in their financial reporting and financial controls.

Slow invoice processing at VDH is causing delayed payments to nursing incentive program recipients, potential underutilization of programs

JLARC staff were directed to review the effectiveness of VDH nursing incentive programs (primarily scholarships and loan repayments) in expanding the nursing pipeline. (A full discussion of the programs is included in Appendix E.) In a survey of recipients of VDH's scholarship and loan repayment incentives, respondents reported concerns with the timeliness of the incentive payments they had been awarded. Delays in sending payments to award recipients are due, in part, to OFM's struggles to pay its invoices promptly. For example, a JLARC analysis of a sample of OFM payment data for the Nursing Preceptor Incentive Program indicates that OFM processed almost all

FY24 payments (96 percent) to recipients later than the state's 30-day prompt pay requirement. Delayed payments are also reportedly caused by problems within the Office of Health Equity, which administers the incentive programs. Reported problems include insufficient staffing and a lack of a fully functioning database to administer the nursing incentive programs.

Additionally, although only a small proportion of applicants for its incentive programs were awarded funding in FY23, VDH did not use all of its funding for a majority of programs that fiscal year. Delayed payments may be contributing in part to the underutilization of some of these programs. Considering the significant increase in funding the General Assembly has appropriated for these programs over the past several years and Virginia's need for additional nurses, VDH needs to demonstrate that it is capable of managing and administering these programs effectively.

RECOMMENDATION 11

The General Assembly may wish to consider including language in the Appropriation Act to direct the Virginia Department of Health (VDH) to (i) identify the causes for problems related to late payments and funding underutilization for VDH-administered nursing incentive programs, (ii) develop and implement a plan to address the causes, and (iii) report to the Joint Subcommittee on Health and Human Resources on its progress in addressing identified problems, including the percentage of payments made within 30 days and the proportion of available funding that VDH has utilized.

Current VDH leaders recognize the magnitude of the agency's financial challenges and have taken many important steps toward resolving them

VDH's current senior leaders are aware of many of the financial management problems the agency is experiencing and have taken steps to try to address them. Recent efforts have included creating chief financial officer and controller positions, adding business operations managers and other fiscal and administrative staff back to program offices, instituting a monthly review process with VDH office directors to identify current or potential financial challenges, formalizing the tracking of federal financial reports (FFRs) and establishing regular meetings between program and fiscal staff to receive updates on late FFRs, creating a data repository of all active grants, and pursuing a new Indirect Cost Recovery rate to increase the amount of grant funding (from $5.2 million in FY24 to a projected $15–20 million in FY25) that can be used to support administrative staff and overhead. In addition to plans already discussed in this chapter, VDH also reports plans to update all its financial management policies and procedures, have dedicated recruiters to fill vacant OFM positions, and develop automated dashboards with budget and spending data for all grants. If implemented well, these should be positive changes.

VDH's leaders must continue to keep sustained attention on strengthening the agency's financial management and maintaining the progress that has already been made. Leadership recently presented a financial improvement action plan for FY25, as well as steps already taken and ongoing challenges, to House Appropriations and Senate Finance and Appropriations committees' staff. The plan addresses risks related to leadership and organizational changes, financial staff capacity, grants management, financial operations and accounting, and financial monitoring and reporting. VDH should report on its progress towards implementing the action plan it has developed, as well as the recommendations discussed in this chapter as part of the broader reporting recommended to the Joint Subcommittee on Health and Human Resources Oversight in Chapter 6.

4 VDH Staffing

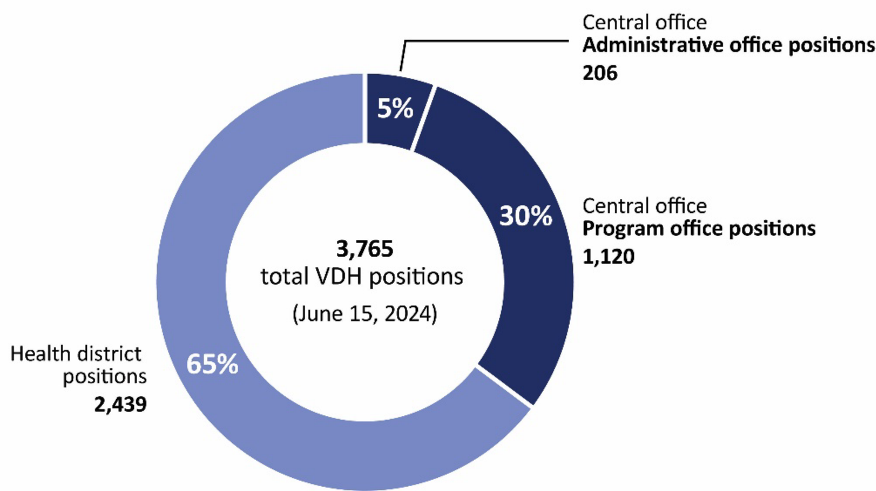
The Virginia Department of Health has a large, geographically dispersed, and varied workforce. As of June 2024, VDH had 3,765 classified positions statewide, 65 percent of which were in one of the 32 state-operated health districts, with the rest in the central office (Figure 4-1). As of June 2024, 3,104 of these 3,765 positions were filled.

Most central office staff work in one of several program offices that administer the state's public health programs, including the offices of Epidemiology, Family Health Services, and Drinking Water. Five percent of the agency's positions are in one of the four administrative offices, which provide financial, human resources, and information technology (IT) support to central and district office staff.

VDH employs various types of staff, including epidemiologists, death investigators, healthcare professionals (including public health nurses, physicians, and dental hygienists), environmental health specialists (including restaurant and septic system inspectors), nutritionists, medical facilities inspectors, and various administrative positions.

VDH also employs numerous contract staff. As of June 2024, VDH employed 1,751 contractors, and these contractors comprised approximately one-third of the agency's current workforce. Contractors comprise a higher proportion of the central office workforce (46 percent) than the health district workforce (27 percent).

FIGURE 4-1
Most VDH classified positions are in the health districts, about one-third are in the central office



SOURCE: JLARC analysis of VDH staffing data as of June 15, 2024.

VDH has experienced considerable staffing challenges in recent years

VDH's agencywide turnover and vacancy rates have increased several percentage points over the past five years. VDH's *voluntary* turnover rate among all classified staff was 16 percent in FY24—substantially higher than the statewide voluntary turnover rate of 10 percent in FY24. VDH's agencywide vacancy rate for classified positions was 18 percent as of June 2024, several percentage points higher than it was in June 2019 (sidebar).

VDH's actual vacancy rate is likely somewhat lower due to its heavy reliance on contract staff, but available data does not indicate whether a vacant classified position is unfilled or is filled by a contractor.

In addition, some offices do not have funding for at least some of their vacant positions and are, therefore, reportedly not trying to fill all of them.

Staff survey responses indicate VDH may continue to experience turnover in the near future. In response to a question about their plans over the next six months, 19 percent of 1,920 classified employees reported they are considering leaving their job at VDH, and 10 percent (198 employees) reported "very strongly" considering leaving. Dissatisfaction with VDH as an employer and dissatisfaction with their job were the primary reasons employees were considering leaving, as opposed to retirement or personal reasons.

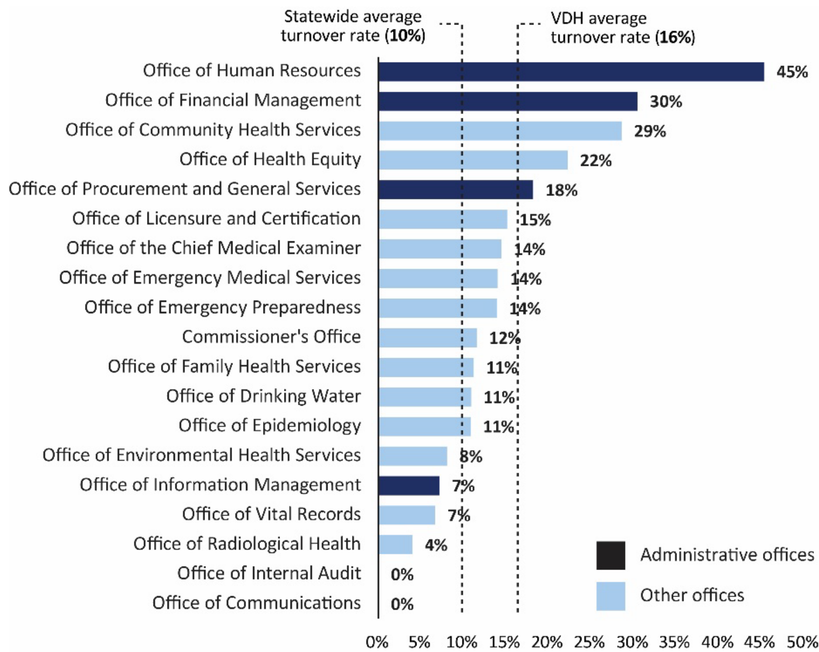
Staff turnover and vacancy rates are especially high in VDH offices responsible for carrying out critical administrative functions

The voluntary turnover rate for *central office* employees was 14 percent in FY24. Central office turnover has been especially pronounced in positions that play key support roles for the agency's overall operations, such as finance, human resources, and procurement (Figure 4-2). The Office of Human Resources (OHR) and the Office of Financial Management (OFM) had the highest turnover rates in FY24, and the Office of Purchasing and General Services (OPGS) had one of the top five turnover rates in the central office.

OHR and OFM also had among the largest increases in turnover rates between FY18 and FY24. OFM's turnover rate increased 19 percentage points (from 24 percent to 43 percent), and OHR's rate increased 24 percentage points (from 33 percent to 57 percent).

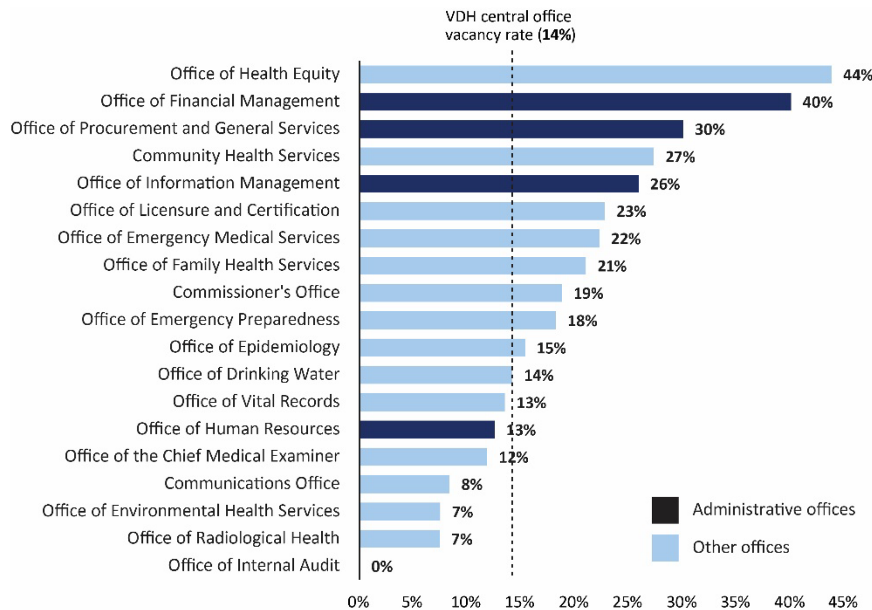
OFM, OPGS, and the Office of Information Management were among the agency's offices with the highest vacancy rates as of June 2024, and the high vacancy rates appear to be causing workload issues (Figure 4-3). Surveyed staff within these offices were among the most likely to disagree that their office had enough staff to handle the workload.

FIGURE 4-2
Central office support functions had among the highest voluntary turnover rates in FY24



SOURCE: JLARC analysis of data from VDH's June 2024 Staff & Position Monthly Tracking report, and information provided by the Department of Human Resource Management.

FIGURE 4-3
Central office support functions had among the highest vacancy rates at the end of FY24



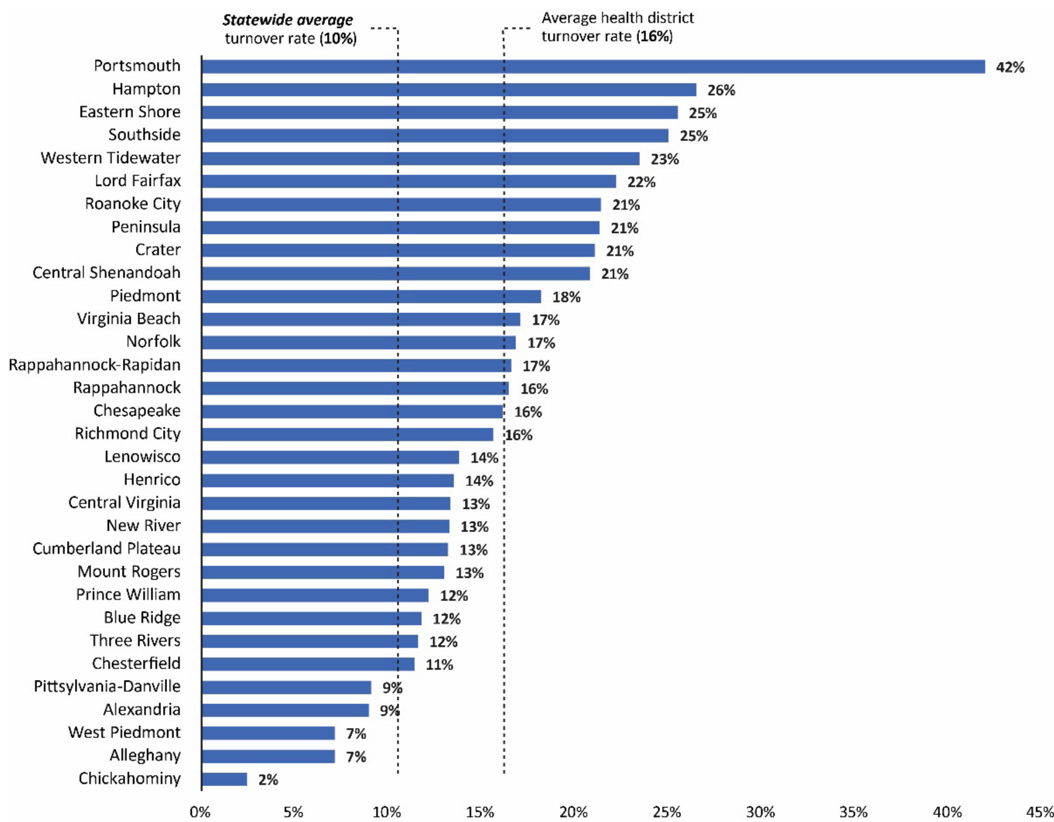
SOURCE: JLARC analysis of VDH staffing data as of June 15, 2024.
NOTE: Vacancy rates exclude contractors. Vacancy rates would likely be lower for some offices, including the Office of Financial Management and the Office of Information Management, if contractors were included.

Some VDH health districts have been experiencing severe staffing challenges

VDH has also been experiencing challenges retaining staff and filling vacant positions at some health districts. The average voluntary turnover rate across VDH health districts was 16 percent in FY24 (Figure 4-4). However, turnover rates were extremely high in some districts. Ten districts had turnover rates higher than 20 percent, and four had turnover rates that were 25 percent or higher.

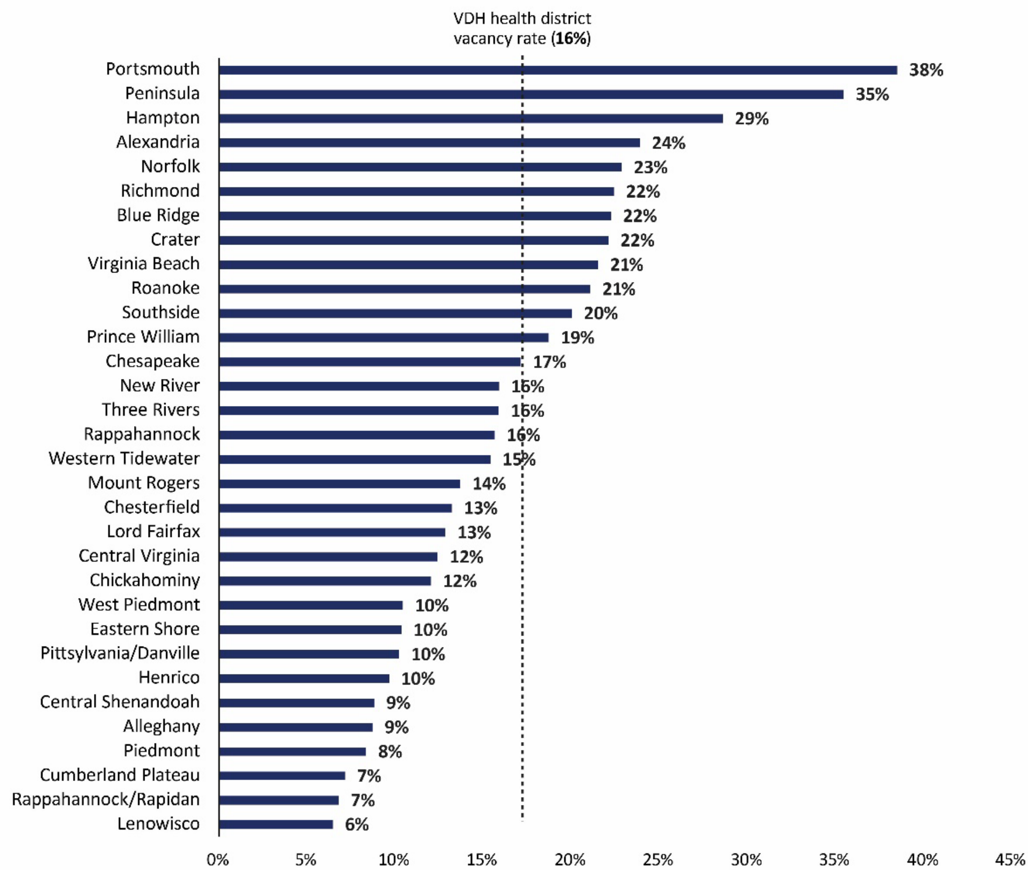
The average *vacancy* rate for health districts was 17 percent as of June 2024, but 11 health districts had vacancy rates that were 20 percent or substantially higher (Figure 4-5).

FIGURE 4-4
Voluntary turnover rates exceeded 20 percent in 10 VDH health districts during FY24



SOURCE: JLARC analysis of data from VDH's June 2024 Staff & Position Monthly Tracking report.

FIGURE 4-5
Vacancy rates were at least 20 percent at 11 VDH health districts as of June 2024



SOURCE: JLARC analysis of VDH staffing data as of June 15, 2024.
NOTE: Vacancy rates exclude contractors. Vacancy rates would likely be lower for many districts if contractors are included.

