MESSAGE FROM THE STATE INSPECTOR GENERAL

It is an honor to serve as Virginia’s State Inspector General and to present this office’s fiscal year 2018 annual report. This report provides an overview of key agency accomplishments and activities for the fiscal year ending June 30, 2018.

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

Fiscal year 2018 marked a record year for this agency, with a significant uptick in formal investigations and the highest number of State Fraud, Waste and Abuse Hotline calls, Whistle Blower Reward Fund claims and citizen inquiries logged since the agency’s founding. Hotline complaints soared 82 percent from the previous year, rising from 1,409 to 2,570, while resulting investigations grew 22 percent, from 645 to 785. Whistle Blower Reward Fund claims jumped from seven to 10, up 43 percent, and citizen inquiries rose from 437 to 763, a 75 percent increase year-over-year.

OSIG attributes the rise in activity to an accessible online complaint form, as well as a successful education and outreach campaign. In May, OSIG was presented with a 2018 Virginia Public Relations Award for its State Fraud, Waste and Abuse Hotline Promotion efforts. Other steps taken to increase transparency include the launch and development of agency Twitter and LinkedIn social media platforms.

In ongoing efforts to align with best practices and strengthen audit standards, OSIG adopted Generally Accepted Government Auditing Standards (GAGAS) or “Yellow Book,” publishing five performance audits of executive branch agencies while adhering to these new, more rigorous guidelines.

OSIG’s multiple audits, investigations and inspections of executive branch agencies resulted in more than 320 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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FY2018 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 audits 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 FY2018:

- **Performance Audit Services**
  - Published five performance audits and two performance reviews;
  - Issued 48 findings and observations;
  - Issued 47 performance review/audit recommendations;
  - Conducted four follow-up reviews; and
  - Launched seven special project reviews.

- **Behavioral Health and Developmental Services**
  - Published one comprehensive unannounced inspections report; and
  - Received and coordinated responses to 38 complaints (reviewed 23 complaints in-house, referred three to the Department of Behavioral Health and Developmental Services and 12 to facility directors, local community services boards and other agencies/organizations).
• **Investigations and Law Enforcement Services**
  o Opened 19 executive branch agency investigations;
  o Investigated allegations of fraud, conflict of interest, misappropriation, procurement violations and ineffective management;
  o Referred 12 cases to the Office of the Attorney General; and
  o Closed 19 cases.

• **State Fraud, Waste & Abuse Hotline**
  o Assigned 785 cases for investigation;
  o Of the 597 cases closed, 19 percent were substantiated, 39 percent were unsubstantiated, 39 percent were referred to other agencies, and recommendations to improve internal controls or policies were issued in nine percent of unsubstantiated cases;
  o Investigated 38 cases in-house for allegations that involved an agency head, internal audit employee or an “at-will” employee; and
  o Completed two follow-up investigative reviews for compliance with recommendations.

• **Internal Audit Oversight and Training Services**
  o Conducted two quality assurance reviews;
  o Offered nine training courses to 322 individuals; and
  o Determined OSIG’s free or reduced-cost trainings resulted in savings of $109,000 to state agencies over comparable private vendor course offerings.

• **Communications and Outreach**
  o Presented before seven state and national organizations;
  o Responded to 84 Freedom of Information Act (FOIA) inquiries;
  o Handled more than 45 responsive and proactive media contacts;
  o Conducted a State Fraud, Waste and Abuse Hotline awareness campaign; and
  o Drafted and distributed seven news releases resulting in multiple statewide media placements.
DASHBOARD OSIG ACTIVITIES

Below is a snapshot of OSIG activities between July 1, 2017, and June 30, 2018.

We Listen:

- Received 2,570 Hotline calls; assigned 785 for investigation.
- Received and responded to 763 citizen inquiries.

We Identify Potential Cost Savings:

- Identified $3.1 million in annual, recurring savings.

We Make Government Better:

- Offered 320 recommendations to improve controls, efficiency and effectiveness.

Below is a snapshot of OSIG activities since its founding, between July 1, 2012, and June 30, 2018.

We Listen:

- Received 10,139 Hotline calls; assigned 4,134 Hotline cases for investigation.
- Received and responded to 2,270 citizen inquiries.

We Identify Potential Cost Savings:

- Identified $15.1 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 1,420 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 Audit Services;
- Behavioral Health and Developmental Services;
- Investigations and Law Enforcement Services; and
- Administrative Services.

OFFICE OF THE STATE INSPECTOR GENERAL
PERFORMANCE AUDIT SERVICES

OSIG’s Performance Audit 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.

