

OFFICE OF THE STATE INSPECTOR GENERAL

FISCAL YEAR 2017
ANNUAL REPORT TO THE GOVERNOR
& GENERAL ASSEMBLY OF VIRGINIA

OCTOBER 2017



*Championing Better
Government Performance*

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ACTING STATE INSPECTOR GENERAL
REPORT No. 2018-ADM-003



MESSAGE FROM THE ACTING STATE INSPECTOR GENERAL

It is an honor to present the Virginia Office of the State Inspector General's Fiscal Year 2017 Annual Report. This fifth anniversary report provides an opportunity to reflect on agency achievements over the last five years, with a focus on key accomplishments and activities for the fiscal year ending June 30, 2017.

Created in 2012 by an act of the General Assembly, the Office of the State Inspector General (OSIG) has provided independent oversight of the commonwealth's executive branch agencies, with a mission to detect and deter fraud, waste and abuse and promote efficiency and effectiveness in government programs and operations.

Since its founding, OSIG has identified more than \$12 million in potential annual savings and generated an additional \$1.6 million in one-time savings as a result of its performance review and audit recommendations. In collaboration with investigative partners, the agency has also recovered nearly \$1.2 million in restitution and another \$21 million in forfeiture money stemming from criminal investigations.

Perhaps most importantly, this office has established itself as a central outlet for citizens to report wrongdoing within the executive branch of state government. During fiscal year 2017, OSIG noted a surge in State Fraud, Waste and Abuse Hotline calls, increasing 140 percent between the second and third quarters, and sustaining that increase through the fourth quarter. More than 1,400 calls throughout the year resulted in 645 formal investigations. OSIG attributes the rise in activity, in part, to heightened awareness of the hotline, as well as recent implementation of an accessible online complaint form.

OSIG's four divisions — Performance Review Services, Investigations and Law Enforcement Services, Behavioral Health and Developmental Services, and Administrative Services — conducted multiple audits, investigations and inspections of executive branch agencies, resulting in more than 250 meaningful recommendations for improved internal controls, efficiency and effectiveness. All of our published reports can be found on the OSIG website at www.osig.virginia.gov.

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FY2017 HIGHLIGHTS

In accordance with Title 2.2 Chapter 3.2 (§§ 2.2-307 through 2.2-313) of the Code of Virginia, the Office of the State Inspector General (OSIG) is responsible for:

- Investigating complaints alleging fraud, waste, abuse or corruption by an executive branch state agency, non-state agency or officers, employees or contractors of those agencies;
- Administering the Fraud and Abuse Whistle Blower Reward Fund;
- Overseeing the State Fraud, Waste and Abuse Hotline;
- Conducting performance reviews of state agencies;
- Providing training and coordination of standards for the state's internal audit functions;
- Performing inspections and making policy and operational recommendations for Behavioral Health and Developmental Services facilities and providers; and
- Reviewing operations of the Virginia Tobacco Region Revitalization Commission.

Consistent with these responsibilities, OSIG completed the following activities during FY2017:

- **Performance Review Services**
 - Published six performance reviews and one performance audit;
 - Issued 38 findings and observations;
 - Issued 58 performance review/audit recommendations;
 - Conducted one follow-up review; and
 - Completed one special project review.
- **Behavioral Health and Developmental Services**
 - Published four unannounced inspections reports; and
 - Received and coordinated responses to 49 complaints (reviewed seven complaints in-house, referred nine to the Department of Behavioral

Health and Developmental Services and 33 to facility directors, local community services boards and other agencies/organizations).

FY2017 Highlights - continued

- **Investigations and Law Enforcement Services**
 - Opened 10 executive branch agency investigations;
 - Investigated allegations of fraud, conflict of interest, misappropriation, procurement violations and ineffective management;
 - Referred seven cases to the Office of the Attorney General; and
 - Closed 22 cases.
- **State Fraud, Waste & Abuse Hotline**
 - Assigned 645 cases for investigation;
 - Of cases closed, 23 percent were substantiated, 45 percent were unsubstantiated, 21 percent were referred to other agencies, and recommendations to improve internal controls or policies were issued in 11 percent of unsubstantiated cases;
 - Investigated 28 cases in-house because allegations involved an agency head, an agency internal audit employee or an “at-will” employee; and
 - Completed two follow-up investigative reviews for compliance with recommendations.
- **Internal Audit Oversight and Training Services**
 - Conducted four Quality Assurance Reviews;
 - Offered nine training courses to 326 individuals; and
 - Determined OSIG’s free and reduced-cost training resulted in savings of \$165,000 to state agencies over comparable course offerings from private vendors.
- **Communications and Outreach**
 - Presented before 15 state and national organizations;
 - Responded to 115 Freedom of Information Act (FOIA) inquires; and
 - Drafted and distributed six news releases resulting in multiple statewide media placements.



DASHBOARD OSIG ACTIVITIES

Below is a snapshot of OSIG activities between July 1, 2016, and June 30, 2017.

**DURING
FY
2017**

We Listen:

- Received 1,409 Hotline calls; assigned 645 for investigation.
- Received and responded to 437 citizen inquiries.

We Identify Potential Cost Savings:

- Identified \$12 million in annual recurring savings

We Make Government Better:

- Offered 251 recommendations to improve controls, efficiency and effectiveness.

Below is a snapshot of OSIG activities between July 1, 2012, and June 30, 2017.

**SINCE
FY
2012**

We Listen:

- Received 7,569 Hotline calls; assigned 3,349 Hotline cases for investigation.
- Received and responded to 1,507 citizen inquiries.

We Identify Potential Cost Savings:

- Identified \$12 million in annual recurring savings and \$1.6 million in one-time savings resulting from performance reviews and audits.
- Identified \$21 million in asset forfeiture and \$1.2 million in restitution stemming from criminal investigations.

We Make Government Better:

- Offered 1,100 recommendations to improve controls, efficiency and effectiveness.

OSIG'S MISSION, VISION & VALUES

OSIG'S MISSION

On behalf of the citizens of the Commonwealth, the Office of the State Inspector General (OSIG) serves as a catalyst for positive change by:

- Facilitating good stewardship of resources;
- Deterring fraud, waste, abuse and corruption;
- Advocating efficiency and effectiveness; and
- Promoting integrity and ethical conduct.

OSIG'S VISION

To maximize the public's confidence and trust in state government by promoting the highest level of integrity, efficiency, effectiveness and economy.

