



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

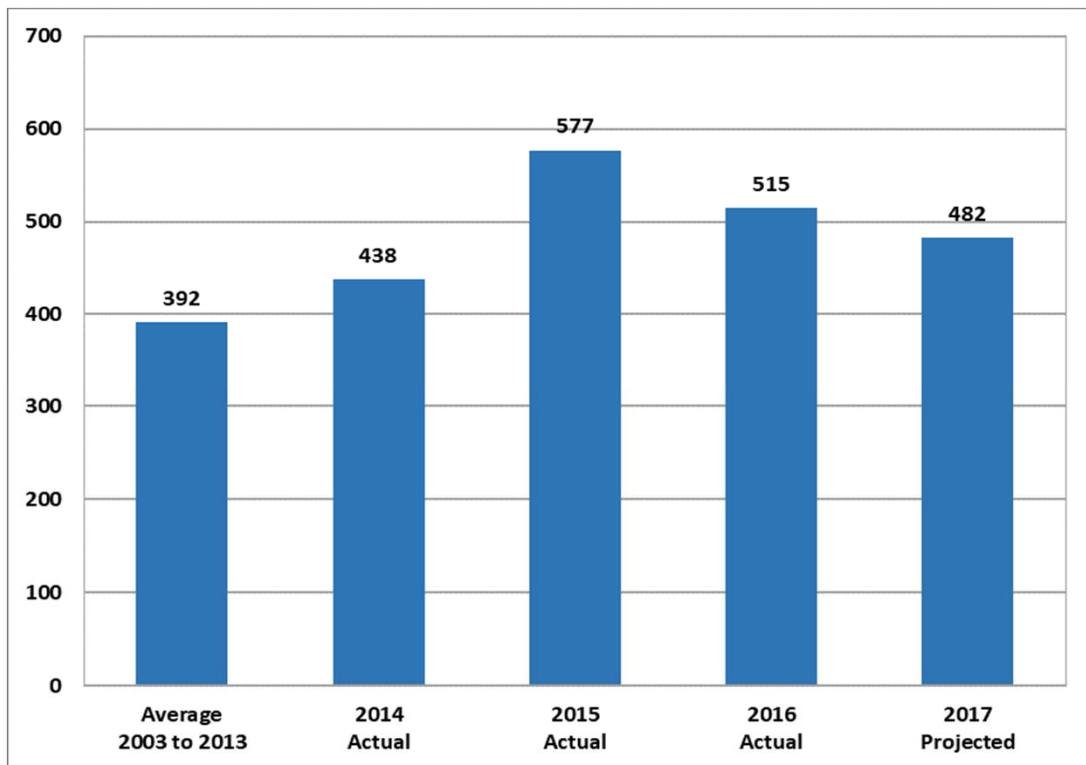
- August 2002 – JAC instructed OLA to implement a hotline and web referral process for the reporting of allegations of fraud, waste, and abuse in State government operations.
- February 2003 – OLA's hotline and web referral process were launched with an expected call volume of 200 calls per year.
- Actual annual call volume has consistently exceeded expectations.



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Hotline Activity

Call Volume (Calendar Year Basis)



Spike in CY 2015 related to increase in public assistance benefit fraud allegations, which are usually referred to the administering agencies.



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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



STOP FRAUD
IN STATE GOVERNMENT

What kind 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

Available 24 hours a day,
7 days a week.

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

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

Information received
is considered confidential.
You can remain anonymous.

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 Operations

- Allegations are received by phone, web referral, mail, and from OLA staff auditors in the field.
- Callers are informed 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 October 2017)	
Investigations in Process or Completed by OLA	17%
Referred to Future OLA Audit or Investigation	1%
Referred to State Agencies*	59%
Not Pursued	23%

* - Approximately 45% of allegations we referred to agencies were related to DHS benefits.



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Recent Allegation Findings

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

- **Department of Juvenile Services** (Report Dated November 1, 2017) – *Questionable procurement activity*
- **Baltimore City Community College** (Report Dated November 14, 2017) – *Questionable procurement activity*

Disposition - OLA referred these matters to the Office of the Attorney General – Criminal Division



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Department of Juvenile Services (DJS) (November 1, 2017)

In conjunction with our regular audit of DJS, we pursued and confirmed allegations of questionable procurement practices (**Finding 3**).

- DJS artificially divided procurements for certain goods and services circumventing State procurement regulations. For example, during FYs 2014 - 2016, one vendor received 204 payments totaling \$1.5 million, of which 202 were for \$15,000 or less, with several for similar services over a three-day period.
- We identified questionable activities, including 18 procurements of routine services totaling \$219,000 that were not publicly solicited, and were awarded to two companies owned by the same individuals (the only bidders).
- Certain DJS employees were able to directly solicit, receive, and evaluate bids and select the vendors without extensive involvement of DJS central procurement personnel.



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Baltimore City Community College (BCCC) (November 14, 2017)

In conjunction with our regular audit of BCCC, we pursued and confirmed allegations of questionable procurement practices in BCCC's Facilities Planning and Operations Department. Other matters were also identified (**Findings 1 and 2**).

- The Department artificially divided procurements for certain goods and services circumventing State procurement regulations. During FYs 2014 - 2016, 178 payments were made to 7 vendors for goods and services totaling approximately \$420,000, each of which was less than \$15,000
 - Department employees directly solicited, received, and evaluated the bids and selected the vendors. BCCC central procurement personnel were only required to execute the purchase orders.
 - Our review of 16 Department procurements totaling \$140,000, each under \$15,000, disclosed that for 6 procurements totaling \$65,000, there were relationships between competing bidders, including ownership by the same individual or close relatives.
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Baltimore City Community College (continued) (November 14, 2017)

- We also found questionable charges totaling \$42,000, such as billings for work on BCCC rooms or equipment that did not exist, and a lack of detail from vendor proposals and billings necessary to determine the propriety of charges totaling \$28,000.
 - Several Department employees shared their corporate purchasing cards (CPC) at the direction of a former management employee. The Department's CPC activity from FYs 2014 - 2016 totaled \$1.1 million.
 - Our review of five CPC payments for maintenance services totaling \$10,900 disclosed three purchases totaling \$6,500 that were not supported.
 - BCCC's compliance hotline received several allegations regarding certain Department activities, but BCCC did not adequately pursue the allegations, such as conduct a detailed review of transactions.
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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.