Audit Standards

OSIG adopted Generally Accepted Government Auditing Standards (GAGAS) in fiscal year 2017, changing the division’s work product from performance reviews to higher quality performance audits. Projects initiated prior to the change were completed in accordance with Association of Inspectors General’s (AIG) Principles and Standards for Offices of Inspector General.

Issued Reports

During FY2018, OSIG published five performance audits, two performance reviews and issued 48 findings and observations resulting in 47 recommendations. In addition, three agencies received a total of seven commendations.

Department of Taxation Performance Review

- This performance review focused on the following areas:
  - General fund appropriations;
  - Non-general fund revenue;
  - Agency operations; and
  - Employee training/competency.
- The report included three observations and recommendations related to:
  - Tobacco enforcement duties;
  - Lack of comprehensive list of tobacco retailers; and
  - Tobacco unit internal performance measures.
- For details, see the July 25, 2017, report.
Department of Small Business and Supplier Diversity: Small, Women-owned, and Minority-owned (SWaM) Business Certification Program Performance Audit

- This performance audit of the Small, Women-owned, and Minority-owned (SWaM) Business Certification Program focused on the following areas:
  - Determine whether SWaM certified vendors actually meet the program criteria for participation;
  - Determine whether the SWaM certification process produces accurate results without unnecessary steps; and
  - Determine how DSBSD ensures the SWaM program is achieving performance goals.

- The report included six findings with nine recommendations:
  - Enhance reporting of SWaM compliance;
  - Establish the population of agencies required to submit SWaM plans;
  - Maintain historical SWaM vendor data;
  - Perform a Certification Division compensation study;
  - Research the feasibility of implementing a fee structure into SWaM; and
  - Update the Certification Officer Training Manual.

- For details, see the December 14, 2017, report.

Virginia Information Technologies Agency Performance Review

- This performance review focused on the following areas:
  - Customer billing & disputes;
  - Statewide contracts;
  - Information technology project management (ITPM); and
  - General support.

- The report included one commendation recognizing VITA for its efforts to establish a centralized audit service to conduct periodic audits of sensitive systems.

- The report included 11 observations and recommendations:
  - Evaluate opportunities to automate and integrate IT asset inventory;
  - Enhance information provided on VITA invoices;
o Improve the dispute-resolution process through increased automation and transparency;
  o Consider changing timing requirements in the credit policy;
  o Evaluate the IT Goods and Services pricing model to ensure best value to the Commonwealth;
  o Where appropriate and beneficial to the Commonwealth, explore opportunities for contract exceptions and increased supplier options for statewide contracts;
  o Improve tracking, communication of contract expiration and solicitation of feedback from agencies to enhance statewide contracts;
  o Improve ITPM workflow through an improved portfolio management tool, enhanced reporting and more transparency;
  o Provide more user-friendly guidance to agencies for ITPM-related policies and procedures;
  o Dedicate additional resources to improve overall customer service; and
  o Enhance timeliness and effectiveness of the help desk ticket-resolution process.

• For details, see the December 20, 2017, report.

Department for Aging and Rehabilitative Services: Disability Determination Services (DDS) Program Performance Audit

• This performance audit focused on the Department for Aging and Rehabilitative Services’ (DARS) process for making disability determinations for the federal Social Security Administration.

• Although the state’s ability to direct DDS is limited by federal control, the report included five findings and recommendations:
  o Perform a compensation study of claims adjudicators;
  o Develop a statewide caseload model;
  o Create more interactive video teleconferencing training;
  o Require consistency among supervisors; and
  o Promote inter-team communication.

• For details, see the February 6, 2018, report.
Virginia Department of Social Services: Implementation of the Virginia Case Management System Performance Audit

- This performance audit focused on the implementation of the Virginia Case Management System (VaCMS) by the Virginia Department of Social Services (VDSS).
- The report included one commendation to VDSS for actions that resulted in an increase in federal operating assistance from 50 percent to 75 percent and in utilizing a 90 percent federal match to customize and optimize VaCMS.
- The report also included four overall recommendations:
  - Strengthen the Request for Proposals (RFP) creation and approval process for major information technology developments;
  - Assign adequate resources to major information technology projects;
  - Streamline efforts to meet regulatory and oversight agency requirements; and
  - Use Agile System Development Lifecycle (SDLC) Methodology as an alternative.
- For details, see the March 23, 2018, report.