OSIG'S VALUES

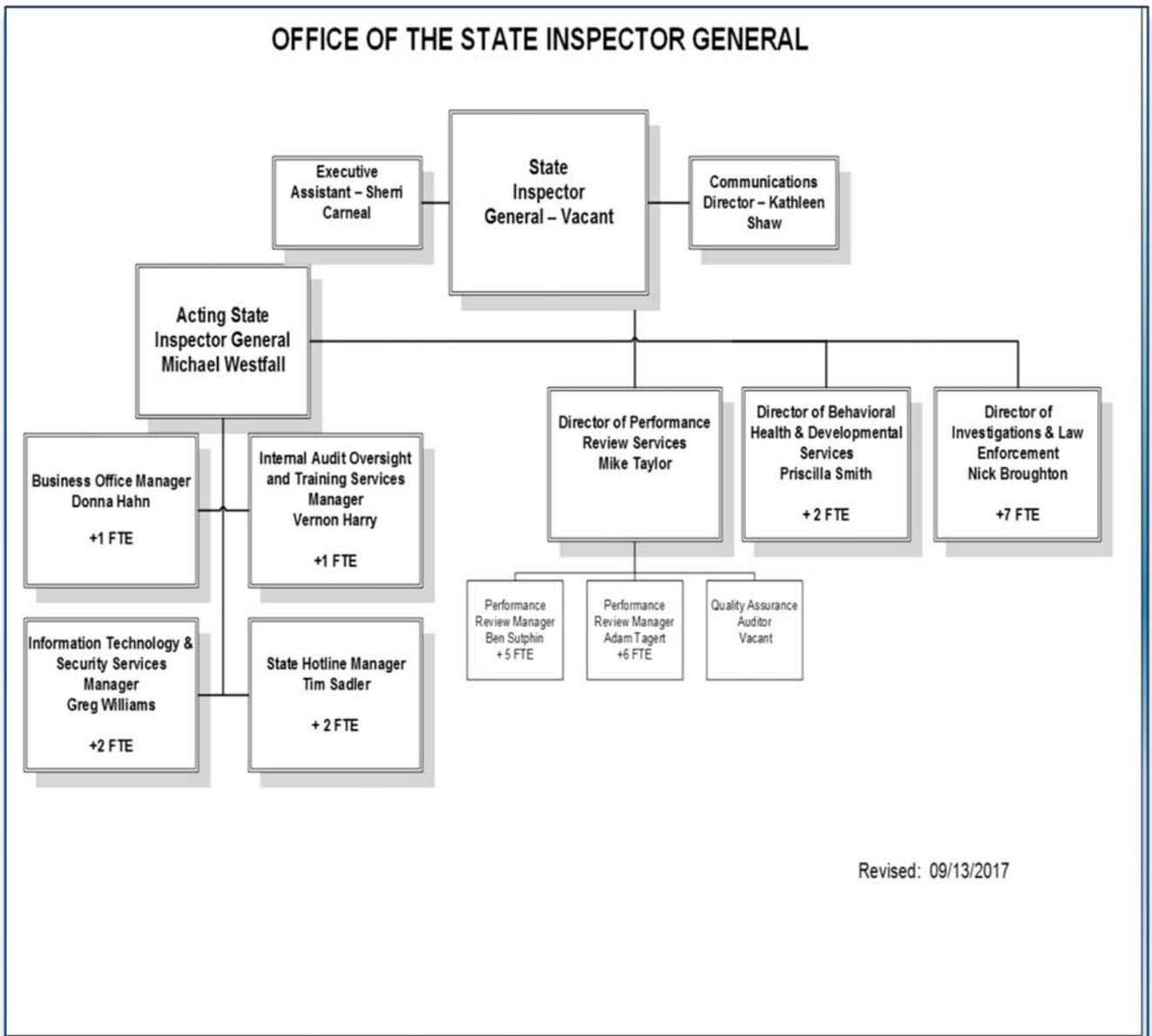
In its work and with each other, OSIG pledges to uphold the following core values:

- Integrity, trust and ethical behavior;
- Dedication, objectivity and innovation;
- Cohesive and collaborative communications and operations; and
- Courage, accountability and respect.

OSIG'S ORGANIZATIONAL STRUCTURE

OSIG's organizational structure is designed to accomplish statutory mandates through four divisions:

- Performance Review Services;
- Behavioral Health and Developmental Services;
- Investigations and Law Enforcement Services; and
- Administrative Services.



PERFORMANCE REVIEW SERVICES

OSIG's Performance Review Services legislative mandates are delineated in *Code* § [2.2-309\[A\]\(10\)](#) and § [2.2-309.2](#) and include:

- Conducting performance reviews to assess the efficiency, effectiveness and economy of executive branch agencies' programs and operations.
- Assessing the condition of the accounting, financial and administrative controls of state and non-state agencies as necessary.
- Reviewing the condition of the Tobacco Region Revitalization Commission's accounting, financial and administrative controls.

Change in Methodology



OSIG adopted Generally Accepted Government Auditing Standards (GAGAS) in early FY2017. GAGAS provides for higher standards and quality, changing Performance Review Services' work product from performance reviews to performance audits. Projects initiated prior to July 1, 2016, were completed in accordance with the Association of Inspectors General's (AIG) Principles and Standards for Offices of

Inspector General.

Issued Reports

During FY2017, OSIG published six performance reviews, one performance audit and issued 38 findings and observations resulting in 58 recommendations. In addition, one university received a commendation.

The College of William and Mary

- This performance review focused on the following risk areas:
 - Procurement;
 - Science, Technology, Engineering and Mathematics (STEM); and
 - Succession planning.
- The report included three observations and recommendations:
 - Generate cost savings using additional performance measures;
 - Develop an action plan aligned with William and Mary's strategic plan; and
 - Implement start-up package agreements.
- William & Mary management agreed with all three recommendations.
- For details, see the January 31, 2017, [report](#).



Department of Alcoholic Beverage Control

- This performance review focused on the Virginia Department of Alcoholic Beverage Control's (ABC) Procurement & Support Services' (PaSS) efforts toward transitioning to an Authority and preparing for its exemption from the Virginia Public Procurement Act.
- The report included five observations and recommendations:
 - Develop and implement key performance indicators to measure performance;
 - Develop and align the business operating plan with ABC's strategic plan;
 - Improve vendor management;
 - Develop service level agreements between procurement and support services and its internal clients; and
 - Use data analytics to help manage the process and improve client service deliveries.
- ABC management concurred with four of five recommendations.
- For details, see the June 29, 2017, [report](#).



Department of Aviation

- In January 2017, the Department of Aviation (DOAV) became aware of potential misappropriation of state funds by an airport sponsor. Based on this potential misappropriation, and at the request of the Secretary of Transportation, OSIG conducted an audit of DOAV procedures regarding oversight of state funded programs.
- The report included six findings and related recommendations:
 - Perform financial reviews of airport sponsors;
 - Strengthen master agreements between airport sponsors and DOAV;
 - Strengthen controls over state funding usage and entitlement utilization report reviews;
 - Conduct audits of airport sponsors;
 - Strengthen the program compliance process; and
 - Require additional insurance coverage to ensure protection of state funds.



