



Department of Legislative Services
Office of Legislative Audits

Fraud Hotline Activity OLA Results from Pursuing Allegations

Presentation to
Maryland General Assembly
Joint Audit Committee

Brian S. Tanen, CPA, CFE
Nicholas L. Marrocco, CPA, CFE, CFF

November 9, 2010



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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.



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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, and
- 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

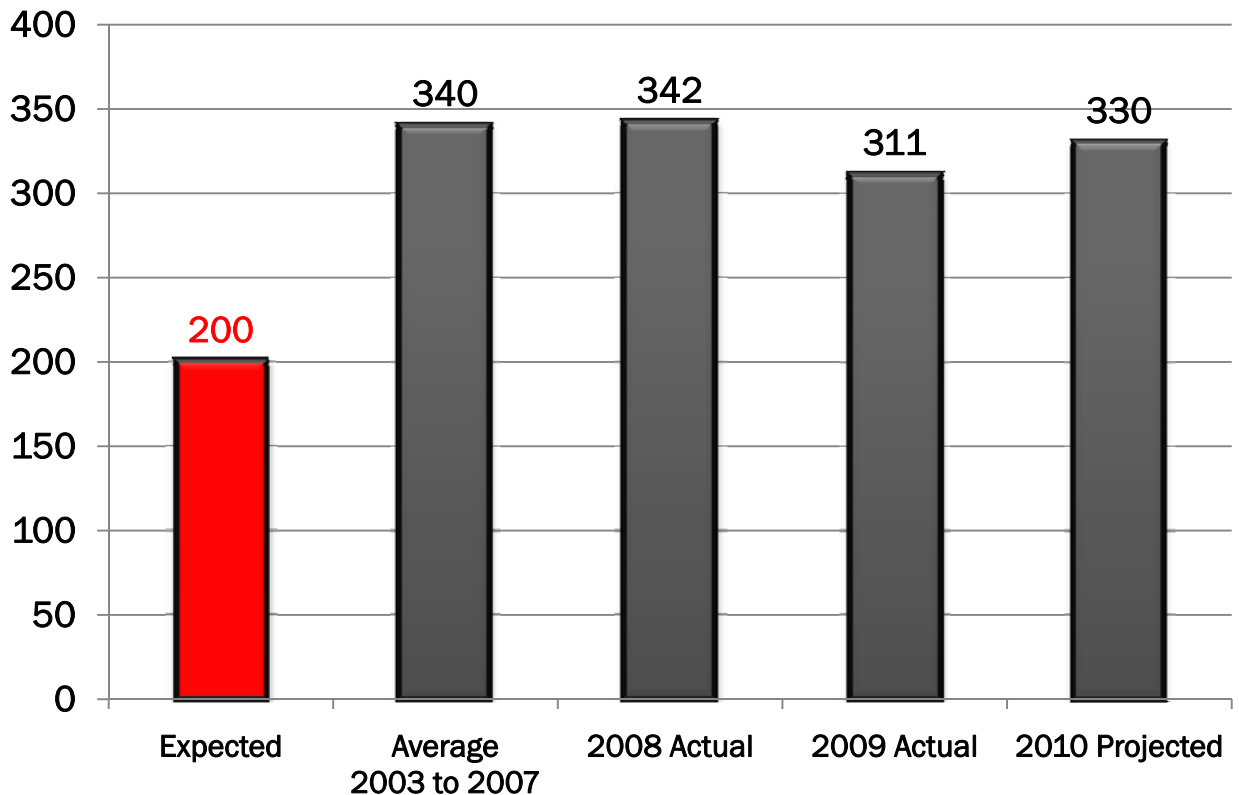




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Hotline Activity

Allegations Received (Calendar Year Basis)



Volume has consistently exceeded expectations



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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 October 2010)	
Investigations in Process or Completed by OLA	22%
Referred to Future OLA Audit or Investigation	2%
Referred to State Agencies	41%
Not Pursued	35%



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Hotline Allegation Findings

OLA will brief the Committee on the following report findings resulting from hotline allegations:

- Department of Public Safety and Correctional Services - Baltimore Region (Report Dated October 29, 2010) - *Possible Working Fund Fraud*
- Department of Public Safety and Correctional Services - Office of the Secretary (Report Dated September 15, 2010) - *Possible Procurement Fraud*
- Coppin State University (Report dated June 28, 2010) – *Possible Corporate Purchasing Card Fraud*
- Maryland Aviation Administration (Report Dated December 29, 2009) – *Possible Procurement Fraud*



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Department of Public Safety and Correctional Services Office of the Secretary

Original Hotline Allegation:

- Possible conflict of interest between management employee and a vendor.

Key Findings:

- Management employee made numerous purchases totaling \$56,000 from a vendor with which this individual had a business relationship.
- State Ethics Commission previously issued a letter of advice which expressed concerns about the employee's relationship with the vendor.
- Our review of the purchases and related payments to the vendor disclosed several deficiencies including:
 - The failure to obtain competitive bids as required .
 - The failure to obtain detailed invoices and/or receipts to support payments.
 - The splitting of payments, which circumvented individual transaction dollar limits.

Disposition:

- OLA referred this case to the Office of Attorney General's Criminal Division and to the State Ethics Commission.
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Coppin State University (CSU)

Original Hotline Allegation:

- Possible improper purchasing card activity by one CSU employee using another employee's card was not being adequately pursued.

Key Findings:

- A CSU employee made numerous personal purchases on a State purchasing card assigned to another employee.
- Our review of the aforementioned purchases and related payments disclosed several deficiencies including:
 - CSU employees were allowed to share purchasing cards including one card that was used by four employees to process purchases.
 - Purchases were not always supported by vendor invoices and were not always subject to supervisory review and approval.

Disposition:

- OLA referred this case to the Office of Attorney General's Criminal Division.



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Maryland Aviation Administration (MAA)

Original Hotline Allegation:

- Possible conflict of interest for the procurement of an ambulance for BWI by MAA employees employed by the ambulance dealer.

Key Findings:

- MAA issued a \$170,000 contract for an ambulance to a vendor that employed two MAA employees.
- MAA's solicitation for the ambulance appeared to have been written to favor a particular vendor. For example,
 - Eight features from the MAA bid specifications were virtually identical to the manufacturer's description of its ambulances.
 - We were advised by 2 vendors that they did not submit a bid because only the selected vendor could have fulfilled the contract specifications.
- MAA provided certain inaccurate information to the Board of Public works justifying the receipt of only one bid.

Disposition:

- OLA referred this case to the Office of Attorney General's Criminal Division.
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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.