

Office of the
INSPECTOR GENERAL

**FY 2012-2014 ANNUAL REPORT
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LETTER FROM THE INSPECTOR GENERAL

As we approach the end of the 2014 fiscal year, it is an honor to present the Annual Report of the Office of the Inspector General for the State of Georgia. This report provides an overview of our key accomplishments and activities from 2012 through 2014 and outlines our goals and objectives moving forward.

Since 2003, the Office of Inspector General has established itself as the primary outlet for people to report wrongdoing within the Executive Branch of state government. The office also serves as a resource to assist agency leaders increase the efficiency and effectiveness of their daily operations.

In addition to our successful investigative work, we have developed a fraud awareness training program and educated hundreds of state employees. We also have coordinated a multi-agency investigative forum to foster the sharing of information statewide, to avoid the duplication of effort, and to develop techniques designed to prevent or reduce fraud, waste and abuse within state government. The meetings have unquestionably resulted in increased cooperation and communication among the various investigative units within the State of Georgia.

While the vast majority of state employees serve the citizens of Georgia with integrity and honesty, there are those who may not hold such high standards. Accordingly, the Office of Inspector General will continue to diligently pursue fraud, waste and abuse; promote effective controls; provide alternatives for systemic agency issues; assess and enhance policies and procedures; and identify opportunities to improve efficiency in state government.

We look forward to providing continued service to the State of Georgia, and promoting transparency and accountability in the operation of state agencies.



Deborah A. Wallace
Interim Inspector General

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MISSION

The Office of the Inspector General is an independent investigative agency created to strengthen the trust between the citizens of Georgia and their public officials. We strive to uncover fraud, waste, abuse, or other compromising situations by taking an active approach in the investigation of complaints against state departments, agencies, boards, and commissions under the authority of the Governor. Our goal is to produce a more efficient, cost-effective and trustworthy government entity.

BACKGROUND AND RESPONSIBILITIES

The Office of the Inspector General (OIG) was created on January 13, 2003, by Executive Order of Governor Sonny Perdue.

The OIG is charged with fostering and promoting accountability and integrity in state government. The OIG has the authority to investigate complaints of fraud, waste, abuse and corruption in all executive branch agencies, departments, commissions, authorities and any entity of State government that is headed by an appointee of the Governor. Excluded from our jurisdiction are the General Assembly and any Courts.

Pursuant to our Executive Order, the OIG has the authority to enter upon the premises of any state agency at any time without prior announcement, to inspect the premises or to investigate any complaint. The OIG also has the authority to question any state employee serving in, and any other person transacting business with, the state agency. In addition, the OIG has the authority to inspect and copy any books, records, or papers in the possession of the state agency, except where otherwise prohibited by law.

Upon completion of an investigation, a Report of Investigation is prepared which includes a summary of the case, actions taken, and our findings and conclusions. The report also contains our determination as to whether there is reasonable cause to believe that a wrongful act, an omission or an act of impropriety occurred. Reports may include administrative recommendations to improve agency policy and procedures in order to avoid recurrence of fraud, waste, abuse or corruption.

Reports of Investigation are provided to the Governor and the department head of the agency/person under investigation. Should the OIG find indications of criminal wrongdoing, the report and relevant documents will be forwarded to the appropriate prosecutorial authority for possible criminal prosecution. Reports of Investigation are available to the public upon conclusion of an investigation.

COMPLAINT REVIEW PROCESS

Matters alleging fraud, waste, abuse and corruption within the Executive Branch are considered to be complaints. Written or verbal responses to complaints are provided to the complainants upon request. Incoming complaints are logged into an electronic database tracking system, which automatically assigns a numeric file number.

Upon being assigned a case file number, the complaint is brought before the Inspector General (IG) to be analyzed for one of the following appropriate actions.

Preliminary Inquiry – An informal investigation of complainant’s allegations will be conducted in order to determine if an administrative investigation is warranted. Initial investigative steps are taken to properly determine what action should be pursued.

Administrative Investigation – Upon completion of a preliminary inquiry, the IG may determine that a full administrative investigation is warranted.

Criminal Investigation – Upon completion of a preliminary inquiry, if there is reason to believe a violation of law has occurred, the OIG will conduct an investigation in conjunction with the State Attorney General’s Office, the Georgia Bureau of Investigation, or other State, Local and Federal investigative agencies.