- Department of Aviation management concurred with all six findings and 19 recommendations.
- For details, see the May 22, 2017, [report](#).

Department of General Services

- This performance review focused on the Department of General Services' (DGS) Office of Surplus Property Management; Building Security; the Division of Purchases and Supply's (DPS) sole-source purchases; emergency purchases; Virginia's procurement system (eVA); and the Division of Consolidated Laboratory Services.
- The report included 10 observations and recommendations:
 - Consider alternatives to surplus property disposition to improve financial performance;
 - Ensure federal surplus property verifications are conducted;
 - Improve accuracy of federal surplus property inventory records;
 - Include location of sale in surplus property sales data;
 - Reduce security costs by consolidating Richmond-area state agencies under one security contract;
 - Improve security services;
 - Use automation to monitor all sole source and emergency procurement exceptions;
 - Improve eVA system using input from users' and vendors' survey suggestions;
 - Perform external safety inspection at the Division of Consolidated Laboratory Services to assist in identifying and solving safety issues and hazards; and
 - Conduct a compensation study at the Division of Consolidated Laboratory Services in an effort to reduce employee turnover.
- DGS management concurred with all 10 recommendations.
- For details, see the August 22, 2016, [report](#).



Virginia Department of Rail and Public Transportation

- The Department of Rail and Public Transportation (DRPT) review focused on the following three risk areas:
 - Rail Industry;
 - Agency Operation; and
 - Strategic Planning.
- The report included five observations and recommendations:
 - Maintain focus on the quantitative and qualitative factors impacting high speed rail implementation within the Commonwealth of Virginia;
 - Continue to review revenue and cost data on a regular basis to ensure maximum value for the Commonwealth of Virginia;
 - Target advertising to specific geographic areas to address ridership needs;
 - Improve monitoring of interagency receivable balances; and
 - Improve measurement of project close-outs.
- DRPT management concurred with all five recommendations.
- For details, see the November 21, 2016, [report](#).



Virginia Department of Health

- The Department of Health (VDH) performance review focused on the following two risk areas:
 - Centralization, Automation and Oversight of Core Administrative Services; and
 - Health Care Facilities Inspection, Certification and Licensure.
- The report included six observations and recommendations:
 - Create a shared services work unit;
 - Expand mandatory trainings;
 - Implement electronic documents;
 - Improve expenditure and budget tracking tools;
 - Enhance succession planning; and
 - Centralize health facilities' inspection performance data.
- VDH management concurred with six of seven recommendations.
- For details, see the April 18, 2017, [report](#).



Virginia Polytechnic Institute and State University

- This performance review focused on the following areas:
 - Science, Technology, Engineering, Math and Health (STEM-H) program;
 - Faculty start-up packages;
 - Transfer and return of collected revenues; and
 - Electronic procurement.
- The report included one commendation:
 - The Provosts' Office developed effective quantitative methods for monitoring faculty start-up packages and realized a positive "return on investment" associated with those costs.
- For details, see the October 25, 2016, [report](#).



Special Project

During FY2017, one special project was conducted and three recommendations were made.

Tobacco Region Revitalization Commission King School of Medicine Grant

- During a follow-up review of the Tobacco Region Revitalization Commission completed in the prior fiscal year ([report](#)), OSIG reported \$545,989 was paid to King College and the King School of Medicine (KSOM). Subsequent to the period covered in that follow-up review, the amount increased to \$973,289. Of that sum, \$527,300 was advanced to KSOM because it lacked cash needed to pay expenses that had been incurred. Given the significant funding provided for a medical school that was never built, OSIG conducted this special review.
- OSIG did not discover circumstances suggesting a reasonable possibility of fraud. However, the level of oversight and documentation supporting disbursements and matching funds created an environment where fraud could occur and not be detected in a timely manner. The report included three observations and recommendations:
 - Complete the review of the advance funds to ensure they were used properly;
 - Seek reimbursement of any remaining unsupported expenses; and
 - Improve the way matching funds in the form of donated services are accepted.
- For details, see the September 27, 2016, [report](#).



Follow-Up Reviews

One follow-up review from FY2016 was completed during FY2017.

Department of Medical Assistance Services

- The original report included three recommendations.
- The September 1, 2016, follow-up [report](#) indicated DMAS had adequately addressed all three recommendations in the original report.

Ongoing Performance Audits and Special Reviews

As of July 1, 2017, the following performance audits and special reviews were continuing:

- Apprenticeship Project (Department of Labor and Industry);
- Cybersecurity (statewide);
- Department of Taxation;
- Disability Determination Services (Department for Aging and Rehabilitative Services);
- Follow-up of Previous Recommendations;
- Highway Infrastructure (Virginia Department of Transportation);
- Implementation of Virginia Case Management System (Department of Social Services);
- Small, Women-Owned, and Minority-Owned Business Program (Department of Small Business and Supplier Diversity);
- Central Virginia Training Center Transition Project (Department of Behavioral Health and Developmental Services);
- Virginia Information Technologies Agency; and
- Washington Metro (Department of Rail and Public Transportation).

BEHAVIORAL HEALTH & DEVELOPMENTAL SERVICES

OSIG's Behavioral Health and Developmental Services legislative mandates are delineated in *Code* § [2.2-309.1](#) and include:

- Conducting annual unannounced inspections of the 14 state facilities operated by the Department of Behavioral Health and Developmental Services (DBHDS).
- Inspecting, monitoring and reviewing the quality of services at state-operated facilities and providers of behavioral health and developmental services.



Southwestern Virginia Mental Health Institute

- Ensuring the General Assembly and Joint Commission on Health Care are fully and currently informed of significant problems, abuses and deficiencies.

- Investigating specific complaints of abuse, neglect or inadequate care.

- Reviewing, commenting on and making recommendations about, as appropriate, any reports prepared by

DBHDS and the critical incident data collected by DBHDS.

Issued Reports

During FY2017, OSIG published four unannounced inspections reports.

FY2015 Unannounced Inspections of Training Centers

OSIG conducted unannounced inspections of Virginia's state-operated training centers. The purpose of these inspections was to use select elements of the U.S. Department of Justice Settlement Agreement (Section V. Quality and Risk Management) to evaluate the training centers' quality and risk management systems. Recommendations to DBHDS were identified in three key areas:

- Refine departmental instructions to reflect standards defined in the Settlement Agreement;
- Ensure facility event reporting is accurate, thorough and timely; and
- Develop statewide core competency-based training for all direct-care



Southeastern Virginia Training Center

positions that aligns with Settlement Agreement requirements.
For details, see the September 16, 2016, [report](#).

