



Department of Legislative Services
Office of Legislative Audits

Fraud Hotline Activity OLA Results from Pursuing Allegations

Presentation to
Maryland General Assembly
Joint Audit Committee

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Hotline History

- August 2002 – JAC instructed OLA to implement a hotline and web referral process for the reporting of allegations of fraud, waste, and abuse in State government operations.
 - February 2003 – OLA's hotline and web referral process were launched with an expected call volume of 200 calls per year.
 - November 2012 - OLA hotline webpage updated to include links to hotlines of other Maryland state agencies and the federal government.
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Hotline Marketing

OLA's hotline and web referral process are marketed to State employees through a variety of methods including:

- Fraud Posters in State Offices
- Biennial message on State employee payroll notices
- Annual email reminders to State employees

REPORT FRAUD OR ABUSE IN STATE GOVERNMENT


Available 24 Hours a Day, 7 Days a Week.
Information Received is Considered Confidential.
You Can Remain Anonymous.



Call Toll Free
1-877-FRAUD-11
(1-877-372-8311)

or report fraud at our website
www.ola.state.md.us
(Click on Stop Fraud)

What kinds of issues should be reported?
Fraud · Misuse or Abuse of State Resources
Theft · Potential Conflicts of Interest · Corruption
Significant Violations of Laws and Regulations · Vendor Kickbacks



Maryland General Assembly
Department of Legislative Services · Office of Legislative Audits
301 West Preston Street · Room 1202 · Baltimore, Maryland 21201

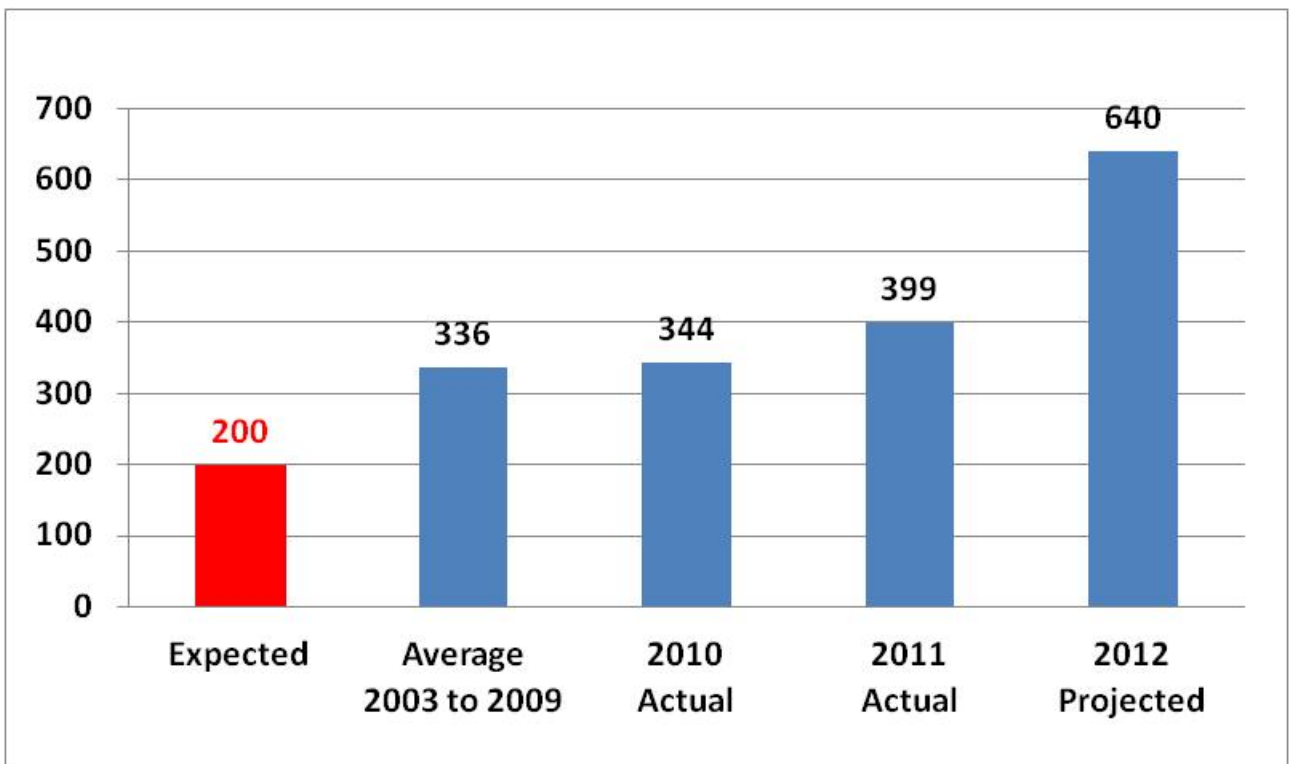




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Hotline Activity

Call Volume (Calendar Year Basis)



