Government Oversight Committee

Topics Under Consideration by GOC including On Deck List
(as of 2-8-13)

Section A: Topics Currently On Deck			
	Topic	Possible Areas of Focus	Additional Information
1	Beverage Container Recycling (Bottle Bill) Responsible Dept: Agriculture MRS	• compliance with current law by initiators of deposit • current recycling rates for beverage containers; • current handling fees and bottler requirements of redemption centers; • continued need for current beverage container recycling laws; • opportunities to meet goals of beverage recycling laws via alternative models; • impact of potential changes to beverage container recycling laws on beverage container redemption facilities and initiators of deposit;	• Proposed by a former GOC member in the 124th Legislature. • Maine's handling fees may exceed that of most other states with bottle bills. • Expansion of redeemable beverages causes additional work for redemption centers despite attempts to mitigate costs via changes that allow commingling agreements. • There may be bottlers, particularly those from out of state, not in compliance with Maine's law. • Issues with the bottle bill have been raised for many years. During the 125th session the Legislature considered two bills – one to repeal the law and one aimed at reducing fraud. • LD 1324 was passed and enacted as PL 2011 Chapter 429. The law changed the legislative oversight for this program to the committee on environmental and natural resources. It also established, as a civil violation, $100 fine per container returned in excess of 48 containers that are found to be from out-of-state (attempt to reduce fraud). • There appear to be at least four bills related to this topic that have been filed in the 126th Legislature. Most are only available by bill title at this time so it is unknown whether they will address any of the possible areas of focus. OPEGA will continue to monitor these and any additional bills that are identified on this subject.

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2	Leased Office Space Responsible Dept: DAFS	Costs and use of office space leased by the State	• OPEGA was in fieldwork phase on this review when GOC suspended it in October 2008. The review was looking at whether the State is leasing space at the best possible price, and if the space is fully utilized. • At the time of suspension, OPEGA had nearly completed the portion of the review covering general leased space processes and practices. OPEGA had also begun some analysis of whether the State was getting the best lease prices. Due to the passage of time, that analysis would need to be redone and updated. OPEGA had not yet begun work on how well leased space is utilized. • OPEGA planned to submit a proposed revised scope to GOC for consideration in 2009, however AFA was asking questions of BGS regarding leases and a decision was made to wait and see what AFA was going to do with this topic. To OPEGA's knowledge there were no specific directions or actions taken by AFA at that time. • In FY10 State agencies spent over $26 million on leased office space with more than $11 million coming from the General Fund. • In 2011, new management in BGS was undertaking some efforts related to leased office space. BGS met with OPEGA to understand what work had been done on the leased office space review and what suggestions OPEGA might have for areas of improvement. OPEGA has not yet gathered further information on what recent efforts the Administration has undertaken on leased office space.
3	Long-term Care: Nursing Homes Responsible Dept: DHHS	• Reducing costs and improving quality through possible changes to: ○ current payment rates and structure to incentivize reducing costs; ○ inspection system to reduce inefficiencies; ○ nursing services and care delivery approaches to better match them to patients' needs and wishes; and ○ coordination between hospitals and nursing homes. • Quality of care in relation to cost	• Proposed by former GOC member in the 124th Legislature. • Proposed FY12 Budget for Nursing Facilities (0148) is $71,869,096 in General Fund, $271,468,065 in Federal Funds and $32,403,540 in Other Special Revenue Funds. • Medicaid expenditures are audited as part of the State Single Audit, but that work would not cover the items listed in Possible Areas of Focus. • LR 49, Resolve, Directing the Department of Health and Human Services To Develop a Weighted Formula To Promote Equity in MaineCare Reimbursement for Hospitals and Nursing Facilities (sponsor Sen. Burns), has been filed the 126th Legislature. The title indicates that it is related to this topic but it is unknown yet whether the bill will address any of the potential areas of focus.