FY2016 Unannounced Inspections of Behavioral Health Facilities

OSIG conducted unannounced inspections of Virginia's state-operated behavioral health facilities for children, adolescents and adults. The purpose of these inspections was to review the content and implementation of Departmental Instruction 201(RTS)03 (DI201) Reporting and Investigating Abuse and Neglect of Individuals Receiving Services in Department Facilities. Recommendations to DBHDS were identified in six key areas:

- Complete a comprehensive revision of DI201 and the DBHDS Guidelines for Investigators;
- Develop a competency-based training curriculum for investigators and facility staff, including annual refresher trainings;
- Revise employee work profiles for abuse and neglect investigators to ensure investigators have appropriate knowledge, skills and abilities;
- Enhance performance improvement processes by leveraging existing data and processes;
- Improve communication between facility administration and staff under investigation; and
- Develop clear guidelines to guide staff reassignment, administrative leave and the human resources mitigation process.



Western State Hospital Interior

For details, see the October 6, 2016, [report](#).

FY2016 Unannounced Inspections of Training Centers

OSIG conducted unannounced inspections of Virginia's state-operated behavioral health medical center and training centers. The purpose of these inspections was to review the content and implementation of Departmental Instruction 201(RTS)03 Reporting and Investigating Abuse and Neglect of Individuals Receiving Services in Department Facilities. All recommendations made in the FY2016 behavioral health facilities inspection report also applied to the training centers. One additional recommendation — ensure post-investigation briefings are performed at all DBHDS-operated facilities — was made in this January 11, 2017 [letter](#).

FY2016 Unannounced Inspection of the Virginia Center for Behavioral Rehabilitation

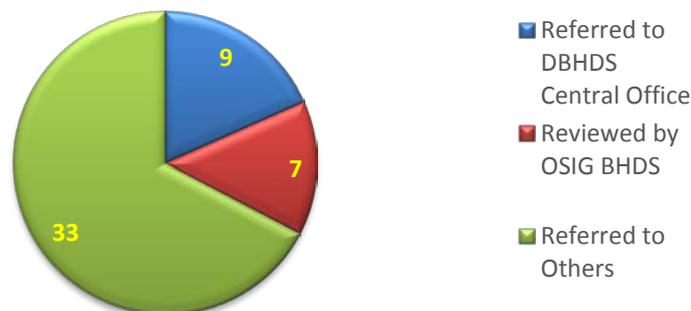
OSIG conducted an unannounced inspection of the Virginia Center for Behavioral Rehabilitation. The purpose of this inspection was to review the content and implementation of Departmental Instruction 201(RTS)03 Reporting and Investigating Abuse and Neglect of Individuals Receiving Services in Department Facilities. All recommendations made in the FY2016 behavioral health facilities inspection report also applied to the Virginia Center for Behavioral Rehabilitation. One additional recommendation — subject matter experts from different disciplines representing all state-operated facilities should be included in the process of revising Departmental Instruction 201 — was made in this Jan. 23, 2017 [letter](#).

Monitoring Activities

Forty-nine complaints were received in FY2017:

- Nine complaints were reviewed and referred to DBHDS Central Office for investigation;
- Seven complaints were reviewed and/or investigated by OSIG BHDS; and
- Thirty-three complaints were referred to others:
 - Twenty-six complaints were referred to facilities' directors or human rights advocates;
 - Five complaints were referred to local community services boards;
 - One complaint was referred to the Office of the Attorney General; and
 - One complaint was referred to the OSIG State Fraud, Waste and Abuse Hotline.

Status of Complaints Received



DBHDS has developed processes for facility and community providers to document death and serious physical injuries of served individuals and has permitted access to that information to support OSIG's *Code* responsibilities of monitoring and reviewing the quality of services at state-operated facilities and providers of behavioral health and

developmental services. OSIG utilizes information made available by DBHDS to identify and analyze significant events, patterns and trends, and to develop an annual work plan.

The Office of the Chief Medical Examiner (OCME) – pursuant to *Code of Virginia* § [32.1-283](#) – investigates the death of any patient or resident of a state mental health facility. In FY2017, OSIG received copies of 61 DBHDS-patient autopsies from OCME.

Ongoing Reviews

During FY2017, the following activities were initiated:

- Unannounced Inspections of Behavioral Health Facilities;
- Unannounced Inspections of Training Centers & Specialty Facilities; and
- Death after Discharge at Southwest Virginia Mental Health Institute.

Expanded Language Services

In an ongoing effort to respond to changing demographics across the commonwealth, OSIG established expanded, high-quality language services to better serve the state's multicultural and special needs populations.



Virginia citizens with limited English proficiency may now request an over-the-phone interpreter when filing complaints with OSIG related to quality of services at state behavioral health facilities or to report incidents of fraud, waste or abuse in executive branch state agencies. OSIG's progressive new service offers a menu of more than 200 language options, from Arabic to Vietnamese.

OSIG also advanced its ability to connect with special needs citizens by establishing an association with Virginia Relay, a free public service that allows deaf, hard of hearing, deaf-blind or speech-disabled people to communicate through videophones, text telephone (TTY) and other special equipment. By dialing 7-1-1, callers convey messages to a communications assistant who relays the message to an OSIG recipient. All calls made through Virginia Relay and language interpretation services are confidential.

INVESTIGATIONS AND LAW ENFORCEMENT SERVICES

OSIG Investigations and Law Enforcement Services' (ILES) statutory authority and legislative mandates are delineated in *Code of Virginia* § [2.2-309](#)[A](3-6), § [2.2-309.2](#) and § [2.2-311](#); and include:

- Investigate the management and operations of state agencies, non-state agencies and independent contractors of state agencies to determine whether acts of fraud, waste, abuse or corruption have been committed or are being committed by state officers, employees or independent contractors of state agencies or any officers or employees of non-state agencies.
- Investigate to resolve allegations of fraudulent, illegal or inappropriate activities concerning disbursements from the Tobacco Indemnification and Community Revitalization Endowment and the Tobacco Indemnification and Community Revitalization Fund.