- Volume has consistently exceeded expectations
 - Spike in CY 2012 related to increase in public assistance benefit fraud allegations
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Hotline Operations

- Allegations are received by phone, web referral, mail, and from OLA staff auditors in the field.
 - Callers are assured that the information provided is considered confidential and are provided with information about the State's "whistleblower" laws, if reassurance is needed.
 - Audit professionals (certified fraud examiners) handle calls during business hours in accordance with established procedures.
 - All allegations are assessed for credibility and due diligence is performed before field investigations are initiated.
 - Allegations are either investigated by OLA, referred to the applicable State agencies, or not pursued.
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Hotline Allegation Disposition

Hotline Allegation Disposition (February 2003 through September 2012)	
Investigations in Process or Completed by OLA	20%
Referred to Future OLA Audit or Investigation	3%
Referred to State Agencies	46%
Not Pursued	31%



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Allegation Findings

OLA will highlight the following report findings related to fraud, waste, abuse, and conflict of interest allegations:

- **State Highway Administration** (Report Dated November 15, 2012) – *Possible employee ethics violation*
 - **Office of Register of Wills – Baltimore City** (Report Dated October 12, 2012) – *An Office employee with supervisory duties potentially failed to report a prior felony conviction when hired*
 - **University of Maryland Baltimore County** (Report dated May 8, 2012) – *Possible corporate purchasing card misuse*
 - **Maryland Transit Administration** (Report Dated February 17, 2012) – *Possible questionable practices with Mobility Paratransit Program*
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State Highway Administration (SHA) (November 15, 2012)

OLA confirmed the allegation and reported that an SHA management employee and the employee's subordinates participated in the monitoring of a \$5 million consulting services contract with a firm where the employee's spouse was a senior executive, which is a potential violation of State ethics laws. **(Finding 9)**

Disposition:

OLA recommended SHA refer the potential ethics violation to the State Ethics Commission.

Subsequent to OLA disclosing this finding to SHA, public documents from the Commission indicated that the Commission recently determined a violation had occurred.



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Office of Register of Wills -Baltimore City (October 12, 2012)

- An Office employee with supervisory responsibilities did not disclose on their State employment application, as required, that they were previously convicted of a felony. The individual was convicted of felony theft and was ordered to pay restitution totaling more than \$100,000.
- The employee's social security number on the application did not agree to the number on file with the U.S. Social Security Administration or the one on file with the State agency responsible for collecting the delinquent court-ordered restitution.

Disposition

This matter was referred to the Register for appropriate corrective action and to the Office of the Attorney General.



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University of Maryland - Baltimore County (UMBC) (May 8, 2012)

During the audit we had identified questionable corporate purchasing card (CPC) purchases by one employee. A referral from another OLA audit identified a second employee making questionable CPC purchases. **(Finding 6)**

- For example, the employee identified in the referral, was found to have purchased gift cards totaling approximately \$4,400 which were not supported.
- After we brought these issues to UMBC's attention, UMBC initiated an investigation of the employees' CPC transactions and identified additional questionable purchases made by both employees.

Disposition

This matter was referred to the Office of the Attorney General for further investigation. Furthermore, UMBC management advised us that the two employees identified as making questionable purchases had either resigned or been terminated.



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Maryland Transit Administration (MTA) (February 17, 2012)

During the regularly scheduled MTA audit, we pursued a referral received alleging non-specific questionable practices in the MTA mobility paratransit program (MPP). OLA's subsequent work disclosed a number of reportable conditions. Specifically,

- MTA lacked sufficient procedures and controls over the MPP rider eligibility process (**finding 5**).
- MTA did not adequately monitor one MPP contract and related payments (**finding 6**).
- MTA did not attempt to obtain refunds of fuel excise taxes paid to the MPP vendors for fuel used in State vehicles, which during FY 2011 totaled approximately \$740,000 (**finding 7**).

Disposition

OLA recommended appropriate corrective actions to address the above conditions, which MTA agreed to implement, including the recovery of the aforementioned excise taxes.



Conclusion

Efforts Devoted to OLA's Hotline Have Been Worthwhile

- Significant efforts have been made to build awareness of the hotline.
- Hotline activity has continued to exceed initial expectations.
- OLA continues to identify and report on significant findings, in both fiscal compliance audit reports and reports of special reviews based on hotline allegations.