Virginia Department of Transportation: Maintenance of Highway Infrastructure Performance Audit

- This performance audit focused on the Virginia Department of Transportation’s (VDOT) asset management practices for pavement as well as highway structures and bridges.
- The report included three findings and recommendations:
  - Digitize the structure inspection process;
  - Improve critical infrastructure information storage; and
  - Monitor and track maintenance activities.
- The report also included two commendations for:
  - Dedication to improvement by implementing recommendations during the audit; and
  - Flexibility during the transition to a new bridge management software.
- For details, see the June 18, 2018, report.
The Commonwealth of Virginia’s Cybersecurity Program Performance Audit

- This enterprise-level performance audit of executive branch agencies focused on whether the Commonwealth’s policies and procedures are effectively reducing risks associated with cyberattacks.

- The report included five findings:
  - Security audits of systems not accomplished;
  - Security risk management not cost-effective;
  - Insufficient security audit funding;
  - Lack of separation of duties between operations and security; and
  - Inadequate controls to effectively identify sensitive systems.

- The report included 11 enterprise-level recommendations:
  - Revamp security audit policy to be more thorough and cost effective;
  - Provide security awareness training for agency heads, emphasizing their responsibility in cybersecurity;
  - Improve communication between VITA and agencies regarding security testing on centralized operating systems;
  - Continue current efforts to identify needed funding during the budget cycle for the most efficient assessment and testing of sensitive-system security;
  - Reporting deficiencies in sensitive-system security to VITA;
  - Continue expansion of VITA’s Centralized IT Security Audit Services office, as needed;
  - Require agency information security officers to be independent of the agency chief information officer and chief audit executive;
  - Improve sensitive-system classification;
  - Provide additional information to agencies for determining sensitive systems;
  - Require agencies to formally identify where sensitivity conflicts exist between system classification and business process classification; and
  - Document VITA’s process for reviewing agency system submissions and follow up with agency personnel where sensitivity conflicts or disagreements are identified.

- The report included three commendations to VITA for:
  - Developing and documenting policies and procedures to guide executive branch agencies in cybersecurity management;
  - Establishing a centralized audit service for sensitive systems; and
Efforts to improve the accuracy of the inventory of information systems and their related assessment of sensitivity.

- For details, see the June 29, 2018, report.

Follow-Up Reviews

OSIG completed a follow-up review of significant items related to four performance review reports issued from fiscal year 2015 through 2016 where corrective action was scheduled for completion. As summarized in the table below, management implemented corrective action or was making sufficient progress on the implementation of corrective action for all findings. As a result of our review, no further recommendations were made.

<table>
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<tr>
<th>Agency /Report ID</th>
<th>No. of Items for Follow-up</th>
<th>No. of Items Resolved</th>
<th>No. of Items with Sufficient Progress</th>
<th>No. of Items Without Corrective Action</th>
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<td>DSS / 2014.PR.004</td>
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<td>2</td>
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<td>0</td>
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</table>

Ongoing Performance Audits and Special Reviews

As of July 1, 2018, the following performance audits and special reviews were continuing:

- Central Virginia Training Center Transition Project (Department of Behavioral Health and Developmental Services);
- Chemical Inventory Management Performance Audit (select institutions of higher education);
- eVA Online Procurement System Functions Performance Audit (Department of General Services);
- Follow-up of Previous Recommendations;
- Subrecipient Monitoring Performance Audit (Secretariat of Health and Human Resources agencies);
- Tobacco Region Revitalization Commission Performance Audit; and
- Washington Metro Performance Audit (Department of Rail and Public Transportation).
BEHAVIORAL HEALTH & DEVELOPMENTAL SERVICES

OSIG’s Behavioral Health and Developmental Services (BHDS) 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 more than 1,000 licensed providers of behavioral health, substance use and developmental services;
- 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; and
- 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 FY2018, OSIG published the following report: FY2017 Unannounced Inspections of Facilities Operated by the Virginia Department of Behavioral Health and Developmental Services.

OSIG conducted 14 unannounced inspections of Virginia’s state-operated behavioral health facilities and training centers. The purpose of these inspections was to review the DBHDS-defined process for reporting and responding to significant events as defined by DBHDS Departmental Instruction 401(RM)03 Risk and Liability Management. In lieu of publishing several different reports, OSIG published one comprehensive report addressing all facilities. The report resulted in five recommendations:

- DBHDS should perform a comprehensive review and revision of DI401 to include:
  - Improving standardization of event reporting;
  - Revising guidelines for facility aggregation and analysis of event data;
Requiring facilities to perform Root Cause Analyses (RCAs) for certain significant event and death classifications; and
Mandating risk managers hold the necessary qualifications to ensure they are skilled in performing their job duties.
For details, see the March 26, 2018, report.