Investigations' Statistical Summaries

During FY2017, OSIG ILES opened the following executive branch agency investigations:

- Christopher Newport University
- George Mason University
- Old Dominion University
- University of Virginia
- Virginia Commonwealth University
- Virginia Department of Health
- Virginia Department of Motor Vehicles
- Virginia Department of Social Services
- Virginia Department of Transportation
- Virginia Port Authority



Categories of open cases are reflected in the chart below:

CATEGORIES OF CASES OPENED IN FY2017	
Misappropriation	1
Procurement violations	1
Waste and abuse	2
Conflict of interest	2
Fraud	4

The number of cases conducted by OSIG during FY2017 and related data are reflected in the chart below:

INVESTIGATIONS DIVISION CASE SUMMARY FY2017	
Open cases carried over from FY2016	32
Cases opened in FY2017	10
Cases closed in FY2017	22
Cases resulting in corrective action recommendations in FY2017	8
Cases referred to Office of the Attorney General in FY2017	7
Cases open at end of FY2017	20

Significant Cases for Fiscal Year 2017

Virginia Department of Social Services

OSIG ILES, in collaboration with the U.S. Department of Agriculture Office of Inspector General (USDA OIG), concluded an investigation concerning the Supplemental Nutrition Assistance Program (SNAP) managed at the Virginia Department of Social Services (DSS). Evidence revealed inaccurate SNAP data was knowingly reported to USDA by DSS. As a result, a DSS staff member was separated from state service.



Federal funds awarded by USDA to the Commonwealth of Virginia for reduced SNAP "error rate" data were voluntarily returned by DSS. The OSIG approach to fact finding developed and employed during the investigation has been adopted by USDA in related investigations in other states. The investigation demonstrated a strong commitment by the Commonwealth to present accurate

and reliable data to federal agency partners in support of programs that provide benefits to the public.

Virginia Department of Forestry

OSIG ILES concluded an investigation regarding suspected misappropriation at the Department of Forestry (DOF). The suspected misappropriation involved equipment procured with federal funds and assigned to DOF for official purposes.

The investigation presented facts that indicated employee misappropriation of DOF property and circumvention of agency policies and federal guidelines. The employee was later separated from state service.

University of Virginia

OSIG ILES, in collaboration with the University of Virginia (UVA) Audit Department, concluded an inquiry at UVA predicated on an anonymous letter received by OSIG in

July 2016. The author of the letter alleged a conflict of interest and procurement violations regarding a non-competitive contract between UVA and a private corporation. The letter identified a current UVA staff member as a former employee of the corporation, and asserted the staff member engaged in improper involvement and influence regarding the award of a UVA non-competitive contract with the corporation. The letter further claimed improprieties involving agreements with staff that had separated from UVA. It further alleged improper retention and hiring practices and that UVA would not investigate the matter due to the above-referenced staff member's status.

Evidence failed to disclose information that supported the anonymous allegations regarding improper involvement or influence by the staff member in the UVA contract with the corporation. Evidence reflected UVA had executed appropriate separation agreements with employees. UVA's collaborative actions during the investigation invalidated the anonymous assertion that UVA would not respond to information in the complaint.

Investigations Awards and Recognition

USAO Public Service Award

OSIG Special Agent Allen King was honored by the United States Attorney's Office (USAO) at the 2017 Law Enforcement Public Service Awards ceremony in Norfolk for outstanding law enforcement service in 2016. King was recognized for his "extraordinary" investigative work on a Tidewater Summer Food Service Program case involving mail fraud and unlawful monetary transactions. The investigation resulted in prison sentences for the offenders, as well as a judgement of \$249,000 in restitution to the Commonwealth of Virginia.



(Pictured left to right: First Assistant U.S. Attorney Traci McCormick, OSIG Special Agent Allen King, Virginia State Police Special Agent Robert Cully, and Assistant U.S. Attorney Elizabeth Yusi.)

USDA OIG Award of Excellence

OSIG Special Agent Levin White was honored with an Award of Excellence from the U.S. Department of Agriculture Office of Inspector General (USDA OIG) for outstanding contributions to a Virginia Department of Social Services (DSS) Supplemental Nutrition Assistance Program (SNAP) joint investigation. During the year-long investigation, White captured fraudulent activity by securing files, emails and witness statements and submitting them to USDA OIG, ultimately providing a foundation for subsequent SNAP investigations across the country.



(Pictured left to right: OSIG Director of Investigations and Law Enforcement Services Nick Broughton, OSIG Special Agent Levin White, and Virginia Acting State Inspector General Michael Westfall.)

Special Initiatives and Projects

Point of Contact Initiative

The Point of Contact (POC) initiative is designed to foster professional and collaborative relationships between OSIG ILES and counterparts within executive branch agencies. The POC initiative promotes exchange of information with executive branch agency officials, usually an internal audit director or other senior manager, regarding pertinent activities within OSIG, as well as relevant issues within agencies. Each OSIG special agent and investigator is assigned as the POC liaison representative for several state agencies. POC liaison representatives are tasked to meet with assigned agency POC counterparts annually.

Small Purchase Charge Card Program (SPCC)

The Small Purchase Charge Card initiative seeks to identify potential fraudulent, improper and abusive state agency purchase card activity. With the support of the Department of Accounts and OSIG Information Technology and Security Services, the division conducts independent reviews of purchase card transaction data retained by the Bank of America for state agencies. OSIG examines purchase card data for indicators of improper or questionable transactions and conducts appropriate follow-up inquiries, which may lead to further investigation.



Law Enforcement Liaison and Intelligence Resource Partnerships

Pursuant to *Code of Virginia* § 2.2-311, OSIG maintains a formal Memorandum of Agreement with the Virginia State Police.

OSIG ILES partnered with the following agencies on cases of mutual interest during FY2017:

- Virginia State Police
- Federal Bureau of Investigation
- U.S. Department of Homeland Security
- U.S. Department of State
- Offices of Inspector General of the U.S. Department of Agriculture, U.S. Department of Energy, and U.S. Department of Labor

OSIG ILES participates in regularly scheduled meetings or collaborates with the following law enforcement and professional criminal justice affiliated entities:

- Central Virginia Chief Law Enforcement Executives Association
- Federal Bureau of Investigation
- Internal Revenue Service – Criminal Investigations Division

- U.S. Secret Service & U.S. Postal Inspections Service - Financial Crimes Task Force
- Virginia Association of Chiefs of Police
- Virginia State Police, Bureau of Criminal Investigations

OSIG ILES maintains membership in the following criminal intelligence and investigative resource organizations:

- National White Collar Crime Center
- Regional Organized Crime Information Center

OSIG ILES observes the professional education and training requirements of the following:

- Association of Certified Fraud Examiners*
- Association of Inspectors General**
- Crater Criminal Justice Academy
- Department of Criminal Justice Services

*Applicable to Certified Fraud Examiner staff members.

**One special agent serves on a peer review team for the Association of Inspectors General (AIG), which conducts assessments of AIG member agencies' compliance with association principles and standards; during FY2017 the OSIG special agent participated in five AIG assessments. Peer reviews consider overall compliance with AIG principles and standards; best practices; comments of internal and external stakeholders; continuing education; and levels of competence to perform effectively and with high regard for integrity and ethical principles.