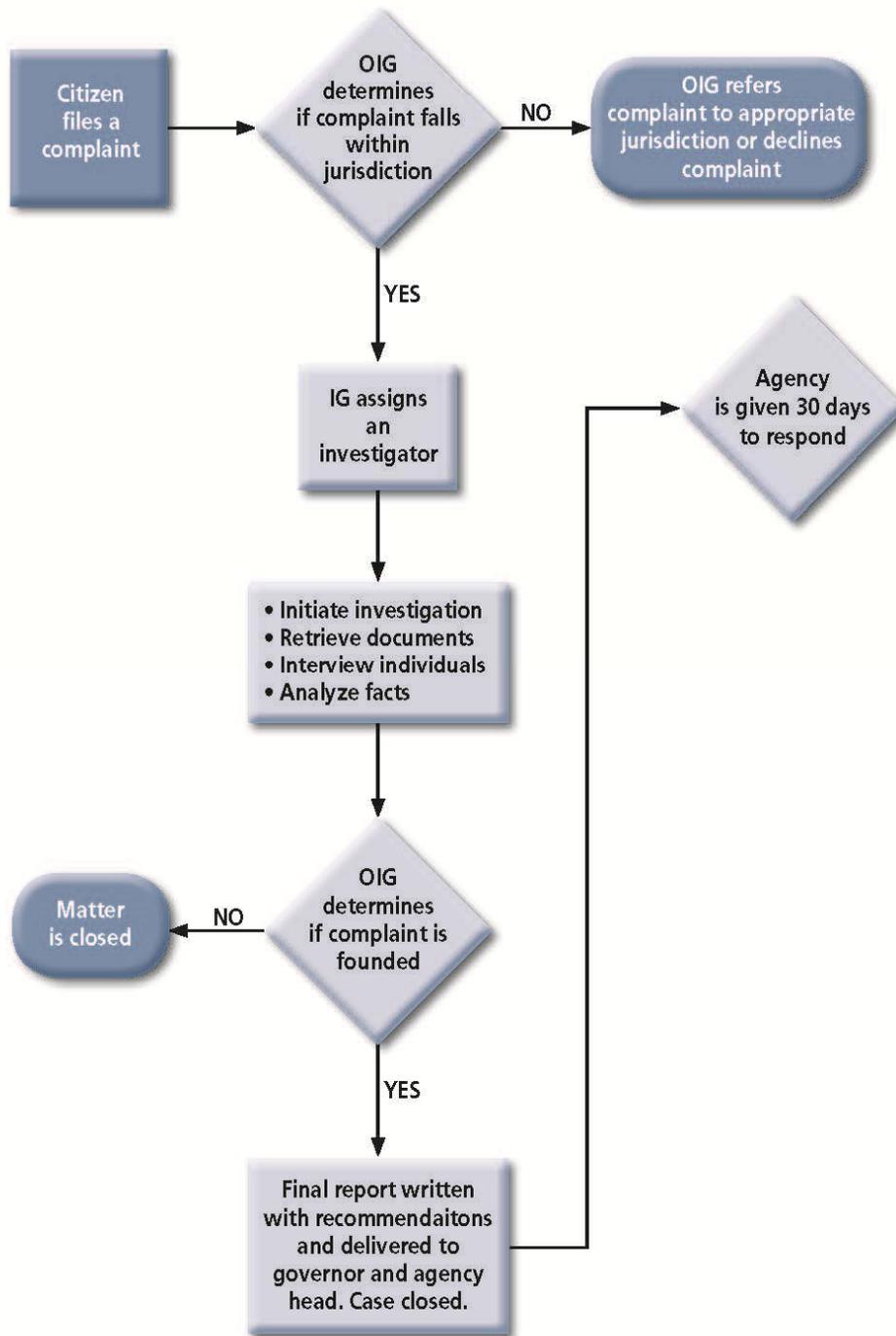
Close Case – Upon completion of a preliminary investigation, if it is determined that there is insufficient evidence to support the complaint, the matter will be closed.

Beyond OIG Legal Authority – If the IG determines that a complaint is beyond the legal authority of the OIG, correspondence stating that the issue is not within our jurisdiction will be sent to the complainant. The OIG has the authority to decline to investigate a complaint received if it is determined that the complaint is trivial, frivolous, moot, insufficient for adequate investigation, or not made in good faith.