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4	Pharmaceuticals (Prescription Drugs and Medicaid Drug Rebate) Responsible Dept: DHHS	• Effectiveness of measures taken to contain costs • Effectiveness of internal controls in place to prevent fraud and abuse related to controlled substances.	• GOC considered this topic during development of 2007-2008 work plan as other states had found savings in this area. • At that time, DHHS had been making significant efforts to reduce costs in this area including establishing a preferred drug list • In 2009, the GAO reported on fraudulent, improper or abusive actions related to the prescribing and dispensing of controlled substances. • In FY09, Federal and State expenditures on prescription drugs totaled approximately $200 million. • The State Single Audit performed by the State Auditor includes a compliance audit of the Medicaid program including audit steps related to prescription drugs and drug rebates. Significant findings have been noted in the past. The most recently completed State Single Audit for FY11 included a finding that controls over the pharmacy claims processing system need improvement. According to the State Auditor, they currently anticipate having findings in the FY12 Single Audit Report as well. • In February 2012, DHHS began quality assurance audits of 50 paid pharmacy claims each month.
5	Public Health Labs Responsible Dept: DHHS	• Possible outsourcing of some lab work • User fees charged • Testing being conducted by multiple State agencies using different labs.	• GOC considered this topic during development of its 2007-2008 work plan. Other states have found savings in this area. • It appears there are State agencies other than DHHS that also do laboratory work, i.e. Agriculture.
6	Publicly Funded Programs for Children Birth to Five Years Responsible Dept: MDOE DHHS	• Strengths and weaknesses, including gaps, overlaps and coordination, in State's current programs for children birth to five years.	• The GOC of the 125th Legislature voted this topic On Deck in September 2012 during its consideration of OPEGA's report on Child Development Services. The intention was that OPEGA and the next GOC would review the reported results of the children's task forces that are currently meeting on this topic and consider whether further review of this topic area to identify overlaps and gaps in services is needed. • The 125th Legislature passed LD 568 which had called for creating a stakeholder group to conduct an assessment of this nature including, but not limited to, Child Development Services, public prekindergarten programs and six programs administered by DHHS Bureau of Child and Family Services. That bill was vetoed by the Governor, and consequently, the stakeholder group was not created. • In testimony before the GOC, MDOE described two groups currently doing work on Birth to 5 learning that the Department felt would cover the area of focus given for this topic. Those groups are the State Agency Interdepartmental Early Learning Team (SAEIL) and the Maine Children's Growth Council (MCGC) Sustainability Committee. • OPEGA is currently monitoring the status and focus of these efforts for the GOC and expects to obtain any reports or other results when they are ready. To OPEGA's knowledge, no specific dates have been set for completion of these efforts.

Section A: Topics Currently On Deck			
	Topic	Possible Areas of Focus	Additional Information
7	Revenue Collected through the Courts Responsible Dept: JUD	• Internal controls over collection, deposit, accounting and safeguarding of revenue • Effectiveness and timeliness of collections efforts, i.e. are all funds due the State being collected timely	• OPEGA suggested this topic and it was placed on the 2007-2008 work plan because it had not been audited for some time and had a potential fiscal impact. OPEGA was not able to get to all planned reviews in that biennium and, therefore, the topic was moved to the On Deck list. • According to the Revenue Forecasting Committee's December 2012 Report, actual FY12 revenues through the Judiciary for fines, forfeitures and penalties were $25,120,959 and are forecast to be $24,452,139 in FY13; a 2.7% decrease. The FY12 revenues were also a decrease from FY10 when actual revenues were $32,787,060. Revenues from fines are primarily from judicial collections. • Previously the Forecasting Committee has noted that major factors affecting this revenue source are the number of violators being prosecuted, the ability of violators to pay fines and the collection effort implemented by the Judicial Branch.