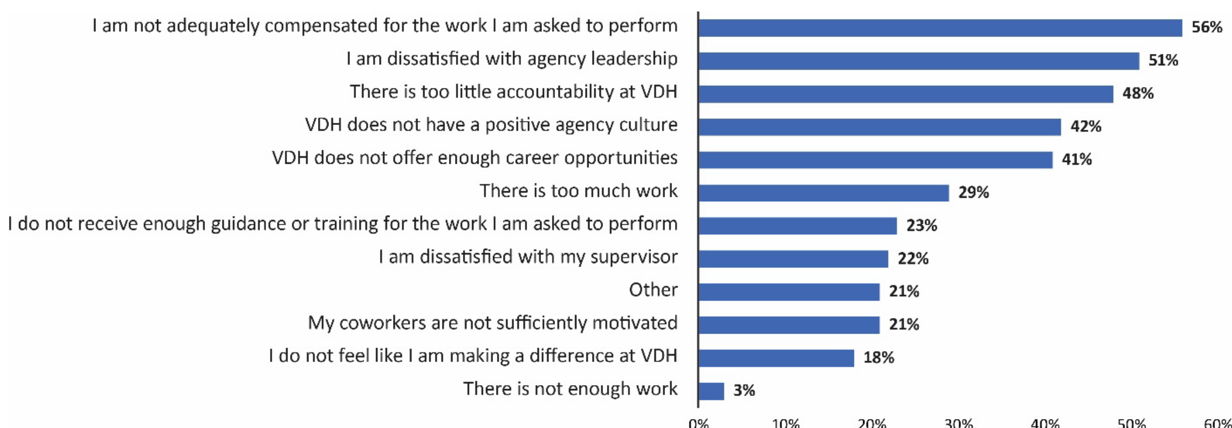
Several types of district positions that directly serve the public and are important to VDH's core mission have especially high vacancy rates. For example:

- Nutritionists—who provide nutrition services, nutritional education, and direct care to individuals in the WIC program (Women, Infants and Children) —had a vacancy rate of 45 percent across health districts.
- Health counselors—who are responsible for identifying and contacting persons known or suspected of being exposed or at high risk of exposure to a communicable disease, such as TB, syphilis, HIV/AIDS, and others—had a vacancy rate of 40 percent across health districts.
- Public health nurses—who provide direct nursing care in public health clinics, including conducting assessments, performing lab tests, and administering medication—had a vacancy rate of 22 percent across health districts.

Many VDH employees reported dissatisfaction with compensation, agency management, and accountability

VDH does not have exit survey data for most employees who leave the agency, so there is no comprehensive data on the reasons for staff departures. However, of the 640 VDH staff who reported on JLARC's staff survey that they are either dissatisfied with their jobs or with VDH as an employer, the five primary reasons for their dissatisfaction were (1) inadequate compensation, (2) dissatisfaction with agency leadership, (3) limited accountability for staff, (4) the lack of a positive agency culture, and (5) inadequate career opportunities (Figure 4-6).

FIGURE 4-6
VDH staff are dissatisfied with their jobs and with VDH as an employer for five primary reasons



SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: N=640. Survey respondents could select up to five reasons; only survey respondents who said they were dissatisfied with their jobs or with VDH as an employer answered this question.

Based on staff survey results, compensation does not appear to be a primary turnover driver for most job roles. Among the job roles where a high proportion of employees indicated they were dissatisfied with their salary, there was generally minimal turnover within those job roles in FY24 and most employees in these roles did not indicate that they were planning to leave their jobs.

Central office staff were most dissatisfied with agency leadership, VDH's culture, and the lack of staff accountability. Health district staff had similar concerns but were more likely to be dissatisfied with compensation and advancement opportunities. (Recommendations in Chapter 6 to improve supervision and accountability at the agency could help address this.)

Dissatisfaction with compensation was cited as a top factor in employee dissatisfaction overall, and VDH leaders have expressed concerns that VDH compensation levels are affecting the agency's ability to recruit and retain some types of employees, such as nurses and environmental health specialists (sidebar). Leadership indicated that some employees (such as medical facility inspectors) leave VDH for higher salaries in other state agencies and private sector employers.

Given that compensation was a top reason for staff dissatisfaction and that VDH leaders have concerns about compensation for some positions, VDH should assess the competitiveness of its salaries compared to other relevant employers, especially for key public health positions that VDH has identified as critical and hard to fill (such as

nurses and environmental health specialists). Such an effort would likely help retain staff and recruit new staff to fill vacant positions. Before conducting this salary analysis, however, VDH should implement recommendations in Chapter 6 related to employee work profiles (EWPs) to ensure EWPs accurately reflect the job responsibilities for each employee. Without accurate and specific EWPs, it will be difficult to identify appropriate compensation benchmarks.

Many VDH offices report having insufficient staff to handle workload

Close to half of central office staff who responded to JLARC's survey (45 percent) disagreed that their office or work unit typically has enough staff to handle their workload. Staff in six offices within the central office were the most likely to disagree (Table 4-1).

TABLE 4-1
High percentage of staff in some offices disagree their office has enough staff to handle the workload

"My office typically has enough staff to handle the workload."	% disagreeing
Office of Emergency Medical Services	79%
Office of Internal Audit	78
Office of Procurement and General Services	75
Office of Licensure and Certification	71
Office of Drinking Water	60
Office of Information Management	56

SOURCE: JLARC survey of VDH staff (July and August 2024).

Insufficient staffing levels have had a substantial impact on VDH's ability to fulfill some of its key public health responsibilities. The Office of Licensure and Certification (OLC)—which had among the highest percentage of staff who disagreed they have enough staff to handle the workload—has been unable to perform key state-mandated inspections of home care organizations, nursing homes, inpatient hospitals, and outpatient surgical hospitals as required. According to VDH staff:

- 97 percent of home care organizations have not been inspected in at least two years and were overdue for a biennial licensure inspection, as of June 2024;
- 39 percent of nursing homes were overdue for their mandated biennial state licensure inspection as of August 2024;
- 99 percent of inpatient hospitals were overdue for their mandated biennial state licensure inspection as of August 2024; and

- 91 percent of outpatient surgical hospitals were overdue for their mandated biennial state licensure inspection as of August 2024.

OLC has also been unable to investigate complaints and complete required federal inspections of nursing homes. As of August 2024, 115 of Virginia's 290 nursing homes (40 percent) had not been inspected within the past two years, and some had not been inspected since early 2021, according to data from the U.S. Centers for Medicare and Medicaid Services. Virginia had the sixth-highest proportion of nursing homes that had not been inspected within the past two years.

VITA requires agencies to conduct IT security audits of their sensitive systems every three years. These audits are independent assessments of IT security policies, records, and activities, and their purpose is to assess the effectiveness of each system's IT security controls and compliance with Commonwealth IT security standards.

Insufficient staffing levels have also affected VDH's ability to ensure its sensitive IT systems are secure. Despite having 59 sensitive IT systems, the agency has only two full-time classified positions for IT security, and one of those positions has been vacant since January 2024. VDH has supplemented these classified positions with contract staff, but relying on contract staff to handle critical security functions is not ideal. In addition, the Office of Internal Audit (OIA), whose staff report having insufficient resources to handle their workload, has not been able to conduct all IT security audits because of vacant IT auditor positions (sidebar).

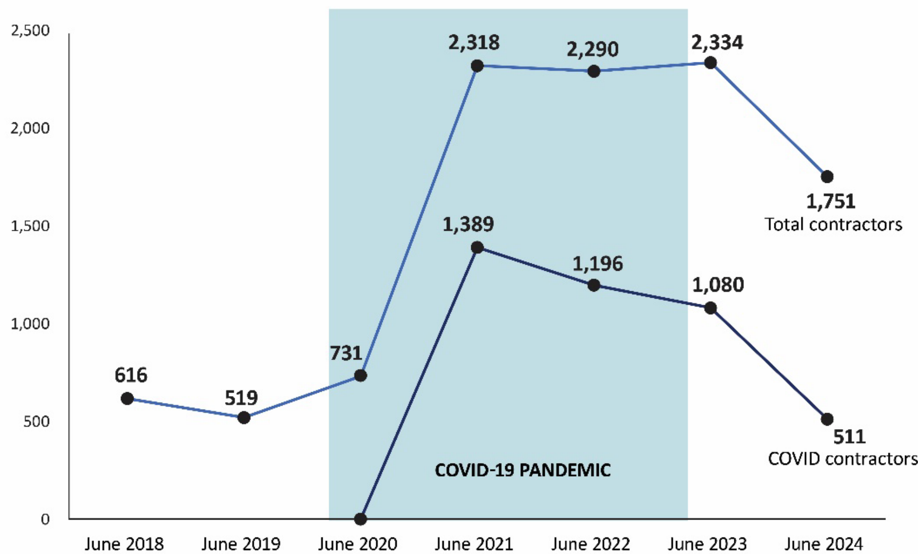
VDH leadership is aware of some of these workload issues and is attempting to address them. For FY26, VDH has requested funding for 14 positions in OLC to create an inspection team for home care organizations, five positions to address IT security, and additional IT security auditors.

VDH is overly reliant on contract staff

Over the past five years, VDH has relied heavily on contract staff, which is not solely explained by the use of temporary contractors for responding to the COVID-19 pandemic. As of June 2024, VDH employed 1,751 contractors (excluding interns and volunteers), which represents 36 percent of VDH's total workforce. The agency's use of contractors increased substantially during the pandemic, primarily for COVID-related functions like contract tracing and vaccinations. The number of contractors decreased in 2024 but is still substantially higher than pre-COVID levels (Figure 4-7). Notably, only about 29 percent of current contractors were classified by VDH as COVID contractors in June 2024, indicating that VDH is relying on contractors for other reasons.

Almost all program offices and health districts employ contractors to some extent, and contractors are used in a variety of job roles, including administrative, fiscal, and IT jobs; healthcare jobs such as nurses; and nutritionists, health educators, and epidemiologists.

FIGURE 4-7
VDH's use of contractors increased substantially during the COVID pandemic and remains high



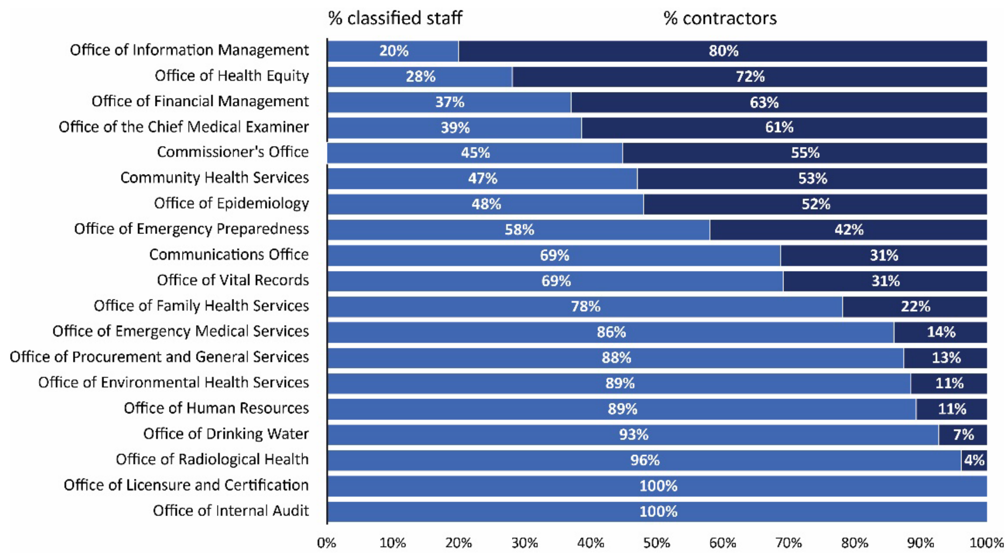
SOURCE: JLARC analysis of VDH staffing data.
NOTE: Excludes interns and volunteers VDH has classified as contractors. "COVID contractors" designation of contract staff was provided by VDH.

Contractors make up 46 percent of total central office staff—although the proportion of staff who are contractors varies across offices, from zero to 80 percent (Figure 4-8). Several offices, including the Office of Information Management, Office of Health Equity, and Office of Financial Management, have more contractors than classified staff. Similar variation exists among health district offices (Figure 4-9).

VDH has more contractors than other Virginia state agencies and public health agencies in other states. VDH had by far the highest spending on contractors of all Virginia state agencies. According to state procurement data, VDH's orders for temporary contractors totaled $150 million in FY24, which was more than four times the amount paid by VDOT. In fact, VDH's orders for contractors amounted to more than the next 12 agencies combined.

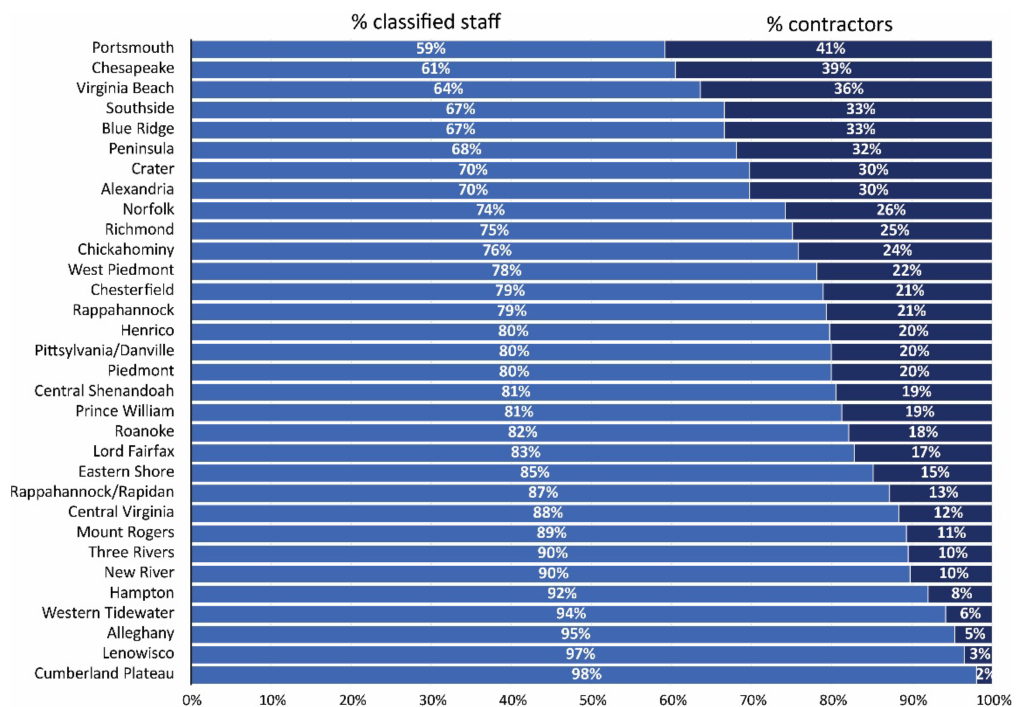
Virginia also has the highest proportion of contractors among state public health agencies compared with other southeastern states. Based on 2022 data collected by the Association of State and Territorial Health Officials, contractors (and temporary workers) comprised 44 percent of VDH's workforce, and the average for the 11 other southeastern states was 19 percent, with North Carolina having the next highest proportion at 29 percent.

FIGURE 4-8
Some offices rely heavily on contractors (central office)



SOURCE: JLARC analysis of VDH staffing data as of June 15, 2024.
NOTE: Excludes interns, COVID contact tracers, COVID case investigators, and contractors whose office assignment was unknown. Some contractors assigned to the Commissioner's Office include contracts for services for the entire agency. Contractors assigned to the Office of the Chief Medical Examiner include contracts with local medical examiners who serve localities across the Commonwealth.

FIGURE 4-9
Some VDH health districts rely heavily on contractors



SOURCE: JLARC staff analysis of VDH staffing data as of June 15, 2024.
NOTE: Excludes interns, COVID contact tracers, and COVID case investigators.

VDH's reliance on contractors increases the agency's operating costs and prevents VDH from creating a stable workforce

Contractors can be a valuable component of an agency's workforce, but they are often more expensive than classified staff. VDH does not have fully reliable data on the costs of its contractors, but the data that is available indicates contractors are generally more expensive than classified employees for some positions, even when accounting for the cost of employee benefits that classified employees receive. For example, the average rate per hour (including benefits) for a public health nurse (a position where contractors are commonly used) is $42.50 for a classified position and $48 for a contractor, a 13 percent difference.

Other examples of positions where contractors are generally more expensive include:

- Health educator sr. - average rate per hour (including benefits) for a classified position is $35.75 vs. $52.50 for a contractor, a 47 percent difference
- Medical records tech sr. - average rate per hour (including benefits) for a classified position is $35 vs. $50 for a contractor, a 43 percent difference
- Data base administrator - average rate per hour (including benefits) for a classified position is $85 vs. $105 for a contractor, a 23 percent difference

There are also some examples, however, where contractors are less expensive on average than classified employees, including some positions where contractors are commonly used, such as office services specialists and program support techs.

Heavy reliance on contractors also prevents the agency from creating a stable workforce. Contractors are less likely to stay with an agency for an extended period and provide less continuity than classified employees, leading to a loss of institutional knowledge. There is no turnover data on contractor staff, but several supervisors indicated that contractors are often looking for full-time employment and will leave VDH as soon as they find a more permanent job. Frequent contractor turnover requires VDH staff to continuously train new contractors on VDH operations.

Unlike other state agencies, VDH has not adopted a policy to limit hiring contractors only when necessary and cost-effective

VDH uses contractors for many reasons (beyond the need for temporary staff for the COVID pandemic), and the use of contractors appears to be reasonable and even necessary in many cases. For example, some offices use contractors for short-term projects or projects that are funded by time-limited grants. VDH also reportedly will use contract staff to temporarily fill vacant positions if VDH has not been able to fill the vacant classified position with a qualified person.

Some offices and health districts, however, are reportedly relying on contractors to fulfill critical roles at the agency that are not temporary. The Office of Information Management, for example, estimates that about 35 percent of its contractors are filling long-term critical needs (including providing essential IT support to health districts,

IT asset management, and IT project management) and noted that these roles should be converted to full-time classified positions.

There are also cases where VDH is not using contractors in a strategic or cost-effective manner. Some offices indicated, for example, that they will hire contractors instead of full-time positions because they can bypass VDH's lengthy hiring process or because they can pay a contractor a higher hourly rate. In addition, some contractors who were initially hired to temporarily fill a vacant classified position were still employed many years later. As of June 2024, 39 percent of contractors (569) (excluding contact tracers and case investigators) had worked at VDH for three or more years, and 8 percent of contractors (124) had been at VDH for 10 or more years. This use of long-term contractors may put VDH at risk of employee misclassification, which can result in state civil penalties or legal action from contractors who are misclassified.

OHR staff have recently taken steps to try to reduce VDH's unnecessary reliance on contractors, but it does not have formal guidelines to help offices and health districts determine when and whether to hire a contractor. According to VDH leadership, they have recently transitioned some contractors to classified positions, which is a positive step. OHR has also started training supervisors on using and managing contractors.

Some state agencies with a high proportion of contractors have formal guidelines or policies to help determine when to use contractors. VITA, for example, has developed guidelines to help ensure it has a standard approach to using contractor resources and to ensure that VITA is using contractors for only temporary assignments. VITA's guidelines outline when a contractor should be used (i.e., for staff augmentation purposes that can include temporarily filling a vacancy, completing a short-term project, or managing a temporary increase in demand). VITA's guidelines require each contract engagement to have a defined time frame, and new contract engagements are limited to two years.

Given its heavy reliance on contractors and their expense, VDH should take steps to ensure it uses contractors strategically, when it is beneficial to the agency, and not as a long-term solution. To do this, VDH should develop an internal policy that offices and health districts use to determine when and whether contractors should be used instead of classified positions. VDH should also review all contractors currently employed by the agency to determine whether they are carrying out long-term functions and should be converted to classified employees. VDH should then develop a plan for replacing contractors with classified staff (or transitioning contract employees to classified employees), where appropriate. Where contract positions are either no longer needed or can be converted into lower-cost classified staff positions, VDH could use the savings to address the reported staffing shortages discussed previously.