Referral – If the IG determines that another agency is the proper forum for the complaint, the complaint may be referred to that agency.

WHAT HAPPENS TO A COMPLAINT?

Complaint Flow Chart



TYPES OF ALLEGATIONS

Complaints submitted to the OIG may include a wide range of alleged wrongdoings and may include allegations of more than one type of misconduct by an entity or individual. Some categories of wrongdoing under the jurisdiction of the OIG include the following.

Fraud: Fraud is an act of intentional or reckless deceit to mislead or deceive.

Examples:

- fraudulent travel reimbursement
- falsifying financial records to cover up theft
- intentionally misrepresenting the costs of goods or services provided
- falsifying payroll information
- conducting a business on state time for personal gain

Waste: Waste is a reckless or grossly negligent act that causes state funds to be spent in a manner that was not authorized or represents significant inefficiency and needless expense.

Examples:

- purchase of unneeded supplies or equipment
- purchase of goods at inflated prices
- failure to reuse major resources or reduce waste generation

Abuse: Abuse is the intentional, wrongful, or improper use or destruction of state resources, or seriously improper practice that does not involve prosecutable fraud.

Examples:

- failure to report damage to state equipment or property
- improper hiring practices
- significant unauthorized time away from work
- significant use of state time for personal business
- misuse of sick leave, overtime or compensatory time
- misuse of state money, equipment, supplies and/or other materials

Corruption: Corruption is an intentional act of fraud, waste or abuse or the use of public office for personal, pecuniary gain for oneself or another.

Examples:

- accepting kickbacks
- bid rigging
- contract steering

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Conflict of Interest: A conflict of interest is a situation in which a person is in a position to exploit their professional capacity in some way. It may occur when a person has competing professional obligations and private interests. A conflict of interest may exist even if no unethical or improper act results from it, as it may be evidenced by the appearance of impropriety.

Examples:

- purchasing state goods from vendors who are controlled by or who employ relatives
- nepotism
- accepting gifts from vendors
- outside employment with vendors
- inappropriately using one's position to influence the selection of vendors with whom you have a personal interest/relationship
- using confidential information for personal profit or to assist outside organizations

INVESTIGATIVE ACTIVITY OVERVIEW

The OIG is charged with receiving, reporting and investigating allegations of fraud, waste, abuse and corruption within the Executive Branch of State Government. Over the course of fiscal years 2012, 2013, and 2014, the OIG has had the opportunity to lead and participate in a number of significant investigations. Many of those investigations have been conducted in coordination with other investigative agencies, including the Georgia Bureau of Investigation (GBI), the Office of the State Attorney General, and several federal law enforcement agencies in an effort to leverage resources.

By way of example, in 2012 the OIG received a tip that an employee of the Georgia Department of Labor had attempted to solicit a bribe from a state vendor. The OIG contacted the informant and developed the basic facts of the case. The OIG then notified the Office of the State Attorney General, which requested the assistance of the GBI. The investigation resulted in a sting operation in which the state employee was recorded soliciting a \$4,000 bribe. The state employee subsequently pled guilty. In addition, an OIG investigation recently resulted in the arrest and indictment of an individual who filed false information with the Georgia Department of Education in order to become an approved tutoring provider to underprivileged children in the Supplemental Educational Services program and was paid approximately \$400,000 as a result of being admitted into the program. The investigation was conducted by the OIG in conjunction with the GBI and the U.S. Department of Education Office of Inspector General.

In addition to the aforementioned case examples, the OIG's investigative efforts have resulted in a number of other arrests, indictments and criminal convictions. By uncovering

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acts of misappropriation by state employees and state contractors, the OIG estimates that its efforts have saved the state in excess of one million dollars during this reporting period. The OIG has also assisted state agencies with prevention measures designed to mitigate future losses due to fraud.

During fiscal years 2012, 2013, and 2014, the OIG received 203, 134, and 75 complaints, respectively. Currently, the OIG has 17 open investigations. See below for a statistical overview of the results of the OIG’s investigative efforts during the reporting period. Additional details about closed cases are available upon request.

