



Department of Legislative Services
Office of Legislative Audits

Fraud Hotline

Presentation to
Maryland General Assembly
Joint Audit Committee

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Hotline History

- August 2002 – JAC instructed OLA to implement the hotline and web referral process.
- February 2003 – OLA's hotline and web referral process were launched.
- Ongoing – OLA's hotline and web referral process are marketed to State employees through a variety of methods.



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Fraud Hotline

**Report Fraud or Abuse
In State Government**



1-877-FRAUD-11

www.ola.state.md.us



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Hotline Calls

- Calls are answered by audit professionals during business hours and handled in accordance with established procedures.
- Callers are assured that the information provided is considered confidential.
- Callers are provided with information about the State's "whistleblower" laws, if reassurance is needed.
- Calls are assessed for credibility and due diligence is performed before field investigations are initiated.

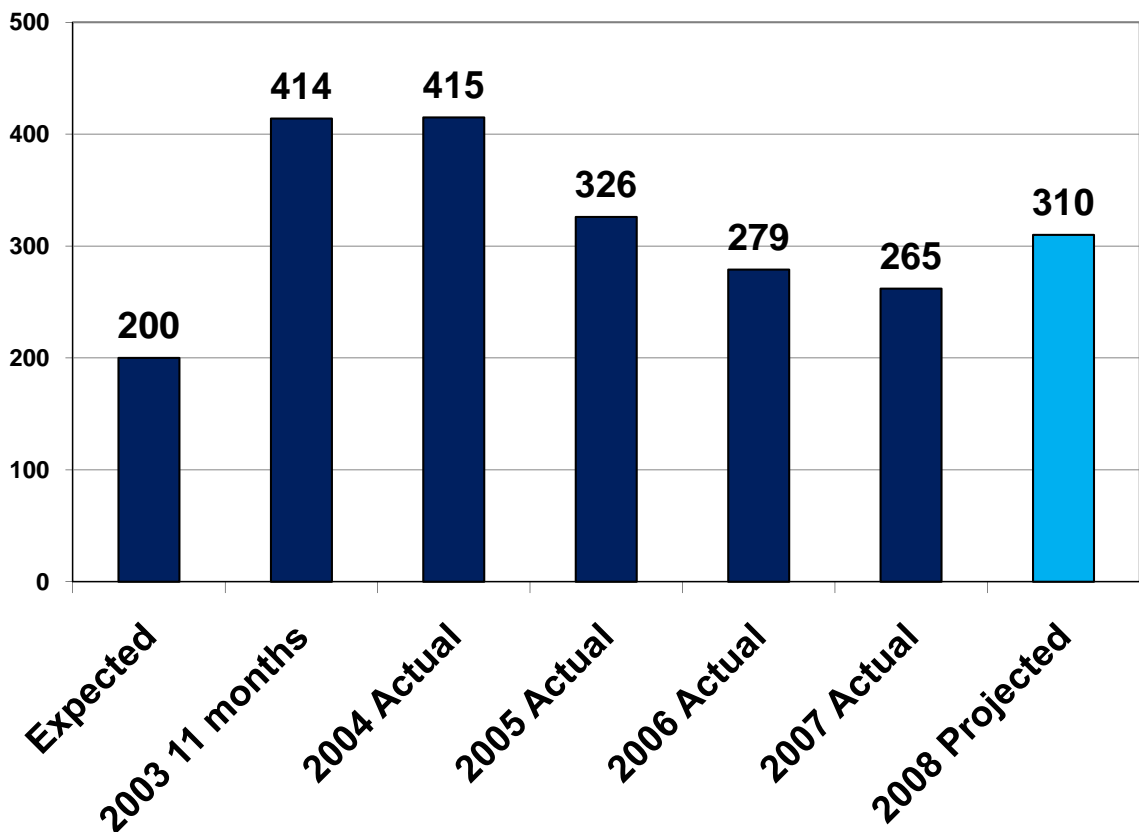


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Hotline Activity

Call volume has continued to exceed expectations

**Annual Call Volume
(Calendar Year Basis)**





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Hotline Cases

Hotline Case Disposition (February 2003 through September 2008)	
Investigations Completed by OLA	20%
Under Investigation by OLA	2%
Referred to a Future OLA Audit or Investigation	3%
Referred to Other Agencies with Investigative Units	34%
Not Pursued with a Letter to the State Agency	6%
Not Pursued	35%



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Hotline/Potential Fraud Investigations

OLA will brief the Committee on certain findings related to the following reports:

- Department of Health and Mental Hygiene
 - Spring Grove Hospital Center

- Department of General Services
 - Office of Facilities Planning, Design, and Construction

- Maryland Department of Transportation
 - Maryland Transit Administration



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DHMH – Spring Grove Hospital Center

Questionable Transactions Totaling \$167,106 Were Identified Related to One Contractor

- The bidding process used by the Center's Maintenance Department to award projects to this contractor appeared to be significantly compromised.
- The losing bids for 12 projects totaling \$43,658 were purportedly submitted by two out-of-state contractors; however, the losing bids were all faxed to the Department by an in-state contractor who, in all 12 cases, was awarded the projects as the low bidder.
- For 21 other projects totaling \$87,548, the top portion of the bid documents were tampered with (such as torn-off), thereby eliminating references as from where the bids had been faxed.



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DHMH – Spring Grove Hospital Center

Questionable Transactions Totaling \$167,106 Were Identified Related to One Contractor

- A number of other “red flags” relating to projects awarded