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8	State Lottery Responsible Dept: DAFS Bureau of Alcoholic Beverages and Lottery Operations	• Reasonableness of administrative and operating expenses; • Revenue maximization; • Cost of goods sold; • Safeguarding of assets	• This topic was put on OPEGA's 2007-2008 work plan as a possible area of savings based on a survey of other states done by OPEGA. OPEGA was not able to get to all planned reviews in that biennium and, therefore, the topic was moved to the On Deck list. • The Lottery is an enterprise account which has transferred an average of $50 million a year to the General Fund since 2005. • In FY12 the Lottery had total receipts of about $231 million. Cost of Goods Sold expenses were about $169 million. Operating and other expenses about $7.8 million. The transfer to the GF in FY12 was about $53.8 million and the transfer to Fish & Wildlife was about $531,000. • Cost of Goods Sold expenses include prizes, vendor fees, agent commissions and bonuses, and misc. other expenses. In FY12, 62.05% of total revenues was paid out in prizes, 6.41% was paid out in agent commissions and 4.55% was paid out in vendor fees. • The State contracts with a gaming system vendor to operate the Lottery including printing and warehousing ticket inventory, providing the gaming system, equipment and connectivity for the retailer network, and conducting market research, marketing and retail agent training. The State has contracted with the same vendor for 25+ years and is in an RFP process to award a new contract in FY13/14. Estimated 1st year savings under the new contract is over $3 million. • Operating expenses include Maine Operating Expenses and Tri-State Operating Expenses. In FY12, these were about $3.9 million and $2.5 million respectively. Maine Operating expenses in FY12 included about $2 million in Lottery Administration expenses (most of which was Personal Services) and about $1.2 million in Advertising Charges (about 76% of which was TV production and media). • The State contracts with an advertising agency and has a 12+ year relationship with the current contracted agency. • The Maine State Lottery is administered through a network of about 1,300 licensed Lottery Retail Agents. Retailers must meet established criteria to obtain a license and the retailer selection process used was approved by the Veterans and Legal Affairs Committee in 1994. The Lottery is overseen by the five member State Liquor and Lottery Commission. • Each year Maine releases 45-50 new instant win games. Maine also participates in multi-state lotteries including Power Ball and Hot Lotto and has a tri-state lotto compact with Vermont and New Hampshire to offer Mega Bucks Plus, Pick 3 and Pick 4. In 2010, Maine began selling Mega Millions tickets and began selling Lucky for Life tickets in 2012.

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9	Substance Abuse Treatment Programs in Prison System (Correctional Recovery Academy and Intensive Outpatient Program) Responsible Dept: DOC OSA	• effectiveness and/or cost-effectiveness of programs in rehabilitating participants and reducing recidivism	• This topic was added to the On Deck list as the result of a citizen's 2009 request for a review of these programs. • The Correctional Recovery Academy (CRA) program is a 9 month residential intensive substance abuse treatment program that has the goal of reducing prisoner's dependency on drugs and alcohol. • The Intensive Outpatient Program (IOP) is a 16 week outpatient group therapy program for the treatment of drug and alcohol abuse. • In June 2006, the Muskie School of Public Service performed an evaluation of the Correctional Recovery Academy and a companion program. The evaluation resulted in some recommendations, including that DOC and OSA may want to consider conducting an evaluation to assess actual program effectiveness. • These programs have been a collaboration of the Department of Corrections (MDOC) and DHHS' Office of Substance Abuse (OSA) and in the past MDOC and OSA contracted for these services directly with Spectrum Health Systems, Inc. The contract that expired on 6/30/2011 was for $698,820. MDOC funding is a combination of federal ($121,000) and General Fund ($469,668) dollars. OSA's portion is from Other Special Revenue funds ($108,152). • As of July 2012, MDOC entered into a contract with Correctional Care Solutions to provide both medical and behavioral health services to the adult and juvenile populations. CCS assessed Spectrum Health Systems program and offered Spectrum a sub-contract to continue providing these programs. MDOC reports the advantage of contracting with one vendor who they are able to demand accountability from and who in turn is able to implement consistent evidence-based practice. The new contract includes provisions requiring the vendor to track outcome data to ensure that programs are efficient and effective with regard to our specific population. • OPEGA has requested further information from MDOC on specifically what outcome or other performance measures are being tracked with regard to the two substance abuse treatment programs included in this topic. Awaiting agency response.