Monitoring Activities
Thirty-eight complaints were received in FY2018:
- Twenty-three complaints were reviewed by OSIG BHDS;
- Three complaints were reviewed and referred to DBHDS Central Office for investigation; and
- Twelve complaints were referred to others:
  - Nine complaints were referred to facilities’ directors or human rights advocates;
  - Two complaints were referred to the OSIG State Fraud, Waste and Abuse Hotline; and
  - One complaint was referred to a local community services board.

OSIG BHDS continues to follow progress on 15 outstanding recommendations to DBHDS.

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 behavioral health facility. In FY2018, OSIG received copies of 40 DBHDS-patient autopsies from OCME.


Ongoing Reviews
During FY2018, the following activities were initiated:

- Review of Serious Injuries Reported by Licensed Providers of Developmental Services and the Virginia Department of Behavioral Health and Developmental Services’ Quality Management Committees;
- Central Virginia Training Center Transition - Special Project; and
- FY2018 Annual Unannounced Inspections of Facilities Operated by the Virginia Department of Behavioral Health and Developmental Services.

Revised BHDS Complaint Process
In an ongoing effort to respond to the needs of constituents, OSIG BHDS has revised its complaint process to better serve citizens with concerns. The revised process provides additional methods to submit complaints, including a newly designated complaint phone line and email address, to ensure those matters are processed in a consistent and efficient manner.

HIPAA Compliance Plan
OSIG BHDS instituted an internal HIPAA Compliance Plan to include an annual risk assessment, staff training and ongoing compliance monitoring.
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; and
- 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 FY2018, OSIG ILES opened the following executive branch agency investigations:

- Innovation and Entrepreneurship Investment Authority
- J. Sargeant Reynolds Community College
- Norfolk State University (two cases)
- Tidewater Community College (two cases)
- Tobacco Indemnification & Community Revitalization Commission
- University of Virginia
- Virginia Community College System
- Virginia Department of Health (two cases)
- Virginia Department of Social Services
- Virginia Department of Taxation
- Virginia Department of Transportation (three cases)
- Virginia Information Technologies Agency
- Virginia State University
- Woodrow Wilson Rehabilitation Center
CATEGORIES OF CASES OPENED IN FY2018

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2018</th>
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<tbody>
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<td>Misappropriation</td>
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<tr>
<td>Procurement Violations</td>
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</tr>
<tr>
<td>Waste and Abuse</td>
<td>1</td>
</tr>
<tr>
<td>Conflict of Interest</td>
<td>2</td>
</tr>
<tr>
<td>Fraud</td>
<td>13</td>
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</table>

INVESTIGATIONS DIVISION FY2018 CASE SUMMARY

<table>
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<tr>
<th>Description</th>
<th>FY2018</th>
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</thead>
<tbody>
<tr>
<td>Cases opened</td>
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</tr>
<tr>
<td>Cases closed</td>
<td>19</td>
</tr>
<tr>
<td>Cases resulting in corrective action recommendations</td>
<td>2</td>
</tr>
<tr>
<td>Cases referred to the Office of the Attorney General</td>
<td>12</td>
</tr>
<tr>
<td>Open cases carried over from FY2017</td>
<td>20</td>
</tr>
<tr>
<td>Cases open at the end of FY2018</td>
<td>20</td>
</tr>
</tbody>
</table>

Noteworthy Cases

Old Dominion University (ODU)
In June 2017, the OSIG Hotline received allegations that an academic staff member with Old Dominion University had misappropriated university funds and engaged in questionable financial practices. Evidence supported allegations made by the complainant. Expense claims that had been submitted by the staff member to ODU were found to be out of compliance with procurement regulations. The staff member separated from employment with the university.

Virginia Community College System -- Community College Workforce Alliance (CCWA)
In June 2017, a report of missing student cash payments was brought to the attention of the CCWA. Other missing payments were identified in July 2017. The responsible supervisor accepted responsibility for the missing funds. Investigation by Virginia State Police and OSIG did not identify sufficient evidence to support a conclusion of intentional wrongdoing. Applicable policy regarding agency internal control measures were found to be lax. Agency policy was amended to alleviate further irregularities.

