NERIA R. DOUGLASS, JD, CIA
STATE AUDITOR

STATE OF MAINE
DEPARTMENT OF AUDIT

66 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0066

TEL: (207) 624-6250
FAX: (207) 624-6273

RICHARD H. FOOTE, CPA
DEPUTY STATE AUDITOR
MICHAEL J. POULIN, CIA
DIRECTOR OF AUDIT and ADMINISTRATION

Honorable John Elias Baldacci
Governor of the State of Maine

Honorable Elizabeth H. Mitchell
President of the Senate

Honorable Hannah M. Pingree
Speaker of the House

MAINE STATE AUDITOR'S FRAUD HOTLINE

http://www.maine.gov/audit/fraud/fraud.htm

June 2009 Seminannual Report

Period - 1/01/09 to 6/30/09

Total number of complaints received: 12

Complaint sequence: Complaints 6 to 17

Number of referrals of fraud or other criminal conduct to the Attorney General: 2

Number of referrals of agency performance issues to the Office of Program Evaluation and Government Accountability: 0

Number of investigations by the State Auditor: Opened: 12
Completed/Closed: 11
Pending: 1

Complaint #6

Nature of Complaint: Complaint alleged misappropriation of funds through improper payroll distribution.

Office, bureau, or division within department or agency that is subject of complaint: Pending investigation.

Determination of potential cost savings: Not determined.

Recommended action: Pending investigation.

Statement as to degree complaint has been substantiated: Not yet determined**.**

Complaint #7

Nature of Complaint: Complaint alleged improper personal use of a town computer and "creative accounting".

Office, bureau, or division within department or agency that is subject of complaint: The complaint was not a state authority but rather a town.

Determination of potential cost savings: Not applicable.

Recommended action: Notified complainant that local police should be contacted. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: Not applicable: complainant was provided with appropriate referral.

Complaint #8

Nature of Complaint: Complaint alleged contractor fraud by a private citizen, stating contractor completed only half of the work and took escrow money.

Office, bureau, or division within department or agency that is subject of complaint: Not applicable: private matter

Determination of potential cost savings: None: Private matter.

Recommended action: Notified complainant to contact local police. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: None: private matter.

Complaint #9

Nature of Complaint: Complaint alleged that no receipt is provided by the oil company for fuel oil deliveries through the LIHEAP program, so he cannot determine if the proper amount is deducted from his allotment.

Office, bureau, or division within department or agency that is subject of complaint: Maine State Housing oversees the LIHEAP program.

Determination of potential cost savings: None. Complaint referred to Maine State Housing Auditor, who reported submitting case to federal Office of Inspector General, which found proper price was charged. LIHEAP fuel price is lower than retail and requires calculation at the oil company office after delivery.

Recommended action: Referred to Maine State Housing. Report from Maine State Housing Auditor communicated to complainant. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: None, according to report received from Maine State Housing Auditor.

Complaint #10

Nature of Complaint: Complaint alleged that an individual is not reporting income from a logging operation and is receiving both food stamps and Maine Care.

Office, bureau, or division within department or agency that is subject of complaint: Department of Health and Human Services (DHHS) – Fraud Investigation and Recovery Unit (FIRU) investigates these issues specifically, but is not the subject of the complaint.

Determination of potential cost savings: To be determined by DHHS – FIRU.

Recommended action: Referred to DHHS – Fraud Investigation and Recovery Unit (FIRU) to avoid duplication of effort. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: DHHS – Fraud Investigation and Recovery Unit to determine substance of complaint and/or otherwise make final disposition.

Complaint #11

Nature of Complaint: Complaint alleged overbilling and inappropriate employee reimbursement from federal funds at the Maine Military Authority. The complaint was originally made to staff of the Office of the State Controller (OSC).

Office, bureau, or division within department or agency that is subject of complaint: Maine Military Authority

Determination of potential cost savings: Matter has been investigated by the OSC.

Recommended action: Investigation by the OSC preceded complaint to the State Auditor. To avoid duplication of effort, the Maine Department of Audit has reviewed OSC work and closed the case pending a final determination by the OSC.