RECOMMENDATION 12

The Virginia Department of Health, in consultation with the Department of Human Resource Management and the Department of General Services, should (i) develop an internal policy that specifies the circumstances under which offices and health districts may use contract employees, including guidelines for the maximum length of time a contract employee should be allowed to work at the agency; (ii) restrict offices and health districts to hiring contract employees in the circumstances enumerated in the policy; and (iii) implement a process to ensure offices and health districts are following this policy.

RECOMMENDATION 13

The Virginia Department of Health should (i) review its use of contractors to determine whether each contract position is necessary and, if so, whether it should be converted into a classified position; and (ii) develop a plan, as needed, to replace contractors with classified staff or transition contract employees to classified positions.

5 VDH's Office of Human Resources

VDH's Office of Human Resources (OHR) is responsible for supporting the agency's hiring and personnel management needs. OHR staff provide a variety of human resources-related assistance and support to central office and district employees, including recruiting and hiring new employees and providing assistance with employee benefits, employee relations, pay determination, performance management, and leave issues. OHR had 48 classified positions (six of which were vacant) and four contractors in the central office as of June 2024, and there are approximately 27 classified human resources positions in the health districts (five of which were vacant). These health district staff assist district offices with their human resources needs and have a dotted line (i.e., secondary) reporting relationship to OHR.

OHR's deficiencies prevent VDH from addressing critical challenges: inadequate staffing and a negative workplace culture

Effective and consistent human resources leadership is vitally important at a complex agency like VDH. VDH is an especially large agency with employees working at numerous locations statewide, its workforce occupies many different types of job roles, staff positions are often funded through multiple revenue sources, and the agency employs a complex mix of position types, including full- and part-time classified employees, temporary grant-funded positions, and contractors. OHR within VDH's central office should ensure that there is uniformity and consistency in human resources practices agencywide and that the agency's many divisions, offices, and even smaller work units receive consistent support from a cohort of human resources experts.

As discussed in Chapter 4, VDH has experienced substantial staffing challenges since the COVID-19 pandemic, including high turnover and vacancy rates in some offices and health districts, a heavy reliance on contractors, and staff dissatisfaction with their jobs or with VDH as an employer. Some employees also report that they do not receive adequate training and guidance to do their jobs effectively. These staffing challenges make an effective human resources function even more essential so that new employees can be hired to fill vacant positions as quickly as possible, and new staff can receive effective onboarding and training to ensure they understand the agency and their responsibilities.

OHR has a critical role in supporting the agency's staffing needs, but another high priority for the office should be cultivating and maintaining a positive workplace culture. As mentioned in Chapter 4, "VDH does not have a positive culture" was cited as

a top reason why employees reported being dissatisfied with their job or VDH as an employer. In open-ended survey responses and interviews, many VDH employees expressed frustration with what they perceived as a negative workplace culture, characterized by distrust, bullying, retribution, and unprofessionalism:

> There is a prevailing sentiment of disrespect, contempt, dismissal and rudeness toward employees by VDH senior management. (VDH central office staff)
>
> I work in a toxic environment. I am not supported by leadership. Leadership has no concern about work-life balance, and I have been actively seeking employment outside of the VDH to improve my working conditions, as have many others in this office. (VDH central office staff)
>
> I do not feel VDH is well managed. They cannot keep people in positions, and it could be from the toxic work environment it has created, favoritism, or lack of subject matter knowledge and training. (VDH health district staff)
>
> [My district] has a culture problem. It has been reported to central office multiple times, and some senior managers have received violations of standards of conduct. The environment is toxic and retaliatory and inhibits business operations. (VDH health district staff)

OHR employees were candid about their own challenging working conditions and cited several management-related concerns on the staff survey, including:

- a lack of engagement, communication, and transparency from OHR leadership;
- bullying or retaliation if OHR staff raise concerns or suggest changes or new ideas;
- a general lack of accountability (OHR had the lowest proportion of staff reporting that staff in their office were held accountable for their performance).

The negative culture within OHR is one of several indications that the office has not been well managed in recent years.

A majority of OHR classified employees (78 percent) responded to JLARC's staff survey.

As discussed below, OHR has experienced significant staffing challenges and has had among the highest turnover and vacancy rates within VDH. Because of the high turnover, many OHR staff are new to VDH and do not have experience with VDH's complex human resources environment. Survey results indicate that OHR risks losing even more staff if its management issues are not addressed. Thirty-four percent of OHR staff responding to the survey (sidebar) reported being dissatisfied with their jobs, and 37 percent reported they were considering leaving their jobs within the next six months.

VDH has recently filled most of the vacant positions within OHR and has reorganized the central office so that OHR reports directly to the commissioner, which are positive changes. A key priority for OHR now should be retaining these newly hired staff to

achieve stability within the office and preparing these new staff to effectively and consistently meet the rest of the agency's human resources needs.

OHR is critical to the success of the agency, and the success of VDH moving forward depends on a well-managed and effective human resources function. In addition to implementing the other recommendations in this chapter, VDH leadership should take further steps immediately to ensure OHR is effective and well managed and that OHR leadership is held accountable for addressing issues related to staff dissatisfaction and office culture.

RECOMMENDATION 14

The Office of the Commissioner of the Virginia Department of Health (VDH) should (i) develop and implement a plan to improve the management, culture, and accountability within the Office of Human Resources (OHR) in consultation with the Department of Human Resource Management; (ii) monitor and document OHR's progress in implementing the recommendations in this report and improving the timeliness, consistency, and reliability of services provided to VDH offices and districts; and, if necessary, (iii) take steps to support OHR leadership in this effort and hold them accountable for improvements.

VDH's protracted and inefficient hiring process prolongs vacancies in critical positions

VDH's hiring process for central office staff is a joint effort between OHR and program office hiring managers (sidebar). VDH's hiring process has several steps, including verifying the need for the position, developing a recruitment plan, posting the position, screening applicants, assembling interview panels and conducting interviews, selecting the candidate, and determining the final salary. Hiring managers are involved at many points in the process and ultimately select the candidate they want to hire, but OHR approval is required at multiple points in the process (e.g., approval to fill a vacant position, approval to post the position, and approval for the final offered salary).

A hiring manager is the manager of an office or division within VDH that is recruiting applicants for an open position. The hiring manager will be involved in aspects of the hiring process.

VDH's hiring process is slow and takes longer than other state agencies

VDH's average time to fill open positions was 101 days in FY24, according to data from the state's job posting and recruitment system, which is longer than the statewide average of 75 days during the same period. OHR also exceeds its own internal hiring goal of 50 days. A large proportion of VDH hiring managers and recently hired employees responding to the staff survey indicate the hiring process takes too long and is inefficient (sidebar).

Only 23 percent of the 432 **VDH staff who have served as hiring managers** for an open position over the past 12 months agreed on JLARC's staff survey that VDH does a good job ensuring the hiring process is as efficient as possible (55 percent disagreed). Almost half (46 percent) of the 290 **VDH staff who were hired in the last 12 months** and who responded to JLARC's survey indicated the hiring process was either somewhat slow or very slow.

VDH staff indicated that delays occur throughout the hiring process rather than at one primary bottleneck. The most cited causes of delays were:

- lengthy waits to receive approval from OHR staff once a hiring request is submitted;
- time-consuming negotiations with OHR about the salary that can be offered after a candidate is selected;
- lengthy background investigations (with some staff also indicating VDH's background check requirement for all new staff is unusual and unnecessary); and
- frequent requests from OHR staff asking hiring managers to provide information OHR should already have (e.g., position descriptions and basic information that goes in the recruitment plan).

VDH hiring managers report that this lengthy process has negatively affected the agency's ability to fill positions. Hiring managers reported on the JLARC survey that over the past 12 months, a minimum of 490 qualified candidates removed their applications from consideration or took another position because of delays in the VDH hiring process. In many cases, this may require VDH to either hire a less qualified applicant or start the process over.

OHR should consult with staff from the Department of Human Resource Management (DHRM) and human resources staff in other agencies to determine whether there are ways to streamline and improve its timeliness. A streamlined process could potentially include limiting the number of required OHR approvals, determining whether background investigations are needed for all new hires, and streamlining the process for determining final salaries.

RECOMMENDATION 15

The Virginia Department of Health's Office of Human Resources should work with staff from the Department of Human Resource Management (DHRM)—and human resources leaders in other executive branch agencies recommended by DHRM—to identify ways to increase the efficiency of its hiring process and the timeliness of filling vacant positions and, as soon as practicable, modify its hiring processes accordingly.

Agency-wide confusion about the hiring process contributes to avoidable delays

In May 2024, for example, VDH had 427 open positions that were in various stages of the recruitment process.

At any given time, VDH is recruiting for many open positions, and a successful and timely hiring process depends on the cooperation and coordination of staff within OHR, as well as staff within various program and administrative offices and at VDH health districts (sidebar). To ensure the hiring process is as timely as possible, VDH staff involved in the process need to understand it and their specific roles.

OHR staff and hiring managers do not fully understand the hiring process and who is responsible for specific aspects of it. Multiple OHR staff gave different accounts of how the process works during interviews, and hiring managers indicated that the

process differs depending on the OHR staff they work with. Nearly half (44 percent) of hiring managers responding to the survey indicated that the process is unclear to them.

OHR has not clearly defined or documented the hiring process and staff's roles and responsibilities. OHR does have one resource for hiring managers and OHR staff—a Recruitment Plan and Meeting Guide (sidebar)—but confusion remains widespread.

The Recruitment Plan and Meeting Guide is supposed to be used to facilitate a recruitment planning meeting between OHR staff and hiring managers as the initial step in each recruitment. The guide addresses questions and considerations for each step of the recruitment process, including the recruitment strategy, screening strategy, and interviewing strategy.

A lack of clarity on the hiring process increases the risk of avoidable delays and errors and makes it more likely that qualified applicants will withdraw their applications from consideration. For example, without clearly defined roles and responsibilities, the process may be delayed because the hiring manager may assume OHR is taking action, or vice versa, or OHR staff and the hiring manager may duplicate tasks, like screening applications. As one program office manager noted: "I did not get any guidance from HR about the [hiring] process…[which] definitely drew out the process." The lack of clarity on the hiring process also makes it difficult to hold OHR staff and hiring managers accountable for carrying out their role in the process effectively and efficiently. Until the hiring process and roles and responsibilities are clearly defined, it will be difficult to make substantial improvements to the timeliness of the process.

OHR should replace the Recruitment Plan and Meeting Guide with a simplified document that clearly articulates the hiring process. It should specify who is responsible for each step, including screening applicants and scheduling and managing interviews, could take the form of a checklist, and should be communicated to all OHR staff and hiring managers. VDH should consult with DHRM staff to determine if similar documents exist that could be used as a model. OHR should periodically audit hiring actions to ensure that the steps are being followed consistently for each recruitment.

RECOMMENDATION 16

The Virginia Department of Health (VDH), in consultation with the Department of Human Resource Management, should develop a written description of the agency's hiring process and make it available to all staff involved in hiring, including human resources staff and hiring managers. The description should be kept current, differentiate between practices to be followed for central office versus district-level positions, identify by position who is responsible for completing each component of the hiring process, and assign approximate timeframes for each component that reflect VDH's hiring timeframe goals.

Poorly written job descriptions for advertised positions unnecessarily prolong the hiring process

An efficient hiring process requires having a job description that accurately describes the job and specific skills required. An accurate job description helps ensure job applicants understand the position's responsibilities and the skills and training required. This increases the likelihood that the applicant pool will have a qualified applicant and reduces the number of unqualified applicants to be screened out.

The Employee Work Profile (EWP) includes the purpose of the position, description of the expertise required to perform the work assigned to the employee, the educational background required for the position, and the core responsibilities.

Job descriptions for advertised VDH positions do not always accurately describe the job or the specific skills required, primarily because VDH requires that job postings reflect the official position description adopted by the agency, referred to in executive branch policy as the position's Employee Work Profile (EWP) (sidebar). However, the job duties and minimum qualifications in some of VDH's EWPs are too general to accurately reflect the responsibilities and requirements of the job. For example, the environmental health specialist position's EWP encompasses several different types of jobs, including restaurant inspectors, onsite sewage inspectors, private well inspectors, and shellfish sanitation inspectors, and this broad language is also included in job postings (Exhibit 5-1). One health district manager noted that when an environmental health specialist job is posted, applicants "don't know what the job is—am I digging holes or inspecting restaurants?" Managers in the Office of Epidemiology also indicated that one of their top recruitment hurdles is that job advertisements are not always informative.

EXHIBIT 5-1
Environmental health specialist EWP does not provide an adequate job description for hiring purposes

EWP description: Environmental Health Specialist	Job posting description: Environmental Health Specialist (May 2024)
"Performs environmental health duties independently at the journey level in areas such as food sanitation, on-site soils evaluation, private well inspection, rabies abatement, communicable disease investigation, migrant labor camp inspection, classification of shellfish growing areas and investigation of general environmental complaints. Training includes completion of the VDH Soils program, VDH Food program or Shellfish program, whichever is applicable. Must have and maintain credentials in one of the following: VDH Standardized in Food, DPOR Conventional Onsite Soil Evaluator (COSE), DPOR Alternative Onsite Soil Evaluator (AOSE), National Shellfish Sanitation programs (NSSP) State Standardized Inspector."	"Performs environmental health duties at the entry level. Employees are typically new hires in formal and on-the-job training in one or more areas such as food sanitation, on-site soils evaluation, private well inspection, rabies abatement, communicable disease investigation, and migrant labor camp inspection, classification of shellfish growing areas and investigation of general environmental complaints. Must be able to complete the applicable training in the VDH Sols *[sic]* program, VDH Food program or VDH Shellfish program and be able to obtain credentials in one of the following within 30 months: VDH Standardized in Food, DPOR Conventional Onsite Soil Evaluator (COSE), DPOR Alternative Onsite Soil Evaluator (AOSE), and National Shellfish Sanitation programs (NSSP) State Standardized Inspector."

Source: VDH environmental health specialist EWP and a May 2024 job posting for a local health district.

Poor job descriptions can delay hiring and reduce the pool of qualified applicants. According to VDH staff, VDH has received many applications from candidates who do not meet the job requirements because the job descriptions were too broad. Some hiring managers indicated that applicants have not fully understood what the job entails until the interview, at which point they decided that they are not interested or qualified. One manager temporarily stopped recruiting in their office because poor job descriptions resulted in several unsuccessful postings.

To improve the hiring process, OHR should modify its policies and procedures for posting jobs to allow the job duties and minimum qualifications for the job to be tailored to the specific position the agency is trying to fill rather than defaulting to using the position's EWP as the job description.

RECOMMENDATION 17

The Virginia Department of Health should ensure that all advertisements for open positions (i) include only the job duties and minimum qualifications for the specific position to be filled and (ii) include enough detail to attract interested and qualified applicants, even if doing so requires more detail than is reflected in the official position description ("Employee Work Profile") adopted by the agency.

New "recruitment teams" improve pace and success of hiring for some positions

Similar to other large state agencies, VDH has dedicated a team of staff to recruit and hire new employees for certain positions within the agency. This recruitment team, located within OHR, is primarily grant funded, consists mostly of contract employees, and is being used on a pilot basis.

VDH's dedicated recruitment staff are able to spend more of their time on recruitment than other OHR staff and can specialize in the hiring process. As a result, VDH indicates that the dedicated recruitment team is able to fill positions slightly faster than traditional human resources staff, and hiring managers report positive experiences with the team.

Virginia state agencies that have dedicated recruitment teams include: Department of Transportation, Department of Social Services, Department of Behavioral Health and Developmental Services, Department of Medical Assistance Services, Department of Corrections, and Department of Motor Vehicles.

Other large state agencies also have dedicated "talent acquisition teams" (sidebar). The Virginia Department of Transportation's (VDOT's) team, for example, conducts outreach to universities, community organizations, and professional associations; develops recruitment marketing campaigns; and develops talent pools for critical business needs (i.e., sourcing), among other things. The team tends to focus on VDOT positions that are particularly hard to fill.

VDH should make its dedicated recruitment team permanent and use classified employees rather than temporary contract staff. One senior VDH leader indicated that having general funds to make its dedicated recruitment team permanent "would be a game-changer for the agency," and VDH has requested general funds for two classified recruiters for FY26.

Initially, VDH should replace the four contract recruiters with full-time classified positions (or transition the contract employees to classified employees) to specialize in recruiting and hiring for the agency. After these positions are filled, it can evaluate the need for additional staff.

RECOMMENDATION 18

The General Assembly may wish to consider including general funds in the Appropriation Act for at least four full-time classified recruiter positions within the Office of Human Resources at the Virginia Department of Health (VDH). These positions should be dedicated exclusively to recruiting qualified candidates into especially critical or hard-to-fill positions within the central office and health districts, and VDH should base the responsibilities and objectives of the new positions on successful examples at other executive branch agencies.

VDH staff report dissatisfaction with OHR support and employee onboarding processes

In addition to the recruiting and hiring process, OHR staff are responsible for helping support human resources functions throughout the agency. Effective human resources policies, training, and support are required for a complex and large agency like VDH, which has a geographically widespread workforce, various types of job roles, positions that are often funded through multiple sources, and a complex mix of position types including full- and part-time classified employees, temporary grant-funded positions, and contractors.

JLARC staff conducted a survey of all VDH staff, including classified and contract staff working in central office and in health districts. JLARC received 2,514 completed responses, for a response rate of 52 percent. (See Appendix B for more information.)

VDH staff outside OHR report considerable dissatisfaction with the support provided by OHR

Overall, less than half of VDH staff who have interacted with OHR over the past six months and responded to the JLARC survey reported satisfaction with OHR. About one-third of VDH staff disagree that OHR responds promptly to requests for assistance, provides clear and consistent guidance, does a good job communicating its policies and procedures, and can be counted on to take action to address challenges when informed of them (Figure 5-1).

FIGURE 5-1

About a third of VDH staff who have interacted with OHR within the past six months disagree that OHR provides effective support

SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: Includes only staff who have interacted with OHR within the past six months. For simplicity purposes, "Agree" includes both "Agree" and "Strongly Agree" and "Disagree" includes both "Disagree" and "Strongly Disagree."

New VDH employees in some offices do not understand their job responsibilities

Overall, VDH staff (both within central office and health districts) tended to agree that their job responsibilities are well defined, but staff were less likely to report agreeing that VDH has provided them with the training they need to do their job well and that they have been given clear policies and procedures for doing their jobs. Staff in some offices were much less likely to agree with these statements:

- 74 percent of central office staff responding to the JLARC survey agreed that their job responsibilities are well defined. However, less than 50 percent of employees in three offices—OHR, Health Equity, and Emergency Medical Services—agreed with this statement.
- 60 percent of central office staff agreed that VDH has provided them with the training they need to understand how to do their job well, but only 20 percent of staff in OHR and 17 percent of staff in the Office of Health Equity agreed with this statement.
- 57 percent of central office staff agreed they have been given clear policies and procedures for doing their jobs, but less than half of the employees in two administrative offices (OFM and OHR) and three program offices (offices of Emergency Medical Services, Family Health Services, and Health Equity) agreed with this statement.

A structured onboarding process can help ensure that staff understand their job responsibilities and receive the policies, procedures, and training they need. Onboarding can also help new hires adjust to their jobs more quickly and help retain new employees.