Wilson Workforce and Rehabilitation Center (WWRC)
In October 2017, an anonymous complaint alleged that a manager at the Wilson Workforce and Rehabilitation Center had misappropriated state property. An investigation confirmed that state property the employee misconstrued as surplus property was not handled within guideline requirements. WWRC committed to ensuring
compliance with state guidelines and implementing recommendations provided by OSIG.

Virginia Department of Social Services (DSS)
This inquiry was based on a complaint made by a citizen to OSIG in August 2016. The complaint alleged failure by DSS to exercise proper and required oversight that led to document destruction and mismanagement within a local social services office. OSIG collaborated with the local sheriff’s office and the office of the commonwealth’s attorney. Evidence and information disclosed during extensive review of policy guidelines and official documents, as well as investigative interviews and grand jury testimony, did not support the allegations.
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, usually the internal audit director or other senior manager. The POC initiative promotes exchange of information with executive branch agency officials regarding pertinent activities within OSIG, as well as relevant issues within agencies. Each OSIG special agent 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.

Staffing
The Investigations and Law Enforcement Services Division is staffed by a director, six special agents and one forensic analyst.

Association of Inspectors General - Standards & Principles
The Investigations and Law Enforcement Services Division adheres to the standards and principles published by the Association of Inspectors General, Copyright 2014.

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 FY2018:
- Virginia State Police
- Federal Bureau of Investigation
- U.S. Department of Homeland Security
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 FY2018, 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

FY2018 Hotline Statistics

- Of the 2,570 calls received, 785 were determined to meet the criteria for fraud, waste and abuse and required a formal investigation. This number reflects an increase from the previous four fiscal years: 645 in 2017; 494 in 2016; 511 in 2015; and 576 in 2014.
- The most common cases of fraud, waste and abuse were: waste of state resources; not complying with internal agency policy; leave abuse; assigned job duties not performed; employee misconduct; misuse of state-owned vehicles; and improper hiring.
- Of the 596 Hotline cases closed, 19 percent were substantiated; 39 percent were unsubstantiated; 39 percent were referred to other appropriate entities; and in nine 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.
- Thirty-eight Hotline calls were investigated by OSIG Hotline staff when allegations involved an agency head, an agency internal audit employee or an “at-will” employee.

<table>
<thead>
<tr>
<th>Hotlines Substantiated by Agency</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Behavioral Health &amp; Developmental Services</td>
<td>6</td>
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<tr>
<td>Virginia Community College System</td>
<td>7</td>
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<tr>
<td>Department of Health</td>
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<tr>
<td>Department of Transportation</td>
<td>21</td>
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<tr>
<td>Department of Corrections</td>
<td>27</td>
</tr>
<tr>
<td>All Other Agencies</td>
<td>46</td>
</tr>
</tbody>
</table>
Hotline Cases by Category

1. 47
2. 101
3. 96
4. 68
5. 37
6. 10
7. 2

1. 233
2. 55
3. 233
4. 194
### Hotline Cases Assigned

2014: 576 cases
2015: 511 cases
2016: 494 cases
2017: 645 cases
2018: 785 cases

### Hotline Cases Substantiated

2014: 20% substantiated
2015: 23% substantiated
2016: 20% substantiated
2017: 23% substantiated
2018: 19% substantiated
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 Promotion

A State Fraud, Waste and Abuse Hotline media relations and community outreach campaign helped to elevate Hotline awareness and in turn, allegations of wrongdoing during the fiscal year. State Hotline Manager Tim Sadler appeared on several television interviews (WRIC ABC 8News, Richmond, WTVR CBS6, Richmond and WAVY TV 10, Portsmouth) and organized multiple community outreach events to promote the anonymous tip line. In December 2016, an accessible Hotline Web submission form was created to enhance confidentiality and investigative information gathering. More than 57 percent of all Hotline cases were received through the Web form during FY2018.
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; and
- Assisting agency internal auditing programs with technical auditing issues and coordinating and providing training to the Commonwealth’s internal auditors.

Findings Database

A findings database was created in FY2016 to help analyze activities in executive branch agency internal audit departments. Information from FY2015, FY2016, FY2017 and FY2018 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 foster creation of reports to be provided to internal audit departments for use in planning future audits.

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. The OSIG QAR program saves each participating agency approximately $5,000.

During FY2018, OSIG completed the following two QARs:

- Virginia Department for Aging and Rehabilitative Services (Sept. 13, 2017); and
- George Mason University (Oct. 4, 2017).

Each of the two internal audit programs reviewed received an overall rating of “generally conforms,” the highest achievable rating.
Training Statistics
In FY2018, 322 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 of training from private vendors. An analysis of comparable course offerings determined individuals attending OSIG training saved more than $109,000.