Section A: Topics Currently On Deck			
	Topic	Possible Areas of Focus	Additional Information
10	Tax Collection (income, sales, use, fuel, cigarette) Responsible Dept: MRS	• Timely collection and deposit of taxes (including efforts to collect overdue taxes) • Effective efforts to assure credits, etc. taken to reduce taxes owed are valid	• Other states have found savings in this area. • The State has had several initiatives over the past ten years aimed at collecting overdue taxes and enhancing compliance with the Use Tax. These included a Tax Amnesty program in 2003, a Use Tax Compliance Program in 2006 and Tax Receivable Reduction initiatives in both 2009 and 2010. These initiatives brought in about $70.7 million in unpaid taxes while waiving about $44 million in interest, penalties, etc. • Maine Revenue Services was also assigned two initiatives for FY13 to collect unpaid taxes and increase compliance with Use Tax. The initiatives are budgeted to net about $6.66 million in unpaid taxes. • According to MRS, it administers over 40 state tax regimes. Statute specifies the particular filing and payment requirements for each. MRS has a Compliance Division that has the objective of collecting all delinquent tax receivables. The Division focuses primarily, however, on individual income, corporate, sales and use and service provider taxes. The Division has contracts with independent collection contractors throughout the United States to assist with that effort. • MRS reports using several approaches to protect against underreporting and uncover non-filing. MRS employs over 50 field auditors who visit places of business across the US. MRS also has desk auditors to review for returns for any corrective assessments that may be necessary. MRS' Tax Compliance Unit is solely focused on discovery of non-filers and uses a computer data warehouse system, similar to that used in at least 20 other states, to uncover unfiled returns and unpaid taxes. MRS did not specify which particular tax types the auditors and computer system are focused on. • MRS has a variety of collection tools and procedures that increase in severity as the collection process progresses. MRS has a small Criminal Investigations Unit to investigate the most egregious offenders and refer cases to the Attorney General's Office for prosecution. MRS did not specify how often the more severe collection tools are utilized. • MRS tracks Tax Receivables and is required each year to recommend receivables deemed uncollectible for charge-off. According to data provided by MRS, total tax receivables as of the end of June 2012 and in March 2012 MRS recommended receivables charge-offs totaling about $6.7 million. MRS cannot estimate amounts that may be due from non-filers or under reported taxes due. Additional detail MRS provided on taxes receivables and tax collections from various on-going compliance and audit efforts is attached. • Additional research and/or interviews with agency staff will be required for OPEGA to obtain a sufficient understanding of tax types and MRS efforts to assess risk or further scope this topic will require.

Section A: Topics Currently On Deck			
11	Division of Financial and Personnel Services (Service Centers) Responsible Dept: DAFS	• Potential for increased process efficiencies within Service Center and client agencies • Definition of roles/responsibilities between Service Center and client agencies • Staffing for financial processes and administration in Service Center and client agencies • Control environment and internal control systems • Change management • Achievement of expected savings from consolidation	• OPEGA suggested this topic during 2007-2008 work plan development because centralization of key administrative functions affected most agencies and potential internal control weaknesses in financial processes were noted in some reviews. At the time there were also complaints from agencies about process inefficiencies and quality of customer service. In addition, Brookings had highlighted financial administration as an area of possible savings. • The topic was placed on OPEGA's 2007-2008 work plan as a second level priority but OPEGA was not able to get to all the reviews on that biennial plan. • Since then, the State Controller's Internal Audit Division has reviewed internal controls in at least one Service Center and provided internal control training to all. The Service Centers are supposed to have internal control plans that are submitted to the Controller's Office. OPEGA is not aware of the current status of those plans or the Controller's Office review of them. • OPEGA obtained current description of DAFS service centers that was included in orientation presentation given to AFA Committee in January 2013. See attached.