VDH provides some onboarding to new staff, but some staff commented on the survey that the process is not helpful or effective. One said: "Onboarding is a horrible experience. Improvements have been made in the last 6 months, but the process is still lacking." Another noted that "[Human resources staff] did not provide any assistance with onboarding on the new employee's first day, everything was left to the manager. I had to ensure my new employee was invited to an HR session on payroll/health insurance/etc."

OHR should develop a more structured onboarding process and ensure that onboarding is provided to all new employees. OHR could work with VDH's new director of workforce development and employee engagement, staff from DHRM, and staff from other agencies with structured onboarding processes when developing the process. VDOT, for example, has a more structured process that includes a checklist for supervisors and assigns an onboarding "buddy" to assist each new employee with questions or other issues. As part of this process, OHR should survey new employees within a month of their start date about their understanding of their job responsibilities and

access to the policies and procedures they need and provide additional training or information to address any employee concerns.

RECOMMENDATION 19

The Virginia Department of Health (VDH) should—with input from the Department of Human Resource Management, newly hired employees, and VDH's director of workforce development and employee engagement—revise the new employee onboarding process to ensure that all new employees receive within the first 90 days of their start date (i) similar information about working for the agency and state government and the resources available to acclimate them to the agency, their office, and their work unit; (ii) a comprehensive and understandable description of their job responsibilities; and (iii) relevant and useful guidance and training to fulfill their roles and responsibilities.

OHR has not provided its human resources staff with some fundamental tools needed to perform their jobs effectively

The agency's human resources function has gone through several organizational and staffing changes over the last several years, which has contributed to instability and a lack of confidence in the central office's human resources role. Human resources staff were part of VDH's poorly implemented Office of Shared Business Services (OSBS), which became operational in early 2020 (sidebar). The unit was effectively dissolved in early 2023 because of deficiencies in how it was implemented, which led to a lack of clarity on roles and responsibilities for some administrative functions, according to VDH leadership and staff. This change in organizational structure was followed by a period of high turnover within OHR, which led to several new staff and new leadership in the office.

VDH consolidated several administrative functions in the OSBS unit, including human resources. VDH removed human resources staff from the program offices and consolidated them in OSBS. When OSBS was dissolved, these human resources staff moved to OHR rather than going back to the program offices.

As of June 2024, VDH changed the reporting relationship for district human resources staff. Instead of reporting directly to OHR staff, district human resources staff will report to their district health director, business manager, or chief operations officer and are no longer part of OHR.

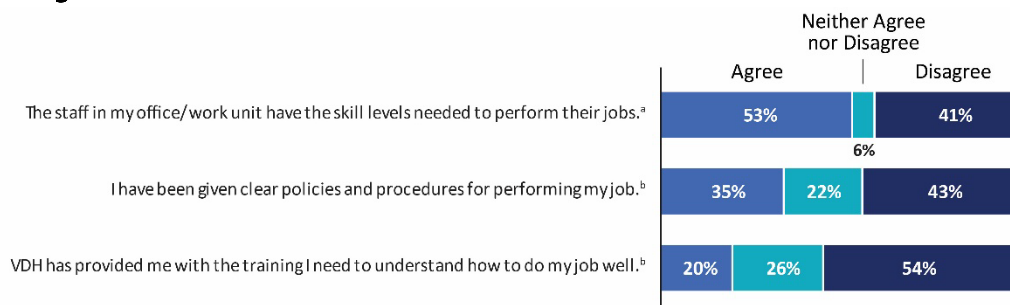
An important goal of OHR leadership should be to ensure that OHR staff provide more consistent human resources advice to VDH staff so that human resources practices are uniform. VDH's many divisions, offices, and work units should be able to rely on consistent support from a cohort of human resources experts in the central office. Additionally, the new reporting structure for district human resources staff will make it especially important that OHR staff provide effective guidance and oversight to human resources staff throughout the agency.

VDH has recently filled many vacant positions in OHR but has not provided new staff with adequate guidance or training

OHR has experienced significant staffing challenges over the past couple of years, and many of the current staff are new to VDH. The office's total turnover rate increased from 33 percent in FY19 to 57 percent in FY24, and OHR's vacancy rate was as high as 29 percent in January 2024. OHR has been able to fill many of its vacant positions during 2024, which is a positive development, but this means that many of its staff are new to VDH. As of June 2024, OHR staff's average years of service was 1.9 years, and approximately 52 percent of OHR staff had less than one year of VDH experience. Most of the individuals serving in OHR leadership positions are relatively new to VDH as well, with less than five years at VDH as of June 15, 2024.

Despite having many new staff, OHR does not have a formal onboarding or training program for new human resources staff, and staff survey results indicate agency human resources staff need additional support (Figure 5-2). Only around half (53 percent) of OHR staff responding to the survey reported that OHR staff have the skill levels needed to perform their jobs, which was among the lowest of all VDH offices. Only about one-third of agency human resources staff agreed VDH has provided them with the training needed to do their job well, and only one-fifth agreed they have been given clear policies and procedures for performing their jobs.

FIGURE 5-2
Some VDH human resources staff report they do not receive adequate training and guidance



SOURCE: JLARC survey of VDH staff (July and August 2024).
NOTE: [a] Includes OHR staff only. [b] Includes all agency human resources staff (OHR staff and district human resources staff).

Other large agencies have more formal onboarding and training programs for their human resources staff, such as VDOT, and these programs could be used by VDH to improve its own human resources onboarding. In implementing Recommendation 19, OHR should pay particular attention to ensuring that the revised onboarding process is effective for orienting newly hired human resources staff within OHR, in other offices, and in the health district offices.

There is no single, up-to-date, referenceable resource on VDH's human resources policies and procedures

Navigating human resources issues is a challenge for any agency of VDH's size, complexity, and statewide presence, yet OHR does not have a single, up-to-date, and reliable source for the agency's human resources policies and procedures.

According to DHRM policy, agencies may provide temporary pay to an employee under certain circumstances, including when staff are required to perform additional duties at the same or higher level of responsibility on an interim basis.

VDH staff reported that they often receive conflicting or inaccurate information from OHR staff on issues like the hiring process, performance management, and teleworking. For example, the Office of Internal Audit found through an internal investigation that OHR misinterpreted DHRM's compensation policy and inappropriately approved the use of temporary pay for some VDH staff in 2023 (sidebar). In another recent example cited by both VDH and DHRM staff in interviews, about 40 grant-funded positions were not classified as restricted positions as they should have been, which put VDH at financial risk when the grant ended in 2024. VDH and DHRM staff reported that because the positions were not classified correctly, VDH would have been required to lay them off when the grant ended and provide them with severance benefits. According to VDH staff, VDH was ultimately able to avoid this situation by using other available funds to keep the positions, which were originally supposed to be temporary.

A single source of information for human resources staff (i.e., a human resources "manual") would improve OHR staff's ability to provide consistent, accurate guidance and assistance to VDH staff. The exercise of creating a comprehensive resource could further prompt OHR to ensure its policies and procedures for all key human resources functions are clear and up to date. In addition, the manual would help OHR staff respond to VDH staff's questions accurately and consistently. For policies and procedures that are dictated by DHRM and that apply to all executive branch agencies, VDH could simply provide electronic links to DHRM policy in its "manual," reducing the extent to which VDH staff would have to update some provisions.

Developing a human resources manual is important and necessary but could be difficult to achieve at the same time VDH leaders are working to resolve the agency's many staffing challenges. Implementing this recommendation should be appropriately prioritized relative to other more pressing priorities.

RECOMMENDATION 20

The Virginia Department of Health should develop and maintain, in consultation with the Department of Human Resource Management, a comprehensive, official human resources manual that provides the agency's policies and procedures for all key human resources activities.

6 Management and Accountability at VDH

Because of its size and complexity, VDH needs effective management and accountability mechanisms, but several factors make VDH a challenging organization to manage effectively and efficiently. It is one of Virginia's largest and most complex state agencies in terms of mission, staffing, and funding. VDH's varying missions include monitoring and responding to communicable diseases, directly providing healthcare services to individuals, licensing and inspecting restaurants and nursing homes, and monitoring drinking water quality, among many other responsibilities. VDH has over 3,100 classified staff and over 1,700 contract staff working throughout the state in its 32 health districts and 114 health departments. In FY24, VDH received almost $1.3 billion from many different sources, including over 150 federal grants.

VDH's current leaders are focused on key problems facing the agency and have taken several important and promising actions toward improvement, but much remains to be done. As of October 2024, VDH still has fundamental management and accountability shortcomings that are allowing poor performers to remain at the agency, which is contributing to poor agency culture and likely is a substantial cause of agency turnover. These shortcomings need sustained attention and resolution by VDH leaders, the governor's office, and the General Assembly.

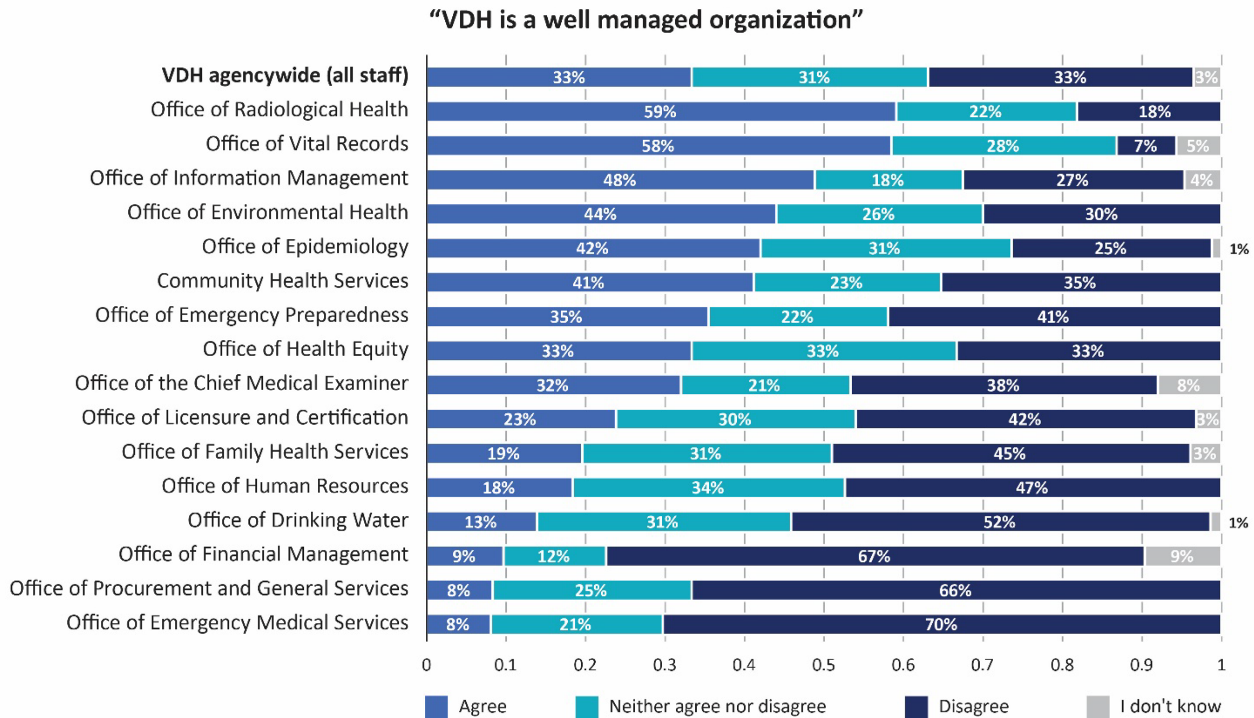
Only one in three staff believe VDH is a well-managed organization

Many VDH staff at all levels reported concerns about the agency's lack of effective management and accountability. Only one-third of VDH staff who responded to JLARC's survey agreed with the statement, "VDH is a well-managed organization" (Figure 6-1) (sidebar).

JLARC staff conducted a survey of all VDH staff, including classified and contract staff working in central office and in health districts. JLARC received 2,514 completed responses, for a response rate of 52%. (See Appendix B for more information.)

Concerns about management were expressed about specific VDH offices and districts as well as the agency's senior leaders. Such concerns tended to be more common among staff in VDH's administrative support offices, particularly the Office of Financial Management, Office of Human Resources (OHR), and Office of Procurement and General Services. Staff working in these offices were among the most likely to disagree that VDH is a well-managed organization.

FIGURE 6-1
Perspectives on how well VDH is managed vary widely by office within VDH



SOURCE: JLARC survey of VDH staff (July and August, 2024)
NOTE: N=2,505 for VDH agencywide (all staff), N=908 in central office. In the figure, "agree" includes "strongly agree" and "agree," and "disagree" includes "disagree" and "strongly disagree." Excludes two offices with fewer than 10 staff responding (Office of Communications and Office of Internal Audit) and the Office of the Commissioner.

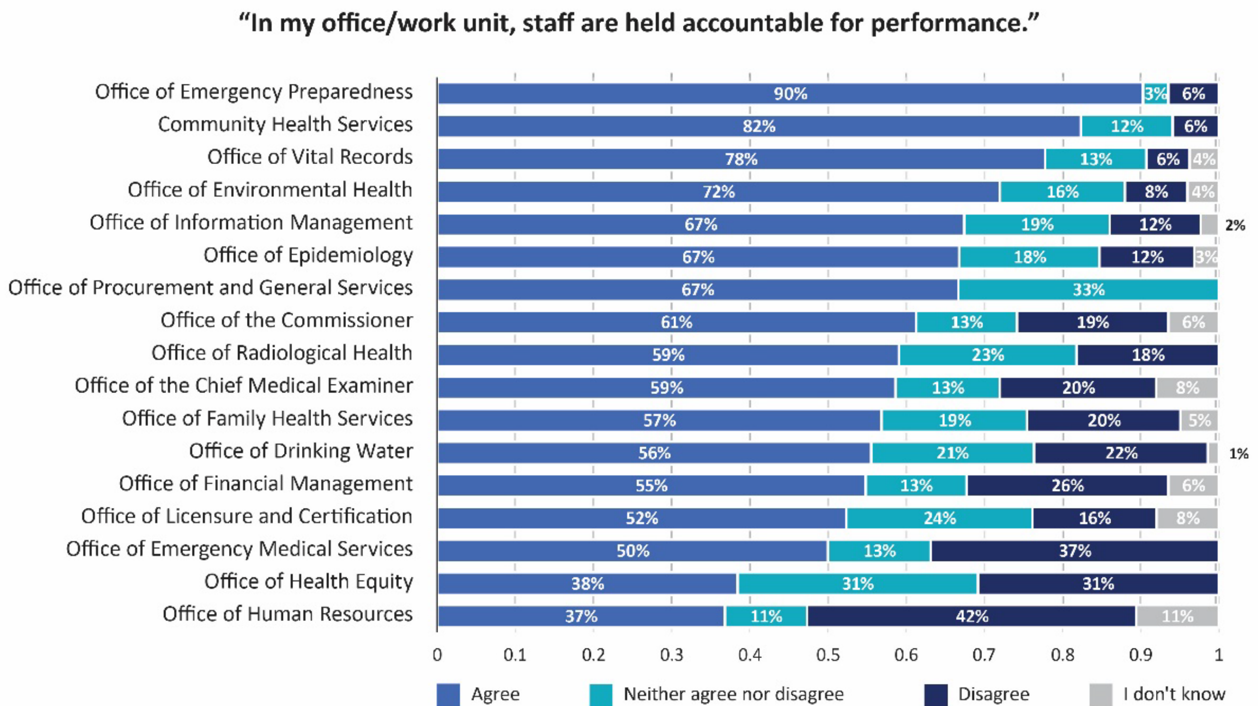
Surveyed employees with low opinions about agency management tended to also believe that the agency does not hold employees accountable for their performance. In addition, dissatisfaction with agency management and accountability appears to be contributing to employee dissatisfaction and turnover. About half of staff who reported on JLARC's survey that they were dissatisfied with VDH as an employer reported "there is too little accountability at VDH" as one of their leading reasons for dissatisfaction. Surveyed staff who are planning to leave VDH were much more likely to disagree that VDH is a well-managed organization.

VDH staff are not consistently held accountable for their performance

Managing employee performance is critical in a large agency with important public-facing responsibilities, but VDH is not consistently doing so. Almost 20 percent of VDH employees reported that the coworkers in their office or work unit are not always held accountable for their performance, but some offices had much higher percentages of employees who were concerned about performance accountability (Figure 6-2). In

10 offices, less than two-thirds of respondents agreed that employees in their office are held accountable for performance.

FIGURE 6-2
A reported lack of accountability was particularly high among certain offices within VDH's central office



SOURCE: JLARC survey of VDH staff (July and August, 2024)
NOTE: N=966; In the figure, "agree" includes "strongly agree" and "agree," and "disagree" includes "disagree" and "strongly disagree." Excludes two offices with fewer than 10 staff responding (Office of Communications and Office of Internal Audit).

Supervisors were especially concerned about a lack of accountability; more than a third of supervisors responding to JLARC's survey characterized VDH's processes for evaluating staff and addressing underperformance as not working well. Supervisors from multiple offices and districts gave examples of staff performance management being neglected for months or years, contributing to poor morale within their work unit. The following quotes illustrate some of the concerns raised by supervisors regarding employee performance management at VDH:

> It is difficult to address the underperformance of staff, particularly those you inherit, when they have been effectively mismanaged for their entire career at VDH. Staff have an inherited distrust of managers and supervisors and tend to react negatively when given verbal counseling or even a minor low-performance rating on one section of their performance eval. (VDH health district supervisor)

> I was given a staff member to supervise who has been with [VDH] for over 30 years. There were immediate issues with this person and their interactions with other staff. When I looked at the supervisor's file on this person, I was blown away. [Some] occurrences dated over ten years ago, and no [written notices or corrective action] were ever formally filed… This was all very disappointing, and I am still working on these issues. (VDH health district supervisor)

> I have a long-time classified staff person who does not have enough work to fill 40 hours and does not take kindly to assignments they do not create [for themselves] ... Given how many other people and tasks I am responsible for, I do not have the time to manage this person as necessary (VDH central office supervisor).

State law and DHRM policy establish employee performance management requirements for all executive branch agencies. Staff at VDH and other agencies view these requirements to be challenging and time-consuming, and, in general, the state's personnel laws and policies make it difficult to terminate a classified employee. However, some managerial problems at VDH make it even more difficult. These include (1) a lack of clear performance expectations for some front-line staff, including supervisors; (2) supervisors' not adequately understanding the requirements of the performance management process; and (3) an excessive number of direct reports under some individual supervisors. OHR staff have also not provided consistent guidance and support to supervisors when they have had to take action to resolve employees' poor performance.