**OIG Statistics
Fiscal Years 2012 – 2014**

Disposition	FY 2012	FY 2013	FY 2014*
Reports of Investigation	1	3	0
Best Practices Letters	7	6	1
Referred to Prosecutorial Agency	1	0	1
Arrests	0	0	1
Indictments	0	0	3
Criminal Convictions	0	2	0
Referred to Other Agency	107	79	55
Beyond OIG Legal Authority	17	34	10
No Further Action	66	23	5

*Complete statistics for FY 2014 will not be available until July 2014.

TYPES OF RECOMMENDATIONS

There are instances in which the OIG investigative findings may warrant further action. OIG recommendations can be grouped in the following categories.

Discipline: The OIG may recommend that agency personnel be retrained, reprimanded, suspended, demoted or discharged.

Policy and Procedure Changes: The OIG may recommend that the agency establish new policies, review and/or revise existing policies, require adherence to existing policies, and/or disseminate existing policies.

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Reimbursement to the State: The OIG may recommend that the subject of investigation reimburse the State for incurred losses.

Referral for Criminal Prosecution: If the underlying facts give rise to criminal prosecution, reports of investigation will be forwarded to the appropriate prosecutorial authority for review.

Training: The OIG may recommend that the agency identify and pursue training needs to address specific issues.

ACHIEVED INITIATIVES

From 2012 through 2014, the OIG has achieved the following initiatives in order to effectively and efficiently prevent, detect, and respond to fraud, waste, abuse and corruption.

Developed a Fraud Awareness Training Program: Many high-quality cases have derived from Agency Head referrals and tips from state employees. In order to promote the detection and deterrence of fraud in the State, the OIG developed a basic fraud awareness training program that may be customized to each agency's needs. The program gives an overview of the definition and emphasizes the detection and prevention of fraud, waste, abuse and corruption. Since 2012, the OIG has educated hundreds of state employees from the Georgia Forestry Commission, the State Accounting Office, the Georgia Department of Audits and Accounts, the Georgia Department of Juvenile Justice, the Georgia Department of Human Services Office of Inspector General, and the Georgia Professional Standards Commission.

The OIG staff has also presented on various topics associated with the prevention and detection of fraud, waste, and abuse at the Council for State Personnel Administration Conference, the Fiscal Managers Conference, the Association of Certified Fraud Examiners Georgia Chapter, Georgia Tech, and several community interest groups upon request.

Increased Joint Investigations: The OIG recognized that utilizing other agencies as resources in an investigation is critical in order to reduce costs, to conduct effective investigations, and to avoid duplicate efforts. Since 2012, the OIG has significantly increased the number of joint investigations with other state and federal investigative agencies to accomplish this goal.

Created a nexus for State and Federal investigative agencies: In response to the increased need for communication between investigative agencies, the OIG created a quarterly meeting for State and Federal investigative agencies. The OIG hosts the meeting in order to educate investigators and to enable investigators from various agencies to network, to educate others of their agency missions, and to share resources, agency policies and ideas. Past speakers

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have addressed relevant investigative topics such as employee advisement of rights, white collar crime trends, and the use of technology in investigations.

The OIG staff also began to regularly attend Atlanta Federal IG meetings for educational and networking purposes.

Staff Training: Crucial to the investigation is a comprehensive understanding of investigative techniques, laws, procedures, and policies that govern state business and administrative investigations. OIG investigators have attended the following types of training and professional education.

- Federal Law Enforcement Training Center (FLETC):
 - Financial Forensic Techniques Training Program
 - Case Organization and Presentation Training Program
- Council of the Inspectors General on Integrity and Efficiency (CIGIE):
 - Basic Non-Criminal Investigator Training Program
 - Public Corruption Investigations Training Program
- Federal Bureau of Investigation Investigative Interviewing course
- Wicklander-Zulawski & Associates Interview and Interrogation Techniques course
- Association of Certified Fraud Examiners Conferences

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MOVING FORWARD

- The OIG will continue the detection and prevention of fraud, waste, abuse and corruption in Georgia's Executive Branch state agencies.
- To increase fraud prevention measures across state government, the OIG will continue to educate state employees using fraud awareness training and will develop additional training programs as needed.
- The OIG will continue working towards improving coordination, communication, and information sharing with Executive Branch agencies, citizens, and the inspector general community to enhance OIG efforts.
- As a member of a multi-agency committee, including the Georgia Technology Authority and the Georgia Bureau of Investigation, the OIG will continue to explore the use of technology as an enterprise approach to detecting and preventing fraud within state government.
- The OIG will continue to leverage technological advancements by using data analytics to search for fraudulent activity within state government.
- The OIG will continue to vigilantly monitor trends in fraudulent activity across state government to assist agencies in mitigating its risks in specific areas of concern.