Statement as to degree complaint has been substantiated: To be determined by the OSC.

Complaint #12

Nature of Complaint: Complaint alleged that a private health center is double billing the State through Maine Care using different code for single office visits.

Office, bureau, or division within department or agency that is subject of complaint: Department of Health and Human Services (DHHS) – Maine Care is the victim of an alleged scheme by a private health center.

Determination of potential cost savings: To be determined by DHHS Surveillance, Utilization and Recovery Services (SURS) unit which specifically investigates Maine Care abuse.

Recommended action: Referred to DHHS – Surveillance, Utilization and Recovery Services (SURS) and to the Attorney General's Medicaid Fraud unit. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: To be determined by the DHHS – SURS Unit and the Attorney General's Office.

Complaint #13

Nature of Complaint: Complaint alleged that an individual is not reporting income for state income tax.

Office, bureau, or division within department or agency that is subject of complaint: The subject of the complaint is an individual**.** Maine Revenue Services is responsible for collecting state income taxes, but is not the subject of complaint.

Determination of potential cost savings: Not determined.

Recommended action: Referred to Maine Revenue Services. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: To be determined by Maine Revenue Services.

Complaint #14

Nature of Complaint: The State Auditor was notified of electronic payment theft in other states that occurred through fraudulent vendor change orders. A limited number of payments by West Virginia, Utah and other states were made to private vendors that were the victims of identity

theft. In one case, funds were diverted from West Virginia to Minneapolis then to Nairobi, Kenya.

Office, bureau, or division within department or agency that is subject of complaint: Private vendors providing services to the State of Maine were the potential victims of a theft scheme developing nationwide. The Office of the State Controller (OSC) is responsible for payments to State vendors but is not the subject of complaint.

Determination of potential cost savings: None. This inquiry was to avoid losses. No instances of electronic payment diversion were found by the OSC.

Recommended action: The State Auditor discussed the situation with the State Controller. The OSC identified measures to reduce the risk of fraudulent change orders. Case closed by Maine Department of Audit.

Statement as to degree complaint has been substantiated: Risk of theft has been mitigated by existing and enhanced control procedures.

Complaint #15

Nature of Complaint: Complaint alleged that an individual fraudulently claims New Hampshire residency but owns a home and resides in Maine to avoid paying Maine income tax.

Office, bureau, or division within department or agency that is subject of complaint: A private individual is the subject of the complaint. Maine Revenue Services (MRS) is responsible for collecting taxes and has investigators for these types of complaints, but is not the subject of the complaint.

Determination of potential cost savings: To be determined by MRS.

Recommended action: Referred to MRS. Case closed by Maine Department of Audit to avoid duplication of effort.

Statement as to degree complaint has been substantiated: To be determined by Maine Revenue Services which investigates these tax matters.

Complaint #16

Nature of Complaint: Complaint alleged that a home health agency charged Maine Care for services for more hours than medically necessary.

Office, bureau, or division within department or agency that is subject of complaint: Private Health agency is the subject of the complaint. The Department of Health and Human Services (DHHS) administers Maine Care, but is not the subject of complainant.

Determination of potential cost savings: To be determined by DHHS – Surveillance, Utilization and Recovery (SURS).

Recommended action: Referred to DHHS – (SURS) which investigates Medicaid abuse and to Attorney General. Case closed by Maine Department of Audit to avoid duplication of effort.

Statement as to degree complaint has been substantiated: To be determined by DHHS – SURS Unit which investigates this type of complaint.

Complaint #17

Nature of Complaint: Complaint alleged that motor vehicle registration fees were not properly accounted for by a town official.

Office, bureau, or division within department or agency that is subject of complaint: The complaint involves a town.

Determination of potential cost savings: None.

Recommended action: Referred to Secretary of State for investigation. Case closed by Maine Audit to avoid duplication of effort.

Statement as to degree complaint has been substantiated: None as determined by the Secretary of State's Bureau of Motor Vehicles.