VDH does not consistently define clear performance expectations for staff, making accountability more challenging

Supervisors have difficulty holding staff accountable because of poorly articulated performance expectations. Without clear expectations, VDH staff may view any negative performance feedback as unfair. State policy requires executive branch agencies to provide all employees with written job expectations ("Employee Work Profiles" [EWPs]), which formally articulate each employee's core responsibilities and performance measurements. However, VDH's EWPs tend to be too generic or vague to enforce performance expectations. Vague job responsibilities in EWPs were frequently cited in interviews and survey responses:

> It is difficult to supervise staff without accurate job descriptions/EWPs. The ones we have are too generic to reflect actual job duties and business needs. We used to have measurables and explicit expectations in our old EWPs, so staff had a clear understanding of what was expected. (VDH health district supervisor)

> The generic EWPs do not provide an accurate account of staff's areas of responsibility; therefore, it is difficult to rate them appropriately. (VDH central office supervisor)

> It is crippling and inefficient to be bound tightly by the five sentences that make up the EWP work duties. (VHD health district supervisor)

In addition to being vague, VDH's EWPs sometimes do not accurately reflect job responsibilities. Many survey respondents from central office (about a third) and VDH health districts (about a quarter) reported that their own EWP does not accurately reflect their job responsibilities. This was more common among staff with administrative responsibilities than other types of staff. Furthermore, survey responses from supervisors indicate that generic or misaligned EWPs are a key contributing factor to problems with the broader employee evaluation process.

VDH employees' EWPs also typically do not include specific performance measures, such as completing a common and critical task within a certain timeframe (e.g., completing inspection reports within five business days of inspections). Specific performance measures allow supervisors to articulate, and employees to understand, performance expectations. State policy requires state agencies to ensure that EWPs include specific performance measures. Without them, supervisors are less able to document and substantiate an employee's underperformance, take steps to improve employees' performance, or take disciplinary measures.

VDH needs to develop and implement a process to ensure that all EWPs accurately reflect employees' job responsibilities and include measurable criteria to evaluate employees' performance. VDH can build off its recent work to better align EWPs within the Office of the Chief Medical Examiner (OCME) with staff's actual job responsibilities, which, according to VDH leadership and OCME staff, have yielded positive outcomes.

RECOMMENDATION 21
The Virginia Department of Health (VDH) should develop and implement a process to ensure that all VDH staff are provided with employee work profiles that (i) reflect their actual job responsibilities to the greatest extent practicable, (ii) include qualitative and quantitative measures against which their performance will be assessed; and (iii) are reviewed at least annually for any modifications that may be necessary.

VDH has not equipped its supervisors to hold their direct reports accountable; agency culture reportedly tolerates underperformance

Another factor complicating accountability at VDH is that the agency does not consistently train or hold supervisors accountable for managing their direct reports' performance. Central office and health district supervisors reported that they are hesitant or unwilling to enforce performance expectations for various reasons and observed that VDH has a culture that tolerates underperformance. For example:

> Performance evaluation needs serious investment. It is often a check-box task, and there are no accountability measures if supervisors do not actively invest in the process. (VDH central office supervisor)
>
> Overall, staff are not being held accountable. In our district, it is habitual that staff are not held accountable and the work that they are not completing or

> doing well is handed off to another employee to do. The original employee maintains their job and pay while the other employee takes on more work duties with no increase in pay. This typically leads back to one person within management who does not like confrontation, so this is how they resolve the issues. (VDH health district supervisor)
>
> My staff perform to their established expectation because I train them to that standard and work with them regularly. Staff on other teams regularly do not meet expectations, and there is no accountability on them or their supervisors to improve their behavior or work ethic. (VDH central office supervisor)

One fundamental problem is that not all supervisor EWPs clearly articulate their responsibilities related to performance management. To address this issue, VDH should ensure all supervisor EWPs adequately document their responsibilities related to employee performance management and include specific criteria to evaluate their employee management efforts. VDH can use some existing EWPs that include supervisor responsibilities that are more well defined, such as the one for the public health nurse supervisor position, as well as publicly available guidance by DHRM on this topic, to help inform needed improvements.

RECOMMENDATION 22

The Virginia Department of Health (VDH) should conduct a targeted review of the employee work profiles (EWPs) of all agency supervisors and ensure that all supervisors' EWPs include detailed tasks related to performance management, including providing onboarding and training, establishing clear expectations, and documenting underperformance.

State employees can file a grievance if they believe disciplinary actions against them are unjustified. The grievance process can be time consuming and can involve up to four layers of review, starting with the supervisor and ending with a hearing before a hearing officer appointed by DHRM staff. If successful, employees can receive relief, including reduction of disciplinary actions and reinstatement to the employee's former position.

Another reason supervisors may not enforce performance expectations is that they have not received adequate training on the state's performance management process and requirements, which are complicated. State policy requires supervisors to take specific steps to hold underperforming classified staff accountable, including (1) immediately documenting substandard performance, (2) issuing a "Notice of Improvement Needed/Substandard Performance form," and (3) developing an "improvement plan" for the employee. Supervisors need to know the intricacies of the state's performance management process, which are complex. For example, state policy precludes supervisors from rating employees as "Below Contributor" (which can trigger demotion, reassignment, or termination) on their performance evaluation without taking several steps first. Generally, to give this rating, supervisors must formally notify employees in writing about their substandard performance, give employees three months to improve their performance, and then reevaluate the employees and determine they are still underperforming.

Employees can file grievances with DHRM if they believe that unjustified disciplinary actions have been taken against them, and they are more likely to succeed in their claims if supervisors cannot adequately support those actions (sidebar). This poses potential challenges for VDH supervisors because VDH has not consistently trained

supervisors on how to implement the state's performance management policies and processes. Supervisors from both VDH central office and health districts reported these training gaps:

> [The Office of Human Resources] doesn't provide training to supervisors that would be valuable, especially on what course of action to take when you start to see an underperforming employee. (VDH central office staff)

> There is not sufficient training for supervisors and managers regarding performance management. Most of what I learned was learned through years of experience rather than any training. Most trainings are related to using the software or interfaces required to capture information on performance management rather than on how to effectively manage performance. (VDH health district supervisor)

> There is not a culture of accountability within VDH, at all levels of leadership. When you try and hold staff accountable, you are met with resistance and red tape to address the issues. Managers and supervisors are not properly onboarded nor trained on how to effectively handle performance issues and progressive discipline; therefore, performance issues continue, creating a work culture that is not welcoming or inviting to work in. (VDH health district supervisor)

VDH should work to strengthen accountability and performance management and provide the training to supervisors necessary to do so. As part of this effort, VDH should seek the assistance of DHRM and other executive branch agencies, like the Virginia Department of Transportation, that have developed effective training materials on performance management.

RECOMMENDATION 23

The Virginia Department of Health (VDH) should (i) develop a standard training program for all VDH supervisors about the executive branch's performance management requirements and supervisors' related responsibilities and (ii) provide it annually to all supervisors.

VDH should also develop and implement a process to ensure supervisors are carrying out the most important performance management responsibilities, such as conducting annual performance evaluations. In survey responses, 166 of 1,473 VDH classified staff (11 percent) who had worked at VDH for at least three years reported to JLARC that they had not received a performance evaluation from their supervisor within the past year, and 15 of these staff couldn't recall ever having received a performance evaluation at VDH.

RECOMMENDATION 24

The Virginia Department of Health (VDH) should require its Office of Human Resources to develop and implement a process to ensure that every classified VDH employee receives a timely annual performance evaluation.

Inconsistent guidance from VDH's Office of Human Resources also reportedly complicates efforts to hold staff accountable

OHR should be a resource supervisors can use to help navigate underperformance by their direct reports, particularly because most supervisors will not experience these issues routinely. However, supervisors shared examples of receiving conflicting guidance from OHR or even being discouraged by OHR from taking steps to address employee underperformance because of the perceived amount of work required.

> There is a lack of support and a lack of consistent guidance from human resources when handling employee performance issues. OHR is sometimes unresponsive or slow to respond to requests for assistance. When they do provide guidance, it is often inconsistent and/or inaccurate. (VDH central office staff)
>
> Guidance from OHR has been inconsistent over time, and I have not felt comfortable or supported in taking disciplinary action against employees. (VDH central office staff)
>
> One particular challenge, among many, with supervising VDH staff who are underperforming is the seemingly constant changes in how the Office of Human Resource representatives interpret policies, offer different guidance (occasionally contrary to policy) than previously provided in similar situations, generally has a passive posture to difficult employees, and the slowness in making a corrective action decision. (VDH health district staff)

OHR has experienced considerable turnover in recent years, has many inexperienced staff, and has not effectively trained new staff to carry out their responsibilities effectively. (See Chapter 5.) Recommendations in that chapter to address problems with OHR's performance and staffing should help to address this issue as well.

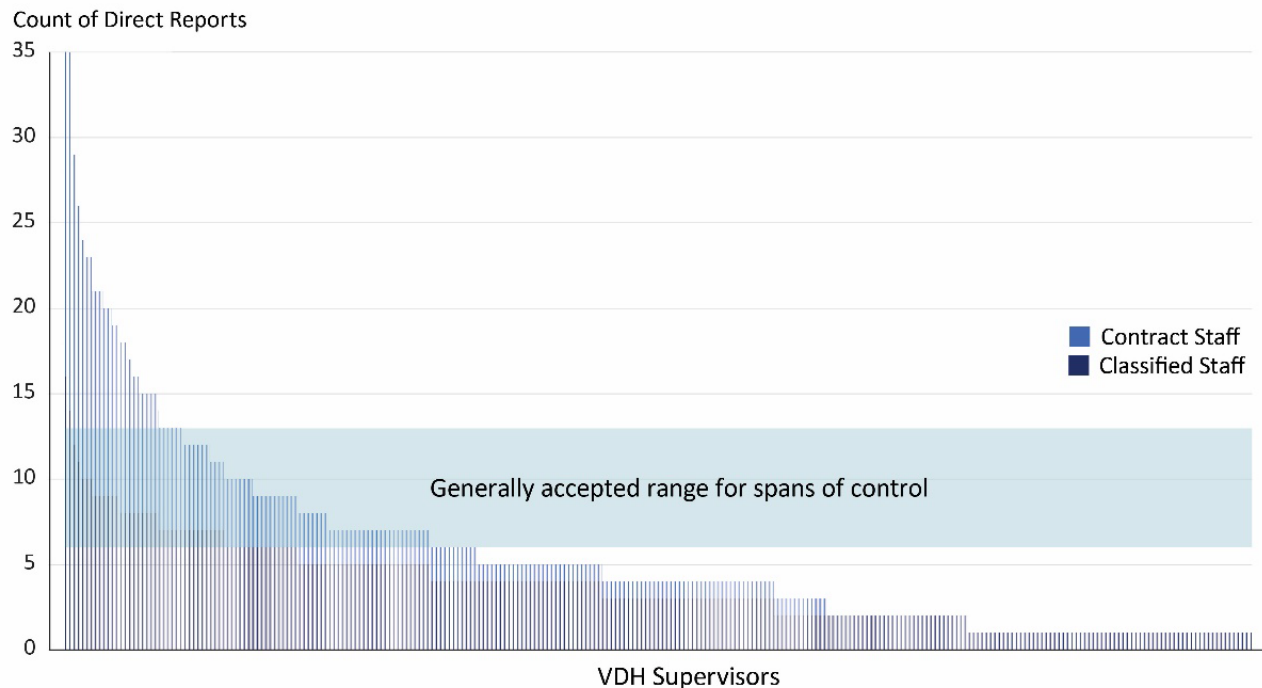
Some VDH supervisors oversee too many direct reports, increasing risk of insufficient accountability

Span of control is defined as the number of direct reports or subordinates that a manager or supervisor oversees. A wide span of control refers to many subordinates, while a narrow span means fewer employees under a single manager.

Supervisors need to have adequate time to manage each of their direct reports and take action when necessary to address staff performance. Unreasonably high numbers of direct reports per supervisor ("wide spans of control") make effective guidance and accountability difficult (sidebar). In contrast, too few employees per supervisor ("narrow spans of control") can contribute to the growth of organizational layers and costs.

Although there is no universally applicable ratio of direct reports to supervisors, the generally accepted range of appropriate spans of control is from six (for supervisors with direct reports who have varying and complex responsibilities) to 13 (for supervisors with direct reports who have relatively simple and routine tasks).

FIGURE 6-3
Some VDH supervisors oversee an unmanageably high number of direct reports, while others only supervise one or two staff



SOURCE: JLARC staff analysis of VDH June 2024 human resources data.
NOTE: N=875. "Generally accepted range for spans of control" is based on ranges determined in JLARC's 2014 review of Higher Education Support Costs and Staffing. Visualization includes filled classified positions and contract staff only. Although the graphic is limited to 35 direct reports, two VDH supervisors had more than 35 direct reports as of June 2024.

Some staff, including staff in critical management positions, have too many direct reports to effectively manage employees (Figure 6-3). Critical positions with wide spans of control include the chief deputy commissioner for Community Health Services, who was overseeing 29 direct reports in June 2024, and the chief medical examiner, who was overseeing 18 direct reports. Other VDH supervisors have also had unmanageably high spans of control, including the administrative deputy of the chief medical examiner (overseeing 116 contract staff), the assistant director of the Office of Emergency Preparedness (overseeing 33 contract staff and 9 classified staff), and the director of Public Health Planning and Evaluation (who oversees 30 contract staff and two classified staff).

Current VDH leadership is aware that the deputy commissioner of Community Health Services has too many direct reports and has initiated efforts to address this issue. VDH should identify and implement strategies to reduce the numbers of direct reports to all other supervisors with more than 13 direct reports and proactively support these supervisors in carrying out their supervisory and management responsibilities. As of June 2024, there were 27 supervisors with more than 13 direct reports, including classified and contract staff.

VDH should also consider opportunities to increase the spans of control among staff with relatively few direct reports, which could reduce organizational costs and complexity. Almost two-thirds of VDH supervisors were responsible for overseeing four or fewer direct reports. Narrow spans of control may be necessary in some cases, but those situations are generally rare. In offices where some supervisors have too many direct reports and others have too few, there may be opportunities to reorganize reporting responsibilities across supervisors and avoid eliminating any supervisory positions. Regardless, affected supervisors' job duties will need to be redefined, and compensation may need to be adjusted. Employees will also be affected by the reorganization, which could lower employee morale.

Given VDH's current staffing challenges and the level of employee dissatisfaction, VDH should aim to carry out this recommendation with minimal negative impacts on employees' morale, particularly those carrying out critical agency functions. VDH should also prioritize addressing overly wide spans of control first over addressing especially narrow spans of control. Reducing overly wide spans of control will require that VDH hire new supervisors or promote existing employees to a supervisory role; in either case, VDH may need to hire additional employees, and personnel costs may increase.

RECOMMENDATION 25

The Virginia Department of Health (VDH) should identify supervisory positions that have either too many (more than 13) or too few (one or two) direct reports and develop and implement a plan to ensure supervisors have appropriate spans of control.

VDH leaders lack sufficient information about operations, performance of districts and offices

VDH leadership needs timely, relevant, and actionable information on the operations and performance of the agency's various sub-units to effectively manage such a large organization. Without such information, VDH leaders lack necessary insight into problems or risks that occur throughout the agency. In addition, VDH leadership needs this information to effectively monitor local operations to ensure the agency provides quality public services and programs around the state.

Prior VDH leadership's lack of awareness about the operations and performance of the agency's offices and districts has allowed problems to grow. The recent financial mismanagement at the Office of Emergency Medical Services (OEMS), for example, could have been prevented with basic attention from prior VDH leadership to how well the office managed its funds. Similarly, some fundamental problems with the Office of Human Resources mentioned in Chapter 4 could have been identified and resolved if agency leaders had basic information about the office's performance supporting other offices and health districts.

Current VDH leadership has taken steps to better monitor central office operations and performance. Starting in September 2023, VDH leaders in the Office of the Commissioner began holding "Monthly Operating Review" meetings with the directors of each program or administrative office in the central office. During the Monthly Operating Reviews, office directors are required to report on specific operations and performance information about their offices, including their efforts to recruit vacant positions, their budget versus actual expenditures, and progress on meeting certain office-specific objectives. Although the Monthly Operating Reviews vary somewhat in their usefulness, these efforts represent a positive step toward improving agency leaders' awareness of *central office* operations and performance.

> *If you don't have data, how can you manage?*
>
> **– VDH central office staff**

While current VDH leaders have started to gain better insight into the various sub-units within VDH's central office, their visibility into the operations and performance of the agency's 32 health districts remains limited and insufficient. For example, information to understand the quality or timeliness of services provided by health districts and departments (e.g., patient wait times within health districts, patient satisfaction, past-due restaurant inspections) is not readily available to agency leaders, although some of this information is already collected by central office. These limitations are especially problematic given the lack of any internal audit reviews of health districts by VDH since March 2020, as discussed later in this chapter.

Current VDH leaders have recognized that the information they regularly receive from health districts is insufficient and have started to take steps to address this issue. The Community Health Services office in central office has developed new and redeployed existing dashboards that use existing VDH data. For example, a recently developed dashboard now provides agency leaders easy access to information on the volume of clinical services provided by local health districts and the districts' billing actions and revenues. Current leadership has also taken several measures to increase staffing within the Community Health Services office to improve central office oversight of health districts, including adding an accountant position and filling a business process director position within the office.

To improve the ability of current and future state health commissioners to understand the operations and performance of both central office sub-units and health districts, VDH should develop an internal agency-wide dashboard, as other state agencies have done. The Department of Behavioral Health and Developmental Services and the Virginia Department of Transportation, for example, have developed internal agency-wide dashboards that leverage agency data to synthesize and provide information leaders need to understand agency performance. A similar initiative could be undertaken at VDH with the support of the VDH Office of Information Management (OIM), and VDH could use the dashboards developed for its Community Health Services office as a starting point for a broader agency-wide operations and performance dashboard. OIM staff helped develop these dashboards, but VDH may need to reallocate some funding or positions to OIM to support such an effort on an agency-wide scale.

VDH leadership could develop the internal dashboard to either replace the Monthly Operating Reviews or supplement them. For example, if VDH leadership decides to keep the Monthly Operating Reviews, it could use data from the dashboard to fill in critical information that is currently manually entered by office directors, such as vacancy and turnover rates, budget versus actual expenditures, and office performance relative to benchmarks. Implementing Monthly Operating Reviews in their current form for all 32 health districts may be challenging and time-consuming for agency leadership.

RECOMMENDATION 26
The Virginia Department of Health should develop and maintain an agency management dashboard that (i) provides agency leaders with up-to-date and actionable information on the operations and performance of each of its program offices, administrative offices, and health districts; and (ii) includes appropriate measures and benchmarks to assess whether the key functions in each office or health district are being performed adequately.

VDH leadership has increased internal audit staff, but OSIG complaints and OEMS investigations have strained available resources

As of October 2024, OIA still had not conducted any audits of its 32 VDH health districts since 2020. Except for the Office of Emergency Medical Services, it has also been unable to complete any audits of VDH program and administrative offices in recent years.

Internal auditors are intended to be a source of reliable information for agency leaders about the performance, internal controls, risks, and compliance of the agency's various sub-units. They can also provide agency leaders with recommendations for how to address identified problems.

VDH has an Office of Internal Audit (OIA), but high turnover and vacancy rates have compromised its efficacy. For example, whereas OIA used to do audits of each of its 32 districts at least once every three years, including reviews of their financial controls, OIA has not been able to conduct audits of any district since 2020 (sidebar). OIA's staffing challenges prevented it from being a resource for agency leaders, specifically during the periods when the agency's present challenges began and grew.