ABOUT THE STAFF

Deborah Wallace, CIG, CFE - Interim Inspector General

Ms. Wallace became Interim Inspector General on October 7, 2013, after working as Senior Deputy Inspector General and having served under the three prior State Inspectors General. She has been with the office since its inception in 2003.

As Interim Inspector General, Ms. Wallace directs the Office responsible for investigating allegations of fraud, waste, and abuse in the Executive Branch of state government. She is also the Transparency and Accountability Arm of the ARRA (Stimulus) Implementation Team for the State.

Ms. Wallace has over twenty years of experience conducting administrative and criminal investigations in both state and federal government and holds credentials as a Certified Inspector General (CIG) and Certified Fraud Examiner (CFE). A retired Lieutenant Commander, she is also a 20 year veteran of the United States Navy, skilled in the areas of leadership, management, and administration.

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Her professional experience in the federal government includes working as a Criminal Investigator with the U.S. Naval Criminal Investigative Service (NCIS), Compensation Investigator with the U.S. Army Criminal Investigative Division (Army CID), and Security Specialist with the U.S. Department of Energy. Ms. Wallace also worked for the State of Tennessee as an Internal Affairs Investigator and Program Manager for the Department of Corrections prior to joining the Inspector General's Office.

Ms. Wallace received her Bachelors in Management Science from Chaminade University and her Masters degree in Education Administration from Troy State University. Ms. Wallace is also a graduate of the Federal Law Enforcement Training Center (FLETC), the Tennessee Bureau of Investigations' Special Agent Training, and both Tennessee and Georgia State Government Executive Leadership Programs.

William Donaldson, CFE, CPA - Senior Deputy Inspector General

Mr. Donaldson is a Certified Public Accountant (CPA) and a CFE with years of experience in the anti-fraud profession conducting occupational fraud investigations ranging from financial statement fraud to employee embezzlement. Additionally, he has received advanced training in public corruption, interviews and interrogations, and a variety of other topics related to the anti-fraud profession.

Prior to accepting his position as a Deputy Inspector General in September of 2009, he worked in the Special Investigations Unit of the Georgia Department of Audits and Accounts. Mr. Donaldson also previously worked for KPMG's forensic/advisory services division where he specialized in forensic accounting and fraud investigations. Mr. Donaldson began his career with Forensic Solutions, LLC, a professional service firm specializing in fraud detection, investigation, and prevention consulting services. In 2007, he became a managing member of Forensic Solutions and served in that position through 2010.

Mr. Donaldson received both his Bachelors of Business Administration in Accounting and his Masters of Accounting degrees from Georgia Southern University, where he minored in fraud examination and completed an emphasis in forensic accounting, respectively. Mr. Donaldson currently serves as a member of the Forensic Accounting Advisory Board for the School of Accountancy at Georgia Southern University.

Liana Rummel, CFE - Deputy Inspector General

Ms. Rummel is a Georgia Southern University graduate who holds a Master of Accounting degree with a Forensic Accounting Concentration. While earning her Bachelor's degree in Business Administration in Accounting, she minored in fraud examination. Ms. Rummel joined our office in 2012 and is currently sitting for the CPA exam.

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As a Global Internal Audit Services Intern with the Corporate Home Office of Wal-Mart Stores, Inc., Ms. Rummel performed risk assessments and conducted audit testing and documentation. As an anti-fraud professional, she has conducted extensive interviews, researched proposed company policy, and presented recommendations to high level executives.

HOW TO REPORT A COMPLAINT TO THE OIG

There are several ways to report fraud, waste, abuse or corruption to the OIG. Complaints may be submitted via a form online, e-mail, telephone, mail, fax, or in person.

Submit online at: www.oig.ga.gov

Email us at: inspector.general@oig.ga.gov

Write us at: Office of the State Inspector General
2 Martin Luther King, Jr. Drive SW
1102 West Tower
Atlanta, Georgia 30334

Fax us at: 404-657-9716

Call us at: 1-866-HELP-OIG or locally at 404-656-7924