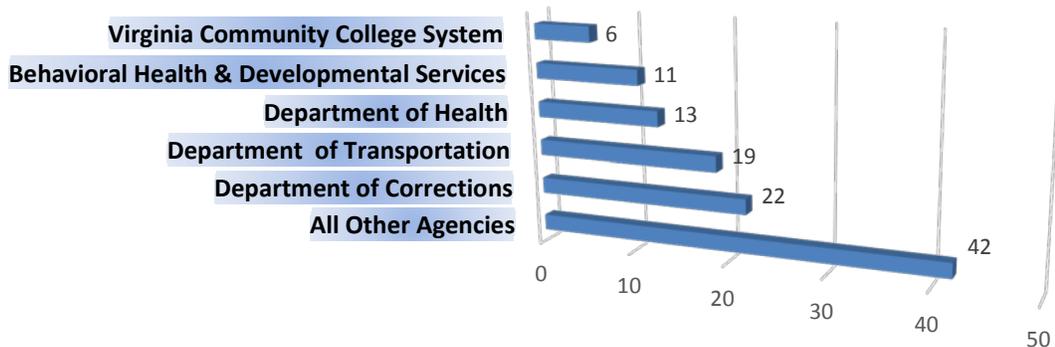
STATE FRAUD, WASTE & ABUSE HOTLINE

FY2017 Hotline Statistics

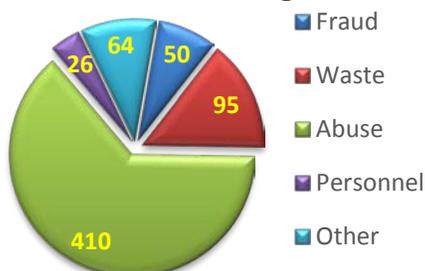
- Of the 1,409 calls received, 645 were determined to meet the criteria for fraud, waste, and abuse and required a formal investigation. This number reflects an increase from the previous three fiscal years: 494 in 2016; 511 in 2015; and 576 in 2014.
- Leave abuse, waste of agency/state resources, and misuse of state-owned vehicles continue to represent the most common cases.
- Of the 487 Hotline cases closed, 23 percent were substantiated; 45 percent were unsubstantiated; 21 percent were referred to other appropriate entities; and in 11 percent of the cases — while an occurrence of fraud, waste or abuse was not found — recommendations were made to improve and strengthen internal controls or policies.
- Twenty-eight Hotline calls were investigated by OSIG Hotline staff because they involved allegations regarding an agency head, an agency internal audit employee, or an “at-will” employee.



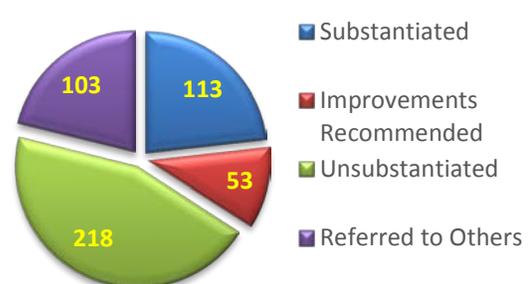
Hotline Cases Substantiated by Agency

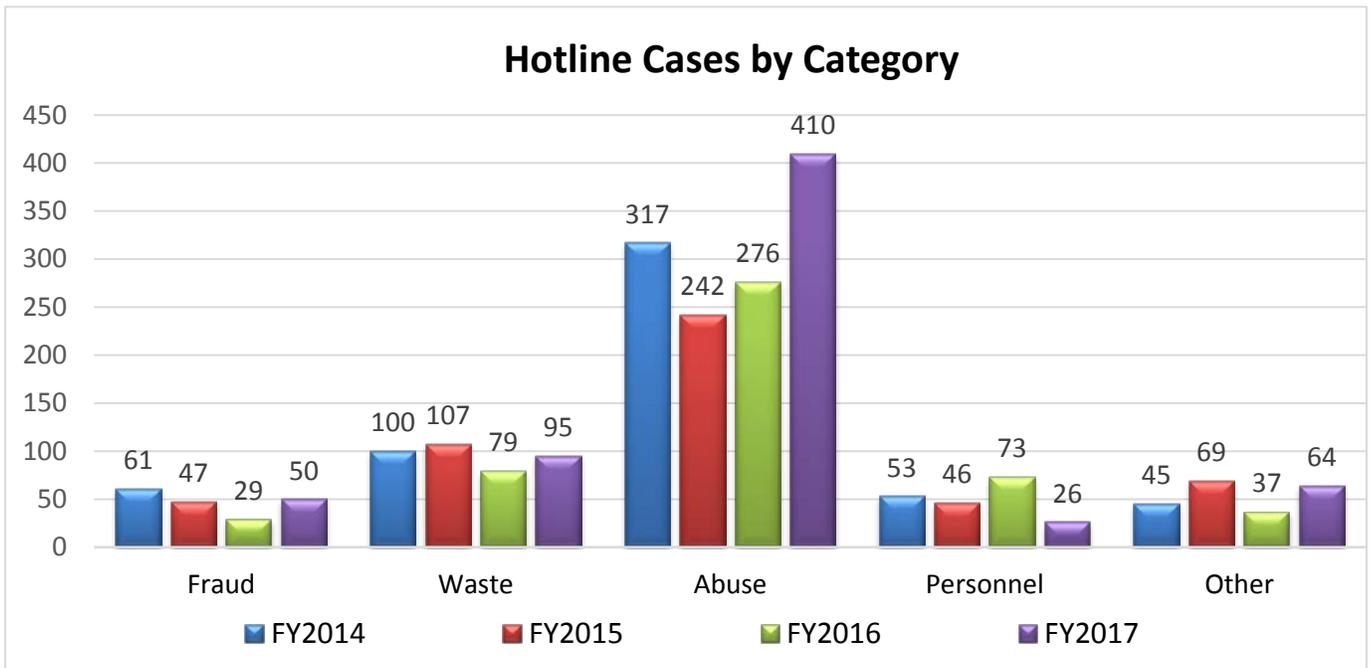
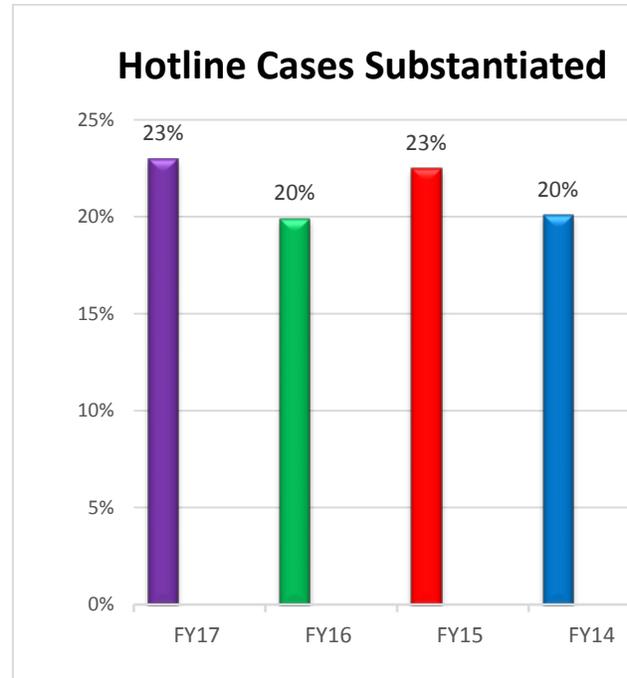
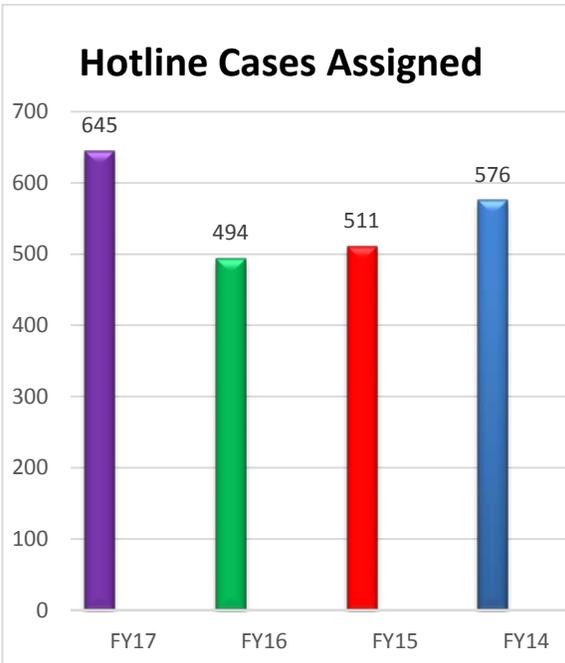