<table>
<thead>
<tr>
<th>Training Course</th>
<th>Savings Breakdown per OSIG Training Course in FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAE Roundtable</td>
<td>12,360</td>
</tr>
<tr>
<td>Senior Auditor Training</td>
<td>15,840</td>
</tr>
<tr>
<td>State Updates Day</td>
<td>20,790</td>
</tr>
<tr>
<td>IT Auditing Under VITA IT Auditing Standards</td>
<td>17,000</td>
</tr>
<tr>
<td>Audit Report Writing</td>
<td>5,915</td>
</tr>
<tr>
<td>Project Management</td>
<td>12,075</td>
</tr>
<tr>
<td>Planning and Assessing Controls in Today's IT</td>
<td>8,500</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>Effective Procurement &amp; Contracting Practices</td>
<td>5,460</td>
</tr>
<tr>
<td>A New Look At Fraud</td>
<td>11,200</td>
</tr>
</tbody>
</table>

Instructor Danny Goldberg leads a “Project Management” training session for internal audit employees at the Virginia Credit Union in North Chesterfield, Nov. 16, 2017.
State agency and local government internal audit employees participate in an “Audit Report Writing” training session.

**Agency Risk Management and Internal Control Standards**

In FY2018, OSIG completed the Agency Risk Management and Internal Control Standards (ARMICS) project in compliance with Department of Accounts (DOA)-ARMICS. The program includes an agency control environment/overall risk assessment and financial controls assessment. ARMICS testwork programs and workpaper templates were developed for the agency to document current and future years’ test work under the standard.

ARMICS FY2017 requirements were completed before the DOA’s September 30 deadline. Overall, it was determined OSIG has a strong internal control program.
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;
- Information Security Officers Advisory Group;
- Information Systems Audit and Control Association, Richmond Chapter;
- National Intergovernmental Audit Forum; and
- Commonwealth of Virginia’s State Agency Update.

OSIG Receives Virginia Public Relations Award

The Virginia Office of the State Inspector General was presented with a 2018 Capital Award of Merit, Virginia Public Relations Award in the Media Relations - Regional category, for its State Fraud, Waste and Abuse Hotline Promotion campaign. The public relations effort resulted in multiple statewide television, radio, print and online news placements. As a result, OSIG exceeded its measurable goals with more than 1.5 million media impressions and a 60 percent increase in Hotline calls.

(Pictured From left: State Hotline Manager Tim Sadler, Communications Director Kathleen Shaw and State Inspector General Michael C. Westfall receive a Virginia Public Relations Award at the Jefferson Hotel, Richmond, May 24, 2018.)

During FY2018, OSIG drafted and distributed the following news releases:

- “OSIG’s Annual Work Plan Highlights Cybersecurity, Tobacco Commission Audits” — July 14, 2017
- “Inspector General Sees Sustained Uptick in State Fraud, Waste and Abuse Hotline Calls” — July 31, 2017
- “Virginia Inspector General Teamed with State Police to Develop Case for Brown Indictment” — Dec. 27, 2017
- “OSIG Audit Reveals High Turnover for Virginia’s Disability Claims Workers” — March 7, 2018
- “OSIG’s SWaM Audit Offers Paths to Program Expansion” — March 20, 2018
“OSIG Auditor Earns CPA Credential” — June 21, 2018

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

- “Cybersecurity Audit on Radar as Inspector General Sets New Course for Watchdog Agency After Rough Year,” *Richmond Times-Dispatch*, July 17, 2017;
- “State Fraud, Waste and Abuse Calls Continue Upward Trend,” *NewsRadio WINA*, (Charlottesville), July 31, 2017;
- “Hotline Hits 25th Year Collecting Complaints of Fraud, Waste, Abuse in State Government,” *WAVY TV 10 (Portsmouth)*, Oct. 27, 2017; and
- “Report State Fraud with One Easy Call,” *WTVR CBS6 Virginia This Morning* (Richmond), Nov. 17, 2017.

During FY2018, OSIG Communications responded to 84 Freedom of Information Act (FOIA) records requests.

**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 FY2018, TSS accomplishments include:

- Migration and consolidation of SharePoint to SharePoint online;
- Migration of agency website to new management tool;
- Upgrade of SQL server;
- Implementation of new email system;
- Migration to new email archive system;
- Development of purchasing card database;
- 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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Richmond, Virginia 23218

Phone / Fax:
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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