Increases in OSIG-required fraud, waste, and abuse hotline investigations have strained available internal audit resources at VDH

According to OSIG's policies and procedures manual, **OSIG staff determine whether to assign cases to itself or other agencies.**

Since June 2023, VDH has successfully increased OIA staffing; by June 2024, OIA had filled all nine positions and had no vacancies, compared to the prior year when it had only four staff. Still, rather than focusing on internal agency risks, internal auditors have had to devote their time to investigating specific fraud, waste, and abuse complaints submitted to the Office of the State Inspector General (OSIG) and reviews of financial mismanagement and internal control problems within the Office of Emergency Medical Services (sidebar). This has left OIA staff with no capacity to conduct performance audits of other aspects of the agency's operations that could use scrutiny,

such as reviews of the operations and controls of VDH's offices and health districts, grants management, and issues related to incorrect or untimely vendor payments.

OSIG-required investigations of allegations of fraud, waste, and abuse at VDH have tripled in recent years, from 10 in FY22 to 31 in FY24. These investigations, which OSIG generally requires to be completed within 60 days, often include multiple allegations and require considerable work from internal audit staff, including planning the investigation, conducting the investigation, drafting reports, and communicating the results to OSIG.

Implementing this report's recommendations should improve VDH operations and staff satisfaction, potentially decreasing the number of hotline complaints filed with OSIG. At least in the near term, however, the governor should direct OSIG to assign all hotline investigations pertaining to VDH to OSIG's own staff (sidebar). Shifting the responsibility for investigations back to OSIG would free up considerable resources at VDH, according to OIA staff. If OSIG determines it needs additional staff to conduct these investigations, it should request the needed resources from the General Assembly (sidebar).

OSIG's heavy reliance on other state agencies to conduct work on its behalf was reported previously in 2019 and 2023 by JLARC staff.

RECOMMENDATION 27
The Office of the Governor should direct the Office of the State Inspector General to assign all waste, fraud, and abuse hotline investigations relating to the Virginia Department of Health (VDH) to its own staff rather than VDH's Office of Internal Audit.

OIA has not had sufficient staff to conduct required security audits of its sensitive IT systems

The Virginia Information Technologies Agency (VITA) IT Security Audit Standard requires agencies to conduct IT security audits of their sensitive systems every three years. These audits are independent assessments of IT security policies, records, and activities, and their purpose is to assess the effectiveness of each system's IT security controls and compliance with Commonwealth IT Security Standards.

VDH has conducted only a portion of its required IT security audits each year. VDH has 59 IT systems that are considered "sensitive" because they contain data that, if compromised, could have a "material adverse effect on state interests, the conduct of agency programs, or the privacy to which individuals are entitled." Systems supporting mission-critical or primary business functions, or those that must be restored quickly to avoid substantial disruptions, are also considered sensitive. Between 2021 and 2023, VDH completed less than half (23 of 59) of the required IT security audits.

In a recent decision package, VDH reported, "There is a risk to cybersecurity attacks, loss of sensitive data, and data security threats... due to the lack of depth and breadth of IT audits currently being performed at VDH." VDH reports that it needs funding to hire at least two additional IT auditor positions (a senior IT auditor position and a

staff IT auditor position), in addition to its two existing IT auditor positions, to meet state IT audit requirements.

RECOMMENDATION 28
The General Assembly may wish to consider including general funds in the Appropriation Act for at least two additional IT auditor positions within the Office of Internal Audit at the Virginia Department of Health.

Code of Virginia's requirements for VDH leadership should be strengthened

VDH needs multiple leaders with strong administrative and leadership experience to address its numerous management, accountability, staffing, and financial challenges, which will likely take years to resolve. In late 2022, Governor Youngkin appointed a chief operating officer (COO) position to oversee and improve the administrative functions of the agency. The addition of the COO position—and filling it with someone possessing several years of healthcare-related administrative and compliance experience—bolstered the agency's ability to identify and begin to resolve its operational and financial problems. However, VDH's COO position is not required by statute, and whether future administrations will continue the position is uncertain.

To help ensure that the commissioner can mostly focus on the agency's public health mission and the delivery of programs and services, the General Assembly should codify the COO position, require that the position oversee and manage all administrative aspects of the agency, and require that it be filled by someone with extensive education and experience in business or healthcare administration.

RECOMMENDATION 29
The General Assembly may wish to consider amending §32.1 of the Code of Virginia to establish a chief operating officer (COO) for the Virginia Department of Health, which shall be a full-time classified position, and require that the COO have an advanced degree in, and at least five years of experience in, healthcare administration or business administration.

In addition to adding a COO position, the General Assembly could broaden the qualifications for the state health commissioner to include leadership and administration experience. Currently, state law requires the VDH commissioner to be a licensed physician, which is similar to requirements in many other states. However, unlike some other states, the state health commissioner is not required by Virginia law to have experience managing large organizations. For example, Utah state law requires that the executive director of its state public health agency "be experienced in administration, management, and coordination of complex organizations." Florida state law requires that the leader of its state department of health "has advanced training or extensive

experience in public health administration." Arizona requires that the head of its state public health agency have "administrative experience in the private sector, with progressively increasing responsibilities and an educational background that prepares the director for the administrative responsibilities assigned to the position." In Michigan, the state director of public health must have a minimum of five years of administrative experience in the field of health administration.

Previous sections of this report have documented the characteristics of VDH that make it an especially challenging organization to manage well. Broadening the health commissioner's qualifications to include organizational leadership and administration experience could help ensure future commissioners are capable of effectively managing such a large and complex organization.

RECOMMENDATION 30

The General Assembly may wish to consider amending §32.1-17 of the Code of Virginia to add "organizational leadership and administration experience" to the required qualifications for the commissioner of health.

VDH's problems warrant increased attention by the legislature, at least temporarily

In 2023 and 2024, VDH received increased attention from legislators, the executive branch, and public news reports for many of its financial mismanagement deficiencies. Its current leadership has been transparent about these deficiencies, taken steps to address them, and reported its intention to address many others.

Current VDH leaders' willingness to accept ownership of the challenges facing the agency is positive and encouraging. However, addressing VDH's financial management, human resources, and accountability challenges will take multiple years and require sustained attention across administrations, which could mean across several different VDH leaders. Ongoing attention to VDH's performance by the General Assembly would help ensure that recent improvements are sustained and progress continues. The General Assembly should require VDH to report semi-annually on its progress in implementing this report's recommendations and on metrics related to effective agency operations. An appropriate legislative body to receive these updates would be the existing Joint Subcommittee for Health and Human Resources Oversight.

RECOMMENDATION 31

The General Assembly may wish to consider including language in the Appropriation Act to require the commissioner of the Virginia Department of Health to provide semi-annual written and in-person reports on the agency's progress implementing the recommendations in this report to the Joint Subcommittee on Health and Human Resources Oversight through at least December 2026, and, thereafter, until the Joint Subcommittee is satisfied with the agency's performance and operations.

Appendix A: Study resolution

Virginia Department of Health

Authorized by the Commission on November 13, 2023

WHEREAS, the Virginia Department of Health is an executive branch agency in Virginia's secretariat of health and human resources with a budget of approximately $1 billion for FY24 and approximately 3,800 staff positions, making it the third largest agency in the HHR secretariat in terms of funding and the second largest in terms of staff; and

WHEREAS, VDH's mission is "To protect the health and promote the well-being of all people in Virginia" in order to achieve its vision of Virginia becoming the healthiest state in the nation; and

WHEREAS, the COVID-19 pandemic highlighted the importance of effective, transparent, and accessible public health services to all of Virginia's citizens; and

WHEREAS, the agency experienced a tremendous influx of federal funding for responding to the pandemic, which is receding as the risks posed by COVID-19 have subsided; and

WHEREAS, VDH has and will continue to play an essential role in the public's awareness of communicable diseases but has many other responsibilities, such as programs to support maternal and child health, dental programs, restaurant and food safety inspections, water quality, permitting, planning and coordinating delivery of emergency medical services; and

WHEREAS, problems with financial management, for example within the Office of Emergency Medical Services (OEMS), have been identified in recent audits of the agency; and

WHEREAS a comprehensive study of VDH has not been performed for the legislature since JLARC's last review of VDH in 2000; now, therefore, be it

RESOLVED by the Joint Legislative Audit and Review Commission that staff be directed to review the operations and management of the Virginia Department of Health. In conducting its study staff shall (i) evaluate the adequacy and efficiency of the agency's staffing structure, how its various programs are organized and managed across the agency, and agency expenditures on administrative activities, such as procurement and information technology; (ii) assess the agency's financial management; (iii) evaluate the effectiveness of the management and operations of OEMS; (iv) evaluate the adequacy of the agency's information technology systems and staffing; (iv) determine the extent to which VDH has invested COVID-19 related federal funding in improvements to agency operations that will better position it to respond to future public health emergencies; and (v) assess the agency's programs for improving the pipeline of healthcare staff, especially nurses.

JLARC may make recommendations as necessary and may review other issues as warranted.

All agencies of the Commonwealth, including the Virginia Department of Health, shall provide assistance, information, and data to JLARC for this study, upon request. JLARC staff shall have access to

all information in the possession of agencies pursuant to § 30-59 and § 30-69 of the Code of Virginia. No provision of the Code of Virginia shall be interpreted as limiting or restricting the access of JLARC staff to information pursuant to its statutory authority.

Appendix B: Research activities and methods

Key research activities JLARC performed for this study include:

- structured interviews with leadership and staff of the Virginia Department of Health (VDH) and other state agencies;
- surveys of VDH staff and VDH nursing incentive program recipients;
- analysis of VDH data and other state agencies' data;
- review of existing reports and audits related to VDH;
- attendance at VDH monthly operating review (MOR) meeting and review of MOR documentation available from all offices between September 2023 and May 2024; and
- review of relevant documentation, such as those related to laws, regulations, and policies relevant to the Virginia Department of Health.

Structured interviews

Structured interviews were a key research method for this report. JLARC conducted more than 100 interviews. Key interviewees included VDH central office and district staff, staff of other state agencies, and stakeholders and subject-matter experts in Virginia and nationally.

JLARC conducted over 65 structured individual and group interviews with VDH central office leadership and staff. JLARC interviewed staff from both administrative and programmatic offices, including leadership and staff from the following VDH offices:

- Community Health Services;
- Office of Drinking Water;
- Office of Emergency Medical Services;
- Office of Emergency Preparedness;
- Office of Environmental Health;
- Office of Epidemiology;
- Office of Family Health Services;
- Office of Financial Management;
- Office of Health Equity;
- Office of Human Resources;
- Office of Information Management;
- Office of Internal Audit;
- Office of Licensure & Certification;
- Office of Procurement & General Services;
- Office of the Chief Medical Examiner;
- Office of the Commissioner; and
- Office of Vital Records.

Topics varied across interviews but were primarily designed to understand VDH's administrative functions, hiring and recruitment practices, performance management, and IT infrastructure, among other activities. VDH staff were also asked for their perspectives on opportunities to improve VDH administrative operations and performance.

Early in the study, JLARC staff also conducted two site visits to VDH health districts and conducted group interviews with leadership and staff from both. Generally, the purposes of these site visits were to gain a better understanding of the operations of VDH health districts, any substantial challenges they experienced related to VDH central office, and ideas for how to address any identified challenges.

JLARC also interviewed staff from multiple state agencies, including leadership and staff of the following agencies:

- Auditor of Public Accounts (APA);
- Department of General Services (DGS) and its Division of Consolidated Laboratory Services (DCLS);
- Department of Human Resource Management (DHRM);
- Department of Accounts (DOA);
- Department of Planning and Budgeting (DPB);
- Senate Finance and Appropriations Committee (SFAC);
- House Appropriations Committee (HAC);
- Virginia Department of Transportation (VDOT)
- Virginia Information Technologies Agency (VITA); and
- Joint Commission on Health Care (JCHC).

The purpose of these interviews varied depending on the nature of the interactions between VDH and the respective agency. For example, JLARC staff sought to understand whether any agencies that receive funding from VDH (through pass-through funds or internal service funds) have experienced any issues receiving timely payments from VDH in recent years and, if so, what effects late payments have had on their agency, if any. JLARC staff also sought to understand practices other agencies use that VDH could potentially adopt to address some of the identified challenges.

Other interviews included interviews with stakeholders and subject-matter experts in Virginia and nationally. JLARC conducted several interviews with the leadership and staff of Virginia's Regional EMS councils, staff at the U.S. Environmental Protection Agency, staff at the Centers for Disease Control and Prevention, and staff at the Government Finance Officers Association.

Surveys

For this study, JLARC staff conducted surveys of (1) VDH classified and contract staff and (2) VDH nursing incentive program recipients. Both surveys were conducted during the summer of 2024.

Survey of VDH staff

The survey of VDH staff was administered electronically to all VDH classified and contract staff. The survey was intended to capture the perspectives of staff at VDH central office and health districts on various topics, including the support they receive from VDH's administrative and programmatic offices (where applicable), their job satisfaction, their perspectives on agency management and accountability, and their perspectives on VDH's employee performance management process. JLARC staff also asked hiring managers about their perspectives on the hiring process and asked staff with financial management responsibilities whether they felt sufficiently trained or otherwise qualified to fulfill them.

JLARC received 2,514 completed responses from VDH classified and contract staff, a 52 percent response rate.

Survey of VDH nursing incentive program recipients

The survey of VDH nursing incentive program recipients was administered electronically to all nurses, nursing students, and nurse preceptors who received an award from a VDH nursing incentive program in FY22 or FY23. JLARC staff surveyed recipients of the following programs:

- Mary Marshall Nursing Scholarship Program (CNA)
- Mary Marshall Nursing Scholarship Program (RN/LPN)
- Virginia Long-Term Care Facility Scholarship Program
- Virginia Nurse Educator Scholarship Program
- Virginia Nurse Practitioner/Nurse Midwife Scholarship Program
- Virginia Behavioral Health Loan Repayment Program
- Virginia State Loan Repayment Program
- Virginia Nursing Preceptor Incentive Program

Recipients were asked to give their perspectives on applying for a VDH nursing incentive program, receiving payment from the program, interacting with Office of Health Equity staff, and whether the program influenced their decisions.

Program recipients who experienced an issue with their payment were asked how long it took for them to receive their payment. Recipients were also asked whether the amount they received was correct and, if not, how their payment was inaccurate (e.g., they received less than they were supposed to).

JLARC received 94 responses from VDH nursing incentive program recipients, a 24 percent response rate.

Data collection and analysis

JLARC collected data from VDH, DHRM, the Department of Health Professions, and the Virginia Office of Education Economics (VOEE) to analyze for this study. JLARC staff also analyzed publicly available data from APA.

Analysis of VDH vendor invoice and payments (Chapter 3)

JLARC used transaction-level data on vendor invoices and payments from VDH to analyze trends in payment processing time. JLARC calculated the total number and percentage of invoices paid late, categorizing a payment as late if paid 31 days or more after receiving the invoice because of the state's 30-day payment requirement. Data on paid invoices was available from FY21 to FY24.

JLARC also received summary data from Cardinal related to VDH vendor invoice payments for FY19 through FY24 and was able to use this data to supplement the data provided by VDH and provide additional historical information.

Analyses of VDH staffing levels and trends (Chapter 4)

JLARC used employee-level staffing data for all VDH classified positions for 2018 through 2024 (as of June 15 of each year) to analyze trends in VDH staffing levels and calculate turnover and vacancy rates.

JLARC staff calculated vacancy rates (number of vacant positions / total number of positions) by program and administrative office, by district, and by position type (e.g., epidemiologists and public health nurses) for each year. Staff also analyzed the number of positions that had been vacant for the past three, five, and seven years to better understand the extent to which VDH offices and districts are actively recruiting for vacant positions.

Turnover rates were calculated by comparing individual employee ID numbers from year to year to determine the extent to which each VDH employee remained in the VDH workforce, in the same job role, and/or in the same office/district from year to year. An employee was only considered to have "turned over" if they left VDH entirely.

Analyses of VDH's use of contractors (Chapter 4)

JLARC used data on all contractors employed by VDH as of June 15 of each year for 2018 to 2024 to analyze trends in VDH's use of contractors. JLARC staff calculated the number of contractors by program and administrative office, by district, and by position type for each year.

JLARC staff also calculated trends in the number of contractors over time and as a proportion of the total VDH workforce.

Comparison of contractor to employee costs (Chapter 4)

JLARC staff analyzed data on classified staff salaries and contractor billing rates to compare the cost of contractors to the cost of classified employees at VDH. JLARC staff calculated the rate per hour for classified staff by dividing their annual salary by the number of hours worked per week, then added 30 percent to account for the cost of employee benefits. JLARC staff then calculated an average

rate per hour by position type. For contractors, JLARC used the hourly billing rate, where available, for each position to calculate an average rate by position type.

Analyses of statewide position recruitment data (Chapter 5)

JLARC staff were granted access to the state's recruitment management system (called "PageUp") by DHRM staff as part of the team's analyses of VDH's hiring process. PageUp data was used to understand the amount of time it generally takes VDH to fill open positions and how the "average time to fill" compares to other state agencies. For this analysis, the "average time to fill" reflects the time between when a position is publicly posted online as a job opening and when it is filled.

Due to data limitations and inconsistencies across agencies in reporting, JLARC staff were unable to determine how VDH compares to other agencies within specific aspects of the recruitment process, such as how long it takes VDH, on average, to complete the interviewing process. DHRM staff advised that not all agencies are consistently reporting required information for each step in the process, which would make comparisons unreliable.

Analyses of spans of control among VDH supervisors (Chapter 6)

JLARC staff used personnel data from the Office of Human Resources (OHR) to determine the number of direct reports reporting to each supervisor. The analysis included supervisors within VDH central office and at VDH health districts. JLARC conducted analyses of the number of direct reports who were classified staff, the number of direct reports who were contract staff, and the total number of direct reports per supervisor. The analyses included only filled positions reporting to each supervisor.

To conduct the analyses, JLARC staff requested that, as part of the broader VDH staffing snapshot data (i.e., June 15th of each year) used to conduct turnover and vacancy analyses, each employee and contract staff's record include the employee's position number (position ID) and the position number of the employee's direct supervisor (supervisor position ID). JLARC staff then calculated the frequency of each supervisor position ID within the June 15, 2024 classified staff and contract staff data files. For example, if seven classified staff employee records included the same supervisor position ID, that supervisor had a span of control of seven. JLARC staff then totaled the number of classified staff and contract staff reporting to each supervisor to determine their total spans of control as of June 15, 2024.

Analyses of VDH's monthly operating reviews (Chapter 6)

JLARC staff reviewed all available Monthly Operating Reviews (MORs) to understand the information that senior leadership receives about program office operations. MORs are documentation prepared regularly by each central office sub-unit that presents a summary of staffing, budget/finances, programs and quality metrics, culture/engagement plans, and any other major discussion items.

JLARC also attended a Monthly Operating Review meeting in person to understand how the information is used and discussed by leadership and staff.

Review of previous audits and reports related to the Virginia Department of Health

JLARC staff reviewed a variety of previous reports, audits, presentations, and other materials published in recent years about the Virginia Department of Health. The review of these materials helped inform the team's understanding of previous challenges identified at VDH.