Hotline Case Categories



Hotline Cases Closed





Hotline Investigative Reviews

- Two follow-up investigative reviews were completed for agencies with previous Hotline cases to ensure agency management implemented OSIG recommendations to improve internal controls or policies.

Hotline Marketing Materials



State Fraud, Waste and Abuse Hotline marketing materials were developed to support an ongoing community outreach and education campaign. A state Whistle Blower Reward Fund flyer was also designed for distribution to all executive branch agencies. In December 2016, an accessible Hotline Web submission form was created to enhance confidentiality and investigative information gathering. More than 40 percent of all Hotline “calls” have since been received through the Web form.

(OSIG Senior Investigator Phil Underwood stands with newly designed State Fraud, Waste and Abuse Hotline display materials.)

ADMINISTRATIVE SERVICES

INTERNAL AUDIT OVERSIGHT & TRAINING SERVICES

OSIG's Internal Audit Oversight and Training Services' legislative mandates are delineated in *Code* § [2.2-309](#)[A](10-12) and include:

- Coordinating and requiring standards for those internal audit programs in existence as of July 1, 2012.
- Coordinating and requiring standards for other internal audit programs in state agencies and non-state agencies as needed in order to ensure that the Commonwealth's assets are subject to appropriate internal management controls.
- Assisting agency internal auditing programs with technical auditing issues and coordinating and providing training to the Commonwealth's internal auditors.

Staffing Study

During FY2017, Internal Audit Oversight and Training Services formed a committee comprised of chief audit executives (CAE) to consider developing a benchmarking instrument for internal audit staffing and workload measurement. The committee has developed several portions of the instrument. The committee anticipates it will finish the instrument in the fall of 2017 for vetting among other executive branch CAEs.

Findings Database

A findings database was completed in FY2016 to help analyze activities in executive branch agency internal audit departments. Information from FY2015 and FY2016 has been entered into the database to allow analysis of various findings categories, follow-up on implementation of findings, audit plan completion, risk assessment, and submission of audit charters. The database will also allow reports to be created and provided to the internal audit departments for use in planning future audits. Information from FY2017 will also be entered into the database for similar analysis.

Quality Assurance Reviews

All internal audit programs that adopt the Institute of Internal Auditors standards are required to have a Quality Assurance Review (QAR) completed once every five years. OSIG monitors compliance with these standards and provides a cost-effective alternative through the use of the Quality Assurance Review Committee to conduct QARs.

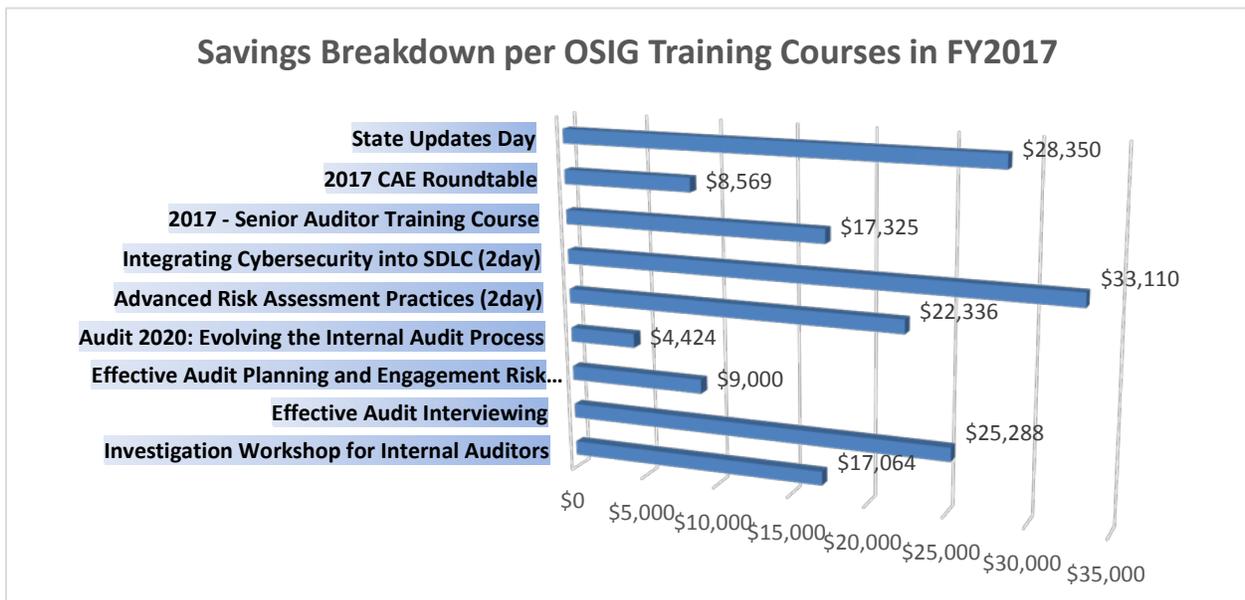
During FY2017, OSIG completed the following four QARs:

- Virginia Department of Conservation and Recreation (Aug. 19, 2016)
- Virginia Department of Agriculture and Consumer Services (Nov. 27, 2016)
- Virginia Department of Behavioral Health and Developmental Services (March 24, 2017)
- Virginia Office of Children’s Services (May 9, 2017)

Each of the four internal audit programs reviewed received an overall rating of “generally conforms,” the highest achievable rating.