Section A: Topics Currently On Deck			
12	Personal Use of State Assets: recreational vehicles (ATVs, boats, snowmobiles, etc.); airplanes and helicopters; houses and camps Responsible Dept: Various	• Policies in place regarding personal use of assets • Compliance with policies and how compliance is monitored • Appropriateness of current or past personal use of significant State assets	• This topic is based on a request directed to OPEGA through a legislator by an individual who requested confidentiality. OPEGA conducted minor research in preparation for putting this topic before the GOC for consideration in 2008. Research included collecting inventories of these assets from Departments that had them as well as policies governing their use. • At that time, six departments had assets of this type with the substantial majority being in Departments of Marine Resources, Inland Fisheries & Wildlife and Conservation. Most departments reported that no personal use was allowed, but did not provide written policies that expressly communicate this. IF&W reported that assets (other than airplanes) were available for limited personal use and provided written policies to that affect. • OPEGA recently requested updated information from the six Departments that had assets of interest in 2008. All Departments responded and provided current information. Of note is that some Departments may have modified their inventory of state assets since 2008 and may no longer have pertinent assets or may have different types of assets than before. OPEGA did not request updated inventories. Furthermore, most Departments provided reference to policies pertinent to state-owned vehicles, but state-owned vehicles were not assets of interest in the original request. • Most of the Departments provided reference to multiple policies or policy statements contained in various documents. Most maintain at least one general policy, often pertaining to "equipment." Other policies or policy statements provided were specific to certain types of assets. One Department did not have any policy relevant to the assets of interest. This department also had a relatively small inventory of these assets in 2008. • Whether the policies allowed personal use of the assets of interest varied by Department and type of assets. Some policies did allow for personal use of certain assets under certain circumstances with prior approval by designated individuals. This was typically the case for policies on "equipment". Conservation also has a policy on camps and houses which allows for use of housing in the off season in exchange for "security, surveillance and maintenance." In other cases, personal use of certain specific assets was clearly prohibited like assets such as ATVs in IF&W and airplanes in Public Safety. • OPEGA observes that additional specificity and coordination between the multiple policies in most of the Departments would improve understanding of which of the assets of interest are particularly governed by which policy. • No Department provided a specific plan in regard to staff education about policies though most mentioned that policies are reviewed during the respective Department's new employee orientations. Most Departments also mentioned some sort of review mechanism when new policies are developed or when there are concerns / questions that arise.

Section B: Topics Suggested by Current GOC Members			
13	Maine Economic Improvement Fund Responsible Dept: University of Maine System	• Decision making process for awarding funds • List/description of funded projects • Alignment of funded projects with the targeted technologies/areas defined in statute • Geographic distribution of grant awards • Costs of administering the fund • Outcomes of funded projects	• Maine Economic Improvement Fund (MEIF) was established in Statute in 1997 - Title 10 MRSA Ch. 107-C. The fund was budgeted for $14.7 million (General Fund) in the FY12/13 budget • MEIF is administered by the University of Maine System. Funds must be used in Targeted Areas as defined in 5 MRSA §15301 - biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, information technology and precision manufacturing technology. • Concerns have been raised in the past about the funds being used almost exclusively by the University of Maine at Orono and the University of Southern Maine. During the 125th Legislature, MEIF statute was amended by P.L. 2011, ch. 698 which established minimum percentages of annual MEIF disbursements for the Universities of Maine at Augusta, Farmington, Fort Kent, Machias and Presque Isle to support research and development. The minimum disbursements are 2.5% beginning 7/1/13 and 3% beginning 7/1/15. • The University is also required to include, in its future annual reports on the MEIF due January 1st each year, a summary of the R & D projects at the smaller universities that have been funded as a result of MEIF disbursements, as well as any external funding sources that have been leveraged as a result of these awards. • The law also established a Task Force to review the MEIF and recommend any changes necessary to enhance investment in targeted research and development and product innovation, as well as to provide basic investment necessary to obtain matching funds and competitive grants from private and federal sources. A Report from the Task Force to the Joint Standing Committee on Labor, Commerce, Research and Economic Development was due January 8, 2013. • A comprehensive review of the management and administration of the MIEF since its inception has never been completed.