Materials reviewed included:

- previous JLARC reports on or relating to VDH, including the 2000 *Review of the Performance and Management of the Virginia Department of Health* report, the 2004 *Review of Emergency Medical Services in Virginia* report, and the 2013 *Review of Disaster Preparedness Planning in Virginia* report;
- JCHC report on the department structure and financing of VDH local health departments;
- VDH's annual organizational reports from FY21 and FY23;
- APA annual audits of agencies of the Secretary of Health and Human Resources from FY21 to FY23;
- VDH annual ARMICS certifications and supporting documentation from FY21 to FY23;
- DOA reports, including Statewide Financial Management and Compliance Quarterly Reports and American Rescue Plan Act Recovery Plan Reports;
- OSIG reports, including 2017 *Performance Review of Virginia Department of Health* and 2024 *Commonwealth Overtime Audit*;
- VDH OSIG hotline complaints and reports issued from FY21 to FY24;
- DPB evaluations, including 2024 *Evaluation of Grants Management in the Office of Family Health Services* and 2022 *Review of the Budget and Structure of the Office of Drinking Water*;
- audits and reviews of VDH conducted by federal grantors;
- DGS Procurement Management Reviews of VDH from 2011 and 2024;
- reports by VDH internal audit and Fitch & Associates about the Office of Emergency Medical Services financial mismanagement; and
- Financial Improvement Update presentation by VDH to House Appropriations and Senate Finance staff in September 2024.

Review of other relevant documents and data

As part of this study, JLARC also reviewed numerous other documents and literature, such as:

- Virginia laws, regulations, and policies relating to VDH, prompt payment, contractors, scholarship and loan repayment programs;
- human resources policies and guidance from DHRM, and VDH-specific policies and guidance, including those related to hiring, performance management, and compensation;
- VDH job descriptions ("Employee Work Profiles");
- Virginia information technology policies and guidance, including project management and IT security guidance;

- project documentation for 10 VDH IT projects, including six active projects and four completed projects;
- data and reports from the Association of State and Territorial Health Officials, the national organization representing public health agencies in other states;
- best practices related to agency financial management and internal audit functions provided by the Government Finance Officers Association; and
- other states' laws, regulations, policies, and processes related to health departments, including those related to funding, structure, and roles and responsibilities, among other areas.

Appendix C: Agency responses

As part of an extensive validation process, the state agencies and other entities that are subject to a JLARC assessment are given the opportunity to comment on an exposure draft of the report. JLARC staff sent an exposure draft of the full report to the governor's chief of staff, the secretary of health and human resources, and the Virginia Department of Health (VDH). The secretary of finance, secretary of administration, Department of Human Resource Management (DHRM), Department of Accounts (DOA), and Department of General Services were provided relevant portions.

Appropriate corrections resulting from technical and substantive comments are incorporated in this version of the report. This appendix includes response letters from VDH, DHRM, the secretary of finance, and the secretary of health and human resources.

COMMONWEALTH *of* VIRGINIA

Department of Health
P O BOX 2448
RICHMOND, VA 23218

Karen Shelton, MD
State Health Commissioner

TTY 7-1-1 OR
1-800-828-1120

November 1, 2024

Hal E. Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

Dear Mr. Greer:

Thank you for providing the Virginia Department of Health (VDH) with the opportunity to review and comment on the exposure draft of Virginia Department of Health: Financial Management, Staffing and Accountability. I greatly appreciate the professionalism and thoroughness with which JLARC staff performed this study. The report discusses and reinforces many challenges that VDH had already identified, and we are working hard to address. The report's acknowledgment of the impact of the COVID-19 pandemic on VDH is likewise appreciated, particularly as VDH redoubles its efforts to rebuild. VDH concurs with the report's recommendations and will do its best to implement them in a timely manner.

I would like to share with you a few details, which were previously shared with the staff of the House Appropriations Committee, and the Senate Finance and Appropriations Committee, concerning the current status of our efforts to strengthen VDH's financial management:

- Established a Chief Financial Officer position, with a skill set of leadership and understanding of complex financial systems, dedicated to financial management.
- Established the Office of Grants Administration - VDH has over 160 federal grants that provide almost 50% of our total funding.
- Established a controller position to oversee and improve internal controls.
- Established a priority to improve prompt pay of invoices and travel expenses – in one month the days to pay travel for central office staff has dropped from 22 days to 16 days.
- Established a priority to fill vacant positions in the Office of Financial management – We have worked with DHRM on position and appropriate role code alignment and compensation, along with dedicated recruiters to fill the 15 vacant positions. Six positions have been filled so far and five others are currently in the hiring process. Recruitment of four other positions is pending.

Thank you again for the courtesies that JLARC staff extended to VDH throughout the study process. Please let me know if my staff or I can be of any further assistance.

Sincerely,

Karen Shelton, MD
State Health Commissioner

VDH VIRGINIA DEPARTMENT OF HEALTH

JANET L. LAWSON
DIRECTOR

COMMONWEALTH OF VIRGINIA

Department Of Human Resource Management

James Monroe Building
101 N. 14th Street, 12th Floor
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Tel: (804) 225-2131
(TTY) 711

October 29, 2024

Hal E. Greer
Director
Joint Legislative Audit and Review Commission
919 East Main Street, Suite 2101
Richmond, VA 23219

Dear Mr. Greer,

Thank you for providing the opportunity to review the exposure draft of the JLARC report, *Virginia Department of Health: Financial Management, Staffing, and Accountability*. My staff and I appreciate being included in the process, and commend you and your team for the time, effort, and level of detail that has been spent researching these issues and developing a comprehensive report with sound recommendations. I would also like to thank you for meeting with my Deputy Director and me to discuss a few suggestions.

As identified in the JLARC report, staffing issues within the Virginia Department of Health (VDH) are numerous and create additional challenges, most notably turnover and errors made due to lack of people and sufficient training. The reliance on contract staff to perform routine agency operational functions is less than ideal. Coupled with long recruitment processes with vague job postings, and insufficient training, VDH is not positioned to improve their staffing without substantial changes. The Department of Human Resource Management is willing and committed to provide as much assistance as needed to VDH, utilizing the resources we have available, which are limited. Additional resources would benefit not only our ability to assist VDH, but also our ability to assist other agencies.

<u>JLARC Recommendations</u>

- Recommendation 2: The Department of Human Resource Management (DHRM) is committed to working with the Virginia Department of Health (VDH) to (i) identify key vacant financial management positions at VDH, (ii) develop a plan and timeline for filling those positions, (iii) assist VDH with recruiting candidates for those positions, and (iv) provide a status report on this effort to the staff of the House Appropriations and Senate Finance and Appropriations Committee by April 1, 2025.

- Recommendation 12: The Department of Human Resource Management will collaborate with the Department of General Services to provide guidance to VDH to develop an internal policy that specifies the circumstances under which offices and health districts may use contract employees, including guidelines for the maximum length of time a contract employee should be allowed to work at the agency.

- Recommendation 14: The Department of Human Resource Management will work closely with the Commissioner of VDH to develop and implement a plan to improve the management, culture, and accountability within the Office of Human Resources. In addition, DHRM currently provides various human resources and leadership training programs to state agencies to help acclimate new professionals and leaders to state government, which may be beneficial to achieve these goals.

- Recommendation 15: DHRM will work closely with VDH's Office of Human Resources to share recruiting best practices, as have been recognized within DHRM and other state agencies, to improve the recruitment process while reducing time to fill. This includes involving management in the recruitment process as a key factor of success.

- Recommendation 16: DHRM will collaborate with VDH to assist them with developing the agency's hiring process, and will assist with providing training to VDH hiring managers as needed.

- Recommendation 17: DHRM recommends VDH conduct a comprehensive review of each position description (referred to as the Employee Work Profile, EWP). Each EWP should include an agency overview and be specific to the functions expected to be performed by that position. Ensuring detailed job functions and expectations through the EWP will serve as the basis for effective job postings, employee training, and performance management. DHRM will provide assistance to VDH as needed.

- Recommendation 20: DHRM will provide consultation to VDH with the development of a comprehensive agency human resources manual. In addition, DHRM recommends the VDH Office of Human Resources (OHR) differentiate human resource roles between the central office and the district offices, and OHR should provide guidelines to the districts to ensure state and agency human resource policies and procedures are consistently applied.

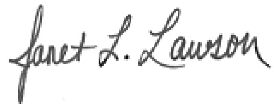
DHRM was made aware of a concern by VDH regarding market competitive salaries. While not included in the JLARC report, DHRM is committed to working with the agency to review and/or conduct a targeted benchmark study of specific positions.

The JLARC report indicated a number of new staff in the Office of Human Resources, to include the Human Resource Director, who has been with the agency nearly two years. As the central human resource agency, DHRM is a valuable resource and should be contacted frequently to provide guidance and assistance to help acclimate staff to both their agency and the Commonwealth. VDH's OHR has contacted DHRM for guidance on occasion, however DHRM is committed to providing additional support as identified and recommended in the JLARC report

to ensure VDH is equipped to implement the many changes needed to improve both their financial management processes and their staffing.

Again, thank you for the opportunity to review and comment on the report, and for the professionalism of you and your team. We look forward to a continued partnership with the Commission, the administration, members of the General Assembly, and our customer agencies to improve and enhance the human resource processes, systems, and personnel who support our state agencies, ensuring optimum service to the citizens of the Commonwealth.

Best regards,



Janet L. Lawson
Director

COMMONWEALTH of VIRGINIA

Office of the Governor

Stephen E. Cummings
Secretary of Finance

November 4, 2024

Hal E. Greer
Director
Joint Legislative Audit & Review Commission
919 East Main Street, Suite 2101
Richmond, Virginia 23219

Dear Director Greer:

On behalf of the Secretary of Finance office, I write in response to the statements and recommendations made in the Joint Legislative Audit & Review Commission (JLARC) draft report, *Virginia Department of Health: Financial Management, Staffing, and Accountability*. We appreciate the opportunity to provide our thoughts.

The situation you have identified at the Virginia Department of Health (VDH) is an important example for Commonwealth leadership to understand what happens when agency leadership does not properly execute the basic financial reporting and control functions that are prescribed in the Commonwealth's policies and procedures. As is the case here, failure to execute across the different fiscal and administrative control functions will not only result in failing to deliver the expected outcomes of important programs, but also spending that is inconsistent with budgeted amounts and, in extreme cases such as this, failure to detect fraudulent activity leading to significant financial loss.

As you have identified, this starts with the VDH leadership team having the requisite experience to be able to manage a large and complex organization. While there is a need for subject matter expertise, there is an equal need for experience in leading people in a large and complex organization to execute properly. Also, within the Agency and broader organization, there are other functions in place to provide checks and balances to identify breakdowns in controls such as what happened in VDH. However, in this case, due to the broad impact of the pandemic and leadership decisions within VDH and other finance functions between FY2020 through FY2022, these mechanisms failed to identify the breakdowns and take the corrective actions that could have prevented them.

We understand that the decision to centralize administrative functions, such as Finance and HR, reflected challenges in filling open positions with qualified people. An organizational transition of this significance requires tremendous change management processes at any time, but the challenge became insurmountable when all administrative staff were directed to work remotely due to the pandemic.

Other functions within VDH and Secretary of Finance that are in place to ensure proper reporting and financial controls were also impacted during this time period. Within VDH, the internal audit unit was also impacted by reorganization and remote work transition, and did not perform their normal responsibilities. Within SOF, the Department of Accounts (DOA) ceased conducting Quality Assurance Reviews (QARs), independent external audits of agencies deemed to be higher risk, in FY2020 as its staff was directed to oversee the Federal reporting of ARPA and SLFRF funds. Subsequently, QAR positions were left vacant with no plans for rehiring and, as a result, no QARs were conducted beginning in the second half of FY2020. The outcome of this decision was that all annual Agency Risk Management and Internal Control Standards (ARMICS) reports relied entirely upon agency self-certification with no independent validation. This is an unacceptable situation in general and, in particular, with respect to an Agency that was already struggling to execute. Given the identified VDH staffing challenges, this elevated the risk of inaccurate reporting and potential for financial loss through inaccurate billing and collections, and undetected fraudulent activities. Independent reviews of high-risk activities are a critical part of a standard control environment.

The Auditor of Public Accounts (APA) was the one control entity that continued their normal processes and performed their financial audit procedures throughout this time period. Their annual audit reports from FY2019 to FY2022 identified more than 10 internal control and compliance findings, including at least one material weakness and five or more significant deficiencies each year. There were also numerous repeat findings during the period indicating weak oversight and a lack of accountability associated with closing the deficiencies.

Since FY2022, HHR and SOF leadership have worked together to take a number of steps to better understand, and close, identified gaps, including:

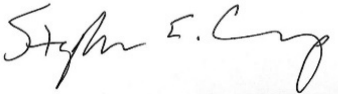
- Moving additional external consulting and internal resources to VDH to support basic execution of core financial functions (from DOA, DPB, Transformation Office).
- After receiving funding in the FY2024 budget, DOA is rebuilding its QAR function. A review of VDH is scheduled to be completed in FY2025.
- DPB also received funding in the FY2024 budget to rebuild its Program Evaluation Division, which was eliminated prior to FY2020. This unit is led by a former member of the Federal Office of the Inspector General. Their first project, after discussions with Secretary Littel, was to evaluate and provide recommendations to VDH/HHR.
- DOA and DPB teams have invested significant time with the VDH team to complete year end financials and ARMICS reports, and provide their expertise in managing information technology systems and payment processes.
- DOA has helped VDH with implementing stronger controls to strengthen compliance of purchase card transactions including online reconciliation ensuring the electronic storage and tracking of approvals, receipts, audits, etc.

- SOF worked in collaboration with HHR leadership to engage Alvarez & Marsal, an independent accounting firm known for their work in public sector financial management to provide accounting and independent advice on gaps in internal financial reporting and controls. Alvarez & Marsal continues to provide gap support in the implementation of policies and procedures, and creation of the Grants Management Division due to ongoing staff vacancies.
- All Commonwealth agencies participate in a Quarterly Management Review process where key issues are discussed and a review of budget to actual expenditures, personnel status, procurement, IT projects, risks, etc. is conducted. This cadence supports regular, comprehensive updates from agency leadership to their leadership team.

In conclusion, VDH has experienced what should serve as an example of the consequences of poor execution of basic financial reporting and execution, and the failure of other fiscal control functions designed to ensure compliance. The successful recruitment of the right team of leaders to manage the Agency and its financial activities, the continued investment in resources within the Agency and related control functions to ensure the effective implementation of already existing policies and procedures, and leadership support to drive a culture based upon transparency and accountability will lead to positive outcomes. This will take time, but can be done with continued heightened focus by this and future administrations.

Once again, we appreciate the good work done by the JLARC team and are ready to provide our resources in support of the implementation of your recommendations.

Sincerely,



Stephen E. Cummings
Secretary of Finance

COMMONWEALTH of VIRGINIA

Office of the Governor

Janet Kelly
Secretary of Health and Human Resources

November 3, 2024

Mr. Hal Greer, Director
Joint Legislative Audit and Review Commission
919 East Main Street
Richmond, Virginia 23219

Dear Mr. Greer,

Thank you for the opportunity to review the JLARC report on *Virginia Department of Health: Financial Management, Staffing, and Accountability*. We appreciate the Commission's attention to review the operations and management of the Virginia Department of Health (VDH).

The mission of the Virginia Department of Health (VDH) is to promote and protect the health of all Virginians. The programs administered by VDH impact Virginians from life to death. Examples of just a few of the programs administered by VDH include issuance of birth certificates, protecting drinking water, permitting restaurants, ensuring septic safety, issuing permits, administering the Supplemental Nutrition Program for Women, Infants, and Children (WIC), licensing and the office of the Chief Medical Examiner, among others. This broad mission, coupled with complex funding mechanisms, creates challenges that are unique to VDH.

The JLARC report highlights many of these challenges including the burden of responding to a pandemic with historic funding increases and dwindling administrative staff, a poorly timed and unsuccessful reorganization of administrative functions, persistent staff vacancy and turnover, and lack of training leaving VDH unable to timely and accurately perform important financial and human resource functions and resulting in poor agency moral. This Administration is acutely aware of these challenges created by historic mismanagement and lack of support for key administrative functions within the Department.

In response to these challenges, the Youngkin Administration has dedicated extensive time, effort, and resources to identify these issues and create long-term solutions. We have sought to to uncover the underlying causes and aim for sustainable solutions rather than temporary fixes. Steps the administration have taken include the following.

- Governor Younkin created the Chief Operating Officer (COO) position to oversee and enhance VDH's administrative functions. By appointing someone with extensive experience in health care administration and compliance, we significantly improved our ability to identify and tackle operational and financial issues. Together, Commissioner Karen Shelton and COO Christopher Lindsay have been vital in uncovering the complex challenges within VDH and working toward effective solutions.

- The previous Secretary of Health and Human Resources, John Littel, requested review from the newly revived Program Evaluation Division at the Department of Planning and Budget. This review found several deficiencies within financial management and specifically grants management function of VDH. The department has since implemented a corrective action plan to address those deficiencies.

- Then-Secretary Littel, along with Secretary of Finance Steve Cummings brought in an accounting firm with national expertise in public sector financial management. The most recent assessment from Alvarez & Marsal in 2024 found a lack of central grant data and consistent grant management processes, including drawdowns and federal financial reporting, significant delays in processing and recording financial transactions, including invoices, credit card transactions, and cost allocated charges, and ineffective financial monitoring due to manual, Excel-based tools. As these insights have emerged, VDH leadership has devoted significant time and effort developing solutions and Alvarez & Marsal continues to provide support.

- The Secretary of Health and Human Resources and the Secretary of Finance have enlisted financial leaders within their agencies to share their financial knowledge and expertise while providing training to less experienced VDH employees.

- The Health and Human Resources Chief Financial Officer has spent unprecedented time with VDH staff to correct these long-standing challenges and continues to serve on the department’s financial steering committee to help lead accountability and compliance efforts.

While the JLARC report notes troubling vacancy rates in key administrative functions at the department, our Commonwealth and our country are struggling with significant workforce shortages across all sectors, and these challenges are not unique to VDH. While VDH would prefer to hire classified staff instead of consultants, the current gaps in state government make it difficult to recruit highly qualified individuals. The existing vacancy rate at VDH necessitates the use of temporary contractors until the agency can recruit qualified individuals to support long-term agency goals and functions. Despite the various recommendations proposed by JLARC suggesting

an increase in staff, it should be expected that workforce shortages will continue to disrupt the hiring processes for the near future.

Since the beginning of his administration and during the final stages of the COVID-19 pandemic, Governor Youngkin has been committed to ensuring that the department has the resources and support necessary to carry out the department's mission. Many steps have been taken to address concerns related to leadership, organization, and communication, as well as staff capacity, grants management, financial operations and accounting, and financial monitoring and reporting. Despite the significant progress made, the intricate nature of the agency means that achieving lasting improvements is likely to take time and as we address the many interconnected challenges facing VDH.

This administration places a high priority in supporting VDH through these challenges and is committed to working with you and the General Assembly to improve the longstanding issues VDH has faced. We look forward to continuing the discussion on improving financial management, staffing, and accountability.

Sincerely,

Janet Vestal Kelly
Secretary of Health and Human Resources

CC: Chief of Staff John Littel
Secretary of Finance Steve Cummings

Appendix D: Grants management recommendations to VDH by DPB

At the direction of the Secretary of Health and Human Resources, the Department of Planning and Budget (DPB) conducted an evaluation of VDH's grant management practices, completing its review in April 2024. The review resulted in 28 recommendations to VDH based on identified areas of high risk, internal control deficiencies, and best practices. These recommendations have not previously been publicly reported, although VDH has already begun implementing some of the recommendations.

DPB's recommendations appear reasonable, are likely to lead to improvements in VDH's financial management, and are consistent with some of the recommendations made in this report. As noted in Chapter 3, to ensure sustained attention to and progress on these identified needs, VDH should report to the General Assembly on its progress in implementing these recommendations.

