

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

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## 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.

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

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## 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.

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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.

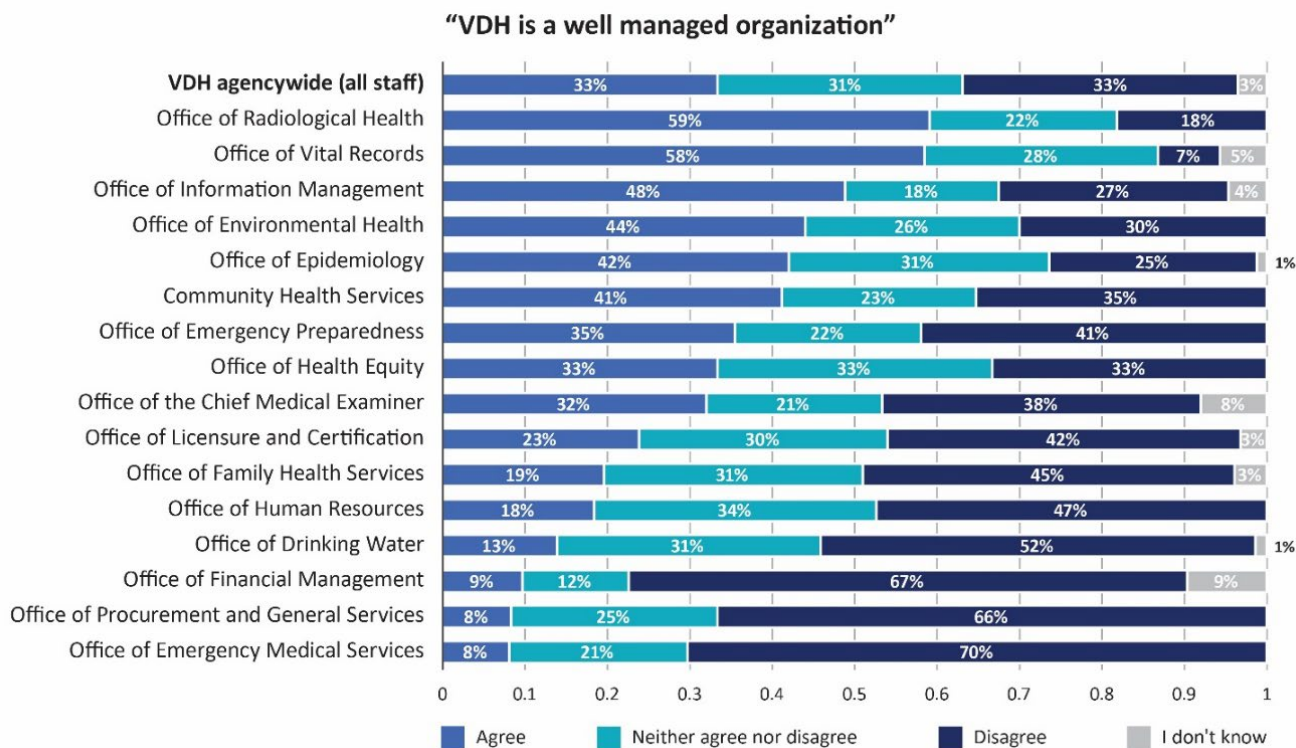
VDH has not equipped its supervisors to hold their direct reports accountable, and agency culture reportedly tolerates underperformance. Employees are not given clear performance expectations, supervisors are not trained in how to manage employee performance, and some VDH supervisors oversee too many 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.