DIVISION OF FINANCIAL AND PERSONNEL SERVICES

Sandy Harper, Associate Commissioner

Title 5 § 284 established the Division of Financial and Personnel Services on June 30, 1992. Public Law 2005 c. 12 Pts. K-4, G-2 and G-3 expanded the agencies served under the existing Service Center within DAFS. This legislation also directed the department to review the structure of payroll, personnel and accounting statewide in an effort to improve organizational efficiency and cost-effectiveness.

The mission of the Service Centers is to assure Maine people of the optimal utilization of State Government resources. The objective is to improve the accountability, efficiency and effectiveness of the State's administrative, financial and personnel systems. The service centers' strategy to support departmental operations and programs and to achieve the objective is to provide reliable, timely and relevant financial and human resource management services in an efficient and effective manner, which is consistent with statewide budgetary policy, generally accepted accounting practices, civil service and other employment laws, and collective bargaining agreements.

Major function and responsibilities of the Service Centers are:

o Human Resources Support
   D Payroll-37%
   D Employee Relations-16%
   D Workers/Comp and Health and Safety-11%
   D Personnel administration

o Financial Services Support
   D Accounting, accounts payable/receivable, cash management- 54%
   > Financial reporting and analysis-25%
   D Grant management and reporting-10%
   D Budget development, submission and management-4%

The Division has six Service Centers managed by four Service Center Directors:

o General Government

o Natural Resources

o Security and Employment

o Transportation

o Corrections

o Department of Health and Human Services

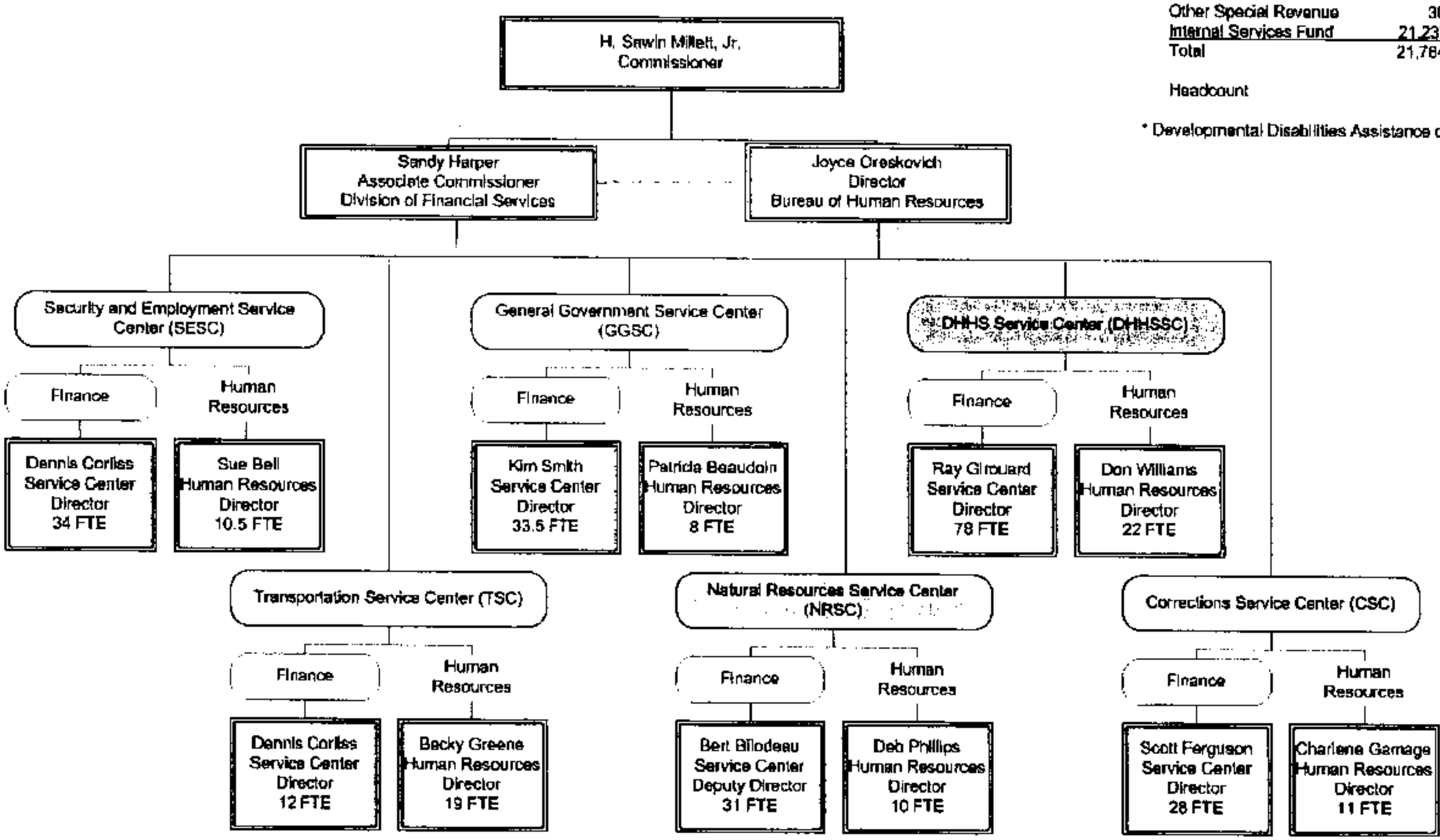
Division of Financial and Personnel Services