TABLE D-1
DPB recommendations to improve VDH's grants management

Subject	DPB Recommendation
Salary Allocation Practices	VDH needs to determine if all grant-funded fiscal and administrative positions moved during re-organizations have been performing work that directly benefits the funding grant. DPB recommends this topic for further DPB evaluation.
Authorizing Official Gaps	VDH needs to update the Authorized Organization Representative (AOR) for all grants where the currently listed AOR has separated from VDH or been reassigned. The AOR should be an employee of VDH. It is the AOR who is responsible for final review of the grant proposal and grant budget prior to submission to the federal government. DPB recommends further DPB evaluation of VDH's "front end" grant support, to include processes for reviewing grant proposals, developing grant budgets, selecting the AOR, and the performance of the AOR's duties.
Reliance on Contractors	VDH needs to fill vacant positions and achieve adequate staffing levels in OFM Agency Grants and in Grants Support.
Reliance on Contractors	VDH may wish to consider a compensation study to evaluate whether its hiring ranges for fiscal positions are sufficiently competitive to attract and retain qualified talent.
Reliance on Contractors	VDH should review the length of time it is taking Human Resources to fill posted vacancies. DPB recommends this topic for VDH internal audit.
Staff Training	VDH would benefit from creating training materials related to grant fiscal processing, for use when training new staff.
Succession Planning/ Staff Training	The Office of Administration needs to improve succession planning and cross-training, to prevent 'single point of failure' when an employee leaves.
Succession Planning	VDH may wish to consider a climate survey to assess employee morale in the Office of Administration.
Lack of Policies	VDH needs to update its existing policies concerning grant management and create new written policies to communicate its policy decisions.
Lack of Procedures	VDH needs to establish, and make easily accessible to all employees, standard operating procedures for basic fiscal processes. Clear processes are a pre-requisite to successful development of VDH's new financial management system.
Federal Financial Reports (FFRs)	The Office of Financial Management (OFM) Agency Grants team needs to monitor due dates for FFRs, timely prepare preliminary FFRs for program office review, and consistently meet federal deadlines for submission.

Subject	DPB Recommendation
Federal Financial Reports (FFRs)	The OFM Agency Grants team should routinely provide VDH's grant program directors with copies of the FFRs submitted for the grants they oversee.
Drawdowns	OFM must timely and accurately draw down grant funds.
Chart of Accounts	OFM must consistently enter grants into the Chart of Accounts in compliance with 2 CRF 200.302(b). VDH must also consistently differentiate grant years for multi-year grants and identify the relevant federal account codes.
Chart of Accounts	VDH should cease generating its own grant numbers for federal awards and use only the numbers assigned by awarding federal agencies.
Unique Entity Identifier (UEI) Numbers	VDH needs to transition to a single UEI. This involves selecting the primary UEI and gradually phasing out all the other UEIs as any associated grants/contracts close.
Indirect Costs	OFM needs to be more efficient at indirect cost recovery, to include regular and timely drawdowns of indirect costs for all grants where such costs are recoverable.
Indirect Costs/ Communication	OFM needs to clearly communicate, in writing, information about what costs are included in its indirect cost rates, versus what must be direct-billed, to all program and administrative staff involved in developing grant budgets.
Travel Vouchers	OFM must process employee reimbursement vouchers within five working days as required by CAPP Topic No. 20336 (page 10), so delayed reimbursement does not financially burden staff. DPB recommends this topic for VDH internal audit.
Grants Repository	VDH is in the process of building a Grants Repository, which is a best practice. To maintain the Grant Repository, VDH will need applicable written policy and dedication of resources.
Better Utilization of Existing IT Systems	VDH should begin using the two "agency use" chartfields in the Cardinal system to record grant information. Possible uses include the grant's CFDA and/or FAIN and the federal sub-account code.
Better Utilization of Existing IT Systems	VDH should update the F&A production report used by fiscal staff responsible for drawing down grant funds to add chartfields that would help them differentiate grant years, including but not limited to the "COA" chartfield.
Communication	OFM needs to consider the needs of program managers and other stakeholders when developing its new financial management system, to avoid lost opportunities during development of the grants module.
Communication	OFM Agency Grants and Grants Support need to continue their recent monthly meetings with program offices.
Communication	OFM Agency Grants, Grants Support, and program offices need to regularly share up-to-date staff assignments and contact information.
De-Fragment Fiscal Processing	OFM Agency Grants team needs to assign fiscal staff to specific grants, instead of assigning work by transaction type.
Organizational Clarity	VDH should consider having both grant teams in the Office of the Administration report to the same manager, with that manager held accountable for the lifecycle of grant fiscal processing.
Organizational Clarity/ Communication	To meet the needs of program offices while avoiding duplication of effort, the VDH Office of Administration needs to clarify and communicate to all stakeholders the specific roles/responsibilities of its two different grants teams, "OFM Agency Grants" and "Grants Support".

SOURCE: 2024 DPB Evaluation of Grants Management in the Office of Family Health Services
NOTE: The Office of Family Health Services (OFHS) has 57 active grants that total $287 million. OFHS has the most grants of any office at VDH and the second highest total grant funding. DPB recommendations are to VDH, not OFHS specifically. JLARC staff reordered the recommendations and made minor adjustments to some language for clarity.

Appendix E: VDH nursing incentive programs

As part of a Commission resolution authorized November 13, 2023, JLARC staff were directed to assess the Virginia Department of Health's (VDH's) programs for improving the Virginia healthcare worker pipeline. JLARC staff were directed to focus on VDH's programs for nurses.

As of October 2024, VDH administered eight nursing incentive programs, including five scholarship programs, two loan repayment programs, and a program to incentivize individuals to provide clinical supervision (serve as a "preceptor") for nursing students (Table E-1). Each program was created by the General Assembly, and each program receives most of its funding from the General Assembly.

The general purpose of these programs in Virginia and other states is to increase the number of health professionals. With the exception of the Nursing Preceptor Incentive Program, guidelines and award decisions for each program are determined by the advisory committee assigned to it. The State Board of Health appoints each advisory committee, and each committee has a different method for determining program awardees.

VDH's Office of Health Equity (OHE) administers the VDH nursing incentive programs. OHE's administrative duties include screening applicant eligibility, notifying awardees, and collaborating with the Office of Financial Management (OFM) to process award payments.

TABLE E-1
VDH administers eight nursing incentive programs, including five scholarship programs, two loan repayment programs, and one nursing preceptor incentive program

Program Name	Description
Mary Marshall Nursing Scholarship Program (CNA)	Certified nurse assistant students or recent graduates commit to one year of full-time employment as nurses in Virginia in exchange for each scholarship they are awarded. Each scholarship can be for up to $1,000.
Mary Marshall Nursing Scholarship Program (RN/LPN)	Registered or licensed practical nurse students commit to one year of full-time employment as nurses in Virginia in exchange for each $2,000 scholarship they are awarded. Students can receive one scholarship annually, for up to four years.
Virginia Long-Term Care Facility Scholarship Program	Registered nurse, licensed practical nurse, and certified nurse assistant students commit to one year of full-time employment in a long-term care facility in Virginia in exchange for each scholarship they are awarded.

	Students can receive one scholarship of up to $2,000 annually, for up to four years.
Virginia Nurse Educator Scholarship Program	Nurse educator students commit to two years of full-time employment as nurse educators in Virginia in exchange for each scholarship they are awarded. Each scholarship can be for up to $20,000. Students can receive one scholarship annually, for up to two years.
Virginia Nurse Practitioner/Nurse Midwife Scholarship Program	Nurse practitioner or nurse midwife students commit to one year of service as nurses in a Virginia Medically Underserved Area (VMUA) or Health Professional Shortage Area (HPSA) for every scholarship they are awarded. Students can receive one scholarship annually, for up to two years.
Virginia Behavioral Health Loan Repayment Program	Eligible health professionals commit to two years of full-time employment at an eligible practice site (e.g., rural health clinic) in Virginia in exchange for loan repayment funds. Loan repayment amounts go up to $50,000 annually. The yearly total award amount will not exceed 25% of the awardee's student loan debt.
Virginia State Loan Repayment Program	Eligible health professionals commit to two years of full-time employment in a Health Professional Shortage Area (HPSA) in the Commonwealth in exchange for loan repayment funds. Loan repayment is distributed annually, for up to four years. Yearly loan repayment amounts can go up to $40,000, but total loan repayment cannot exceed $140,000.
Virginia Nursing Preceptor Incentive Program	Medical professionals are awarded compensation for providing nursing students with the hands-on clinical guidance and supervision they need to become nurses. Compensation is based on a tiered system and can go up to $5,000. Compensation may be concurrent with compensation from other sources and is awarded on a semester basis.

SOURCE: JLARC staff analyses of VDH nursing incentive program documentation, the Code of Virginia, and the Virginia Administrative Code.

VDH's nursing incentive programs fund a relatively small proportion of applicants, and funding for some programs has not been fully utilized in recent years

Various data indicates a need for more nurses in Virginia, and VDH nursing incentive programs were created to address this need by increasing the state's nursing pipeline. According to a 2023 study funded by the Virginia Healthcare Workforce Development Authority, for example, Virginia experienced a 2.3% annual increase in the supply of registered nurses between 2020 and 2022. Data projections within the same study, however, indicate that this current growth rate is not enough to meet the increased demand for registered nurses in Virginia. Additionally, the Department of Health Professions's 2024 Virginia Nursing Education Programs report found that 25 percent of Virginia nursing programs indicated faculty shortages as a barrier to securing clinical sites for registered nursing students.

Funding for VDH nursing incentive programs has increased significantly over the past five years. From FY19 to FY24, overall appropriations for VDH nursing incentive programs increased from $1.3 million to almost $10 million (Table E-2). Most of the increased funding came from state general funds.

Despite the recent increase in funding, only a portion of applicants to these programs have received awards in recent years (e.g., 12 percent to 29 percent in FY23). While an accurate account of the unmet demand is unknown because VDH staff were unable to remove applications from the total counts it provided to JLARC that may have been incomplete or ineligible, the data suggests that most program applicants are not selected for an award. For instance, only 22 percent (130 out of 602) of all VDH *scholarship* program applicants were chosen to receive an award in FY23 (Table E-3). Similarly, only 15 percent (107 out of 699) of all VDH *loan repayment* program applicants were chosen to receive an award in FY23. There does appear to be a clear unmet demand for the loan repayment programs as both programs exhausted the funding they were appropriated in FY23. Similarly, nearly all funds were exhausted for the CNA scholarship program.

Except for loan repayment programs, VDH nursing incentive programs only utilized a portion of their total funding in FY23 (Table E-4). According to OHE staff, staffing shortages and turnover within OHE, delays in processing payments, lack of a fully functioning application database, and a lack of eligible applicants all contribute to its underutilization of program funds. OHE has taken several steps to address these issues, which include recruiting more staff members, procuring a new database, and being assigned a dedicated person from OFM's fiscal team.

TABLE E-2
Overall funding for VDH nursing incentive programs increased by 667%, driven mostly by increases in state general funds

	FY19	FY24	Percent change
State general funds	$338,814	$9,099,000	2,586%
Federal funds	610,475	822,000	35
Other sources	351,023	65,000	-81
Overall	**$1,300,312**	**$9,986,000**	**667%**

SOURCE: JLARC analysis of nursing incentive program appropriations data provided by VDH Office of Health Equity.
NOTE: Table adjusted for inflation using BLS Consumer Price Index for All Urban Consumers (CPI-U) for June 2024. Funding from other sources includes dedicated special revenue, nurse licensing fees from the Virginia Board of Nursing, and other sources. A large part of the negative percent change in special revenue is due to decreased funding for the Virginia State Loan Repayment Program from the Virginia Tobacco Region Revitalization Commission.

TABLE E-3
VDH nursing incentive programs funded between 12% to 29% of all applicants in FY23

	Applications (FY23)[a]	Applicants approved for an award (FY23)	Percentage of applicants approved for an award (FY23)
Nursing Preceptor Incentive Program [b]	943	270	29%
Mary Marshall Nursing Scholarship Program (RN/LPN)	273	79	29
Mary Marshall Nursing Scholarship Program (CNA)	265	39	15
Virginia State Loan Repayment Program [b]	408	63	15
Behavioral Health Loan Repayment Program [b]	291	44	15
Nurse Practitioner/Nurse Midwife Scholarship Program	27	6	22
Long-Term Care Facility Scholarship Program	26	3	12
Nurse Educator Scholarship Program	11	3	27
Overall	**2,244**	**507**	**23%**

SOURCE: JLARC analysis of applicant and award data provided by the VDH Office of Health Equity.
NOTE: [a] Some application figures may include incomplete applications, as VDH was not able to separate complete and incomplete applications due to issues related to switching to a new database. [b] Medical professionals not involved in nursing are eligible for the Nursing Preceptor Incentive Program, the Behavioral Health Loan Repayment Program, and the Virginia State Loan Repayment Program.

TABLE E-4
Most VDH incentive programs did not utilize all of the funding allocated toward them in FY23

	Funding appropriated (FY23)	Funding utilized (FY23)	Percent utilized (FY23)
Behavioral Health Loan Repayment Program	$1,600,000	$1,692,416	106% [a]
Virginia State Loan Repayment Program	2,404,000	2,402,000	100
Mary Marshall Nursing Scholarship Program (CNA)	35,000	32,994	94
Mary Marshall Nursing Scholarship Program (RN/LPN)	300,000	158,000	53
Nurse Practitioner/Nurse Midwife Program	300,000	120,000	40
Nursing Preceptor Incentive Program	500,000	184,950	37
Nurse Educator Program	300,000	60,000	20
Long-term Care Facility Program	64,000	6,000	9
Overall	**$5,503,000**	**$4,656,360**	**85%**

SOURCE: JLARC analysis of program funding and awardee data provided by the VDH Office of Health Equity.
NOTE: [a] OHE reports that it used leftover funding from FY22 to supplement awards for FY23.

Only a small proportion of Virginia nurses and nursing students participate in VDH incentive programs, but limited data indicates programs have some influence on people's decisions

JLARC staff were directed to review the effectiveness of VDH nursing incentive programs in expanding the nursing pipeline. To do this, JLARC reviewed both (1) the overall impact of the programs on the broader nursing workforce and (2) the extent to which the program influenced recent participants to undertake an activity that would lead to a larger nursing workforce (e.g., obtaining an education or teaching nurses).

VDH nursing programs have a relatively small reach, which limits their effect on the state nursing pipeline. For example, the 130 unique VDH nursing scholarship awardees accounted for less than 1 percent of all Virginia nursing students (15,506) in FY23. Additionally, the 39 unique loan repayment award awardees *who were nurses* accounted for less than 1 percent of the estimated number of nurses who held debt in the Commonwealth (86,297).

To better understand the impact VDH nursing incentive programs had on awardees' decisions to pursue nursing or serve as a preceptor, JLARC surveyed 370 VDH nursing program awardees from FY22 and FY23. JLARC distributed the survey during the summer of 2024, and received 94 responses (a 25% response rate). Seventy-one percent (N = 66) of survey recipients were active nurses and 98% (N=64) of those nurses worked in Virginia. Survey recipients were given a scale of 1 to 10 and asked to rate VDH nursing incentive programs' influence on their decisions, with 1 being "not influential at all" and 10 being "extremely influential."

Scholarships, the loan repayment programs, and the nursing preceptor program had a relatively strong influence on the survey respondents' decisions. (Given the small number of survey respondents, it is not possible to generalize these respondents' experiences to other awardees.) Scholarship program awardees reported that the award had a median influence of 8.5 out of 10 on their decision to either become or stay a nurse, while loan repayment program awardees reported that the award had a median influence of 8 out of 10. Respondents who received an award through the nursing preceptor program reported that the program had a median influence of 7.5 out of 10 on their decision to become a preceptor.

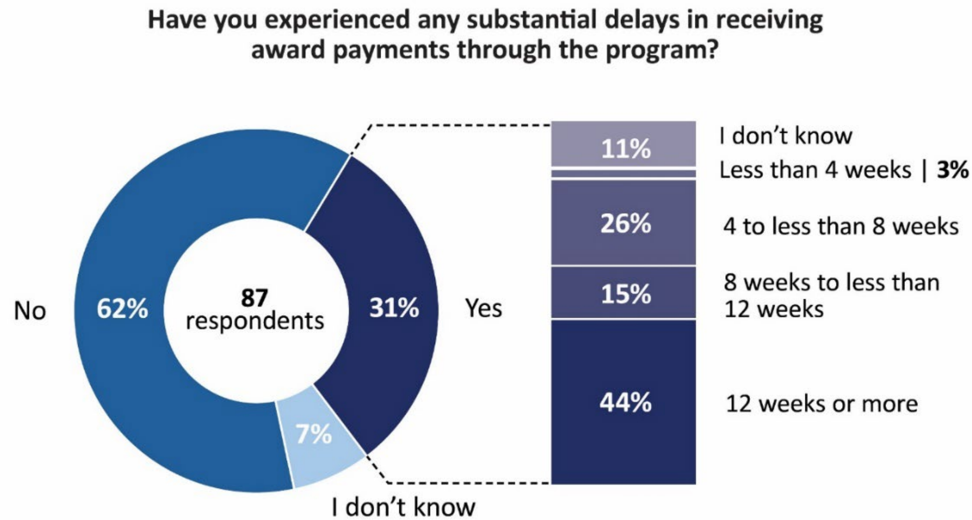
Nurses, nursing students, and nursing preceptors generally report satisfaction with their interactions with the Office of Health Equity, but some report problems receiving owed payments

A majority of survey respondents indicated that they were satisfied with their interactions with OHE staff. Seventy-three percent of survey respondents reported satisfaction with the amount of time it took OHE to respond to them, and 80% of survey respondents reported satisfaction with OHE's ability to answer their questions. Additionally, 85% of respondents reported that they would recommend VDH nursing incentive programs to others.

However, some respondents (31%) reported an issue with the timeliness of their award payments. Nearly half of them reported that they had been waiting 12 weeks or more for their award (Figure E-1).

These late payments arise from various challenges within OFM and OHE. OHE reports that staffing shortages, lack of a fully functioning database, and unclarified tax rules for one program have slowed its ability to generate invoices that trigger award payments. Additionally, as detailed in Chapter 3 OFM struggles to pay vendor invoices promptly (29 percent were paid late in FY24). A JLARC analysis of a sample of OFM payment data for the Nursing Preceptor Incentive Program indicates that OFM processed almost all payments (96 percent) later than the 30-day prompt pay requirement in state law (Table E-5). More information on delayed OFM payment processing and opportunities to address this issue can be found in Chapter 3.

FIGURE E-1
44% of survey respondents who experienced a payment delay reported waiting 12 weeks or more for payment



SOURCE: JLARC analysis of responses to a survey of VDH nursing incentive program awardees from FY22 and FY23.

TABLE E-5
OFM did not process most Nursing Preceptor Incentive Program payments in a timely manner

		FY23	FY24
Payment Processing	30 or fewer days	20%	4%
	31 to 59 days	80	90
	60 or more days	0	6

SOURCE: Invoice data from the VDH Office of Financial Management. Application processing data from the VDH Office of Health Equity.
NOTE: Payment processing figures include only Nursing Preceptor Incentive Program awardees. The payment processing timeline was calculated by counting the days between the date OHE sent OFM the invoice and the date OFM sent the check to a program recipient.

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