Training Statistics

In FY2017, 326 individuals attended nine OSIG training courses. Training attendees were primarily from state agencies, while some attendees were from local government and the private sector. OSIG training courses are offered at a fraction of the cost compared to training from private vendors. An analysis of comparable course offerings determined individuals attending OSIG training saved more than \$165,000.



Agency Risk Management and Internal Control Standards

In FY2017, OSIG completed the Agency Risk Management and Internal Control Standards (ARMICS) implementation project and created an agency ARMICS program in compliance with the Department of Accounts (DOA) ARMICS standard. The program includes an agency control environment/overall risk assessment and financial controls assessment. ARMICS test work programs and work paper templates were developed for the agency to document current and future years' test work under the standard.

ARMICS requirements were completed before the DOA's September 30 deadline. Overall, it was determined OSIG has a strong internal control program.

OSIG's Auditor Training Portal Wins 2016 Virginia Governor's Technology Award

OSIG was the proud recipient of a 2016 Governor's Technology Award for its Auditor Training Portal, an automated, mobile-ready training system that allows state auditors and others to easily register for training courses, make payments and conveniently track education certifications online. Honored Sept. 8, 2016, at the Commonwealth of Virginia Innovative Technology Symposium (COVITS) in Richmond, OSIG was recognized in the "IT As Efficiency Driver - Government to Government" category for its streamlined technology project.



(From Left to Right: Virginia's Chief Information Officer Nelson Moe; OSIG then Deputy State Inspector General Michael Westfall; OSIG then State Inspector General June Jennings; OSIG then Senior Auditor Adam Tagert; OSIG Internal Audit Oversight and Training Manager Vernon Harry; and Secretary of Technology Karen Jackson)

COMMUNICATIONS AND OUTREACH

In a continuing effort to inform and educate others about OSIG's mission and activities, staff made presentations and participated in panel discussions before a number of organizations and groups, including the following:

- Association of Government Accountants
- Chief Audit Executive Roundtable
- College and University Auditors of Virginia
- Institute of Internal Auditors Mid-Atlantic District 1
- Institute of Internal Auditors Southwest Virginia Chapter
- Virginia Commonwealth University, Forensic Accounting Class
- Virginia Housing Development Authority
- Virginia Polytechnic Institute, Master of Public Administration Class
- Virginia General Assembly Senate New Member Orientation
- Virginia Local Government Auditors Association

During FY2017, OSIG drafted and distributed the following news releases statewide:

- Whistleblowers are Encouraged to Report State Government Fraud, Waste & Corruption — July 18, 2016
- Governor McAuliffe Announces Technology Award Winners — Sept. 8, 2016
- State Inspector General Releases Aviation Audit — May 22, 2017
- State Fraud, Waste & Abuse Hotline Calls Surge During Third Quarter — May 24, 2017
- State Inspector General Offers Expanded Language Services to Better Serve Virginia's Diverse Population — June 19, 2017
- OSIG Marks Fifth Anniversary with Millions in Potential Savings for the Commonwealth — June 30, 2017

OSIG's proactive media relations resulted in the following statewide media placements:

- "Virginia Inspector General Calls for Tighter Financial Oversight of Airports," *Daily Press* (Newport News), May 22, 2017;



- "How Did More Than \$3.5 Million in State Money Go to Pay Off a Private Airline's Loan in Newport News?" *Richmond Times-Dispatch*, page A1, May 23, 2017;

- "Editorial: Change Is in the Air," *Daily Press* (Newport News), May 24, 2017;

- "Employee Misconduct, Waste of State Funds and More: Calls to Virginia Fraud Hotline Jump," *Virginian Pilot* (Norfolk), May 25, 2017;
- "Virginia Inspector General Reports Surge in Calls to Hotline," Newsplex, CBS-19 (Charlottesville), May 25, 2017;
- "Hotline Calls Surge with Complaints of Fraud, Waste, Abuse in State Government," WRIC TV-8 (Richmond), May 26, 2017;
- "Hotline Calls Surge with Complaints of Fraud, Waste, Abuse in State Government," WAVY TV-10 (Portsmouth), May 26, 2017;
- "State's Fraud Hotline Calls Increase," WVEC TV-13 (Portsmouth), May 31, 2017; and
- "Expanded Language Services for More Diverse Population," Newsplex, CBS-19 (Charlottesville), June 19, 2017.

During FY2017, OSIG Communications responded to 115 Freedom of Information Act (FOIA) inquiries.

TECHNOLOGY AND SECURITY SERVICES

OSIG's Technology and Security Services (TSS) provides technological support and advancement for key initiatives, as well as oversight of policies and procedures that safeguard agency information and assets. During FY2017, TSS accomplishments include:

- Completion of annual Continuity of Operations Plan test and document update;
- Implementation of Hotline Web submission form;
- Upgrade of current mobile phones for investigators and auditors to enhance security, collaboration and research;
- Upgrade of Microsoft Office suite, SQL server and migration to soft multifactor authentication tokens;
- Implementation of new email investigation software;
- Implementation of a training database to record continuing professional education credits and training for OSIG staff;
- Continued education and certification for TSS staff;
- Technology and information access support for new hires; and
- Completion of information security training, audits and monitoring, along with policy and procedures execution, while maintaining green status on Commonwealth of Virginia agency points dashboard.

CONTACT INFORMATION

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(804) 786-2341 (Fax)

Email and Internet:

osig@osig.virginia.gov
osig.virginia.gov

State Fraud, Waste and Abuse Hotline (Hotline)

Reports made to the State Fraud, Waste and Abuse Hotline (Hotline) are anonymous and confidential.

You may contact the Hotline by: *Toll-Free Phone Number (within Virginia)*
(800) 723-1615 (No caller ID, but does accept voicemail messages)

- **Mailing Address**
Attention: State Fraud, Waste and Abuse Hotline
PO Box 1151
Richmond, VA 23218
- **Online Form**
[Fill out and submit online form](#)
- **Fax**
(804) 371-0165
- **Email**
COVHotline@osig.virginia.gov