January 10, 2013

FY13 Appropriations and Allocations

Federal Funds	497,302 *
Other Special Revenue	30,000
Internal Services Fund	21,237,373
Total	21,764,675
Headcount	298

* Developmental Disabilities Assistance contract



MRS Tax Receivables Report

EOM	IndivInc	CorpInc	Withholding	Sales	Other	Totals
6 /30/2007	$135,204,593.00	$13,464,343.00	$11,994,229.00	$40,923,308.00	$13,529,992.00	$215,116,465.00
6 /30/2008	$148,281,216.00	$8,900,650.00	$12,493,327.00	$45,323,670.00	$13,039,455.00	$228,038,318.00
6 /30/2009	$166,887,657.00	$22,985,998.00	$15,495,554.00	$46,329,373.00	$22,027,797.00	$273,726,379.00
6 /30/2010	$181,053,752.00	$15,343,243.00	$14,605,700.00	$45,470,780.00	$16,423,706.00	$272,897,181.00
6 /30/2011	$177,906,335.00	$14,014,937.00	$16,425,518.00	$40,162,330.00	$17,546,071.00	$266,055,191.00
6 /30/2012	$205,008,134.00	$9,014,160.00	$13,490,934.00	$35,536,499.00	$19,234,062.00	$282,283,789.00

MAINE REVENUE SERVICES COMPLIANCE INITIATIVES

For Period- FY 2012

Assessments and Collections from compliance based activities

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Collections					
Collections (Compliance Div.)	62,430,431	64,192,890	60,458,973	55,947,797	55,679,375
Non-Filer (Tax Compliance Unit)	9,737,818	10,227,153	9,146,677	9,601,276	9,222,428
Desk Audit (Houlton)	2,597,951	3,372,529	4,039,888	4,155,883	5,033,762
MRS & IRS Refund setoffs	8,013,650	6,990,470	6,892,384	7,819,977	6,793,853
Total	82,779,850	84,783,042	80,537,922	77,524,933	76,729,418
Criminal Investigation Unit					
Total	1,275,912	355,755	399,824	826,170	1,129,245
Desk and Field Audit					
Corporate Field Audit (Audit Division)	20,032,125	18,399,501	22,674,396	32,285,264	17,595,873
Sales Field Audit (Audit Division)	9,499,478	11,832,971	16,514,462	12,985,228	12,160,174
Desk Audit (Income Tax Div.)	9,794,263	12,770,474	19,393,090	11,751,435	8,757,524
Desk Audt (Sales & Special Tax Div.)	39,937				
Total	39,365,803	43,002,946	58,581,948	57,021,927	38,513,571
Total All Divisions					
	123,421,565	**128,141,743**	**139,519,694**	**135,373,030**	**116,372,234**

Provided to OPEGA by Maine Revenue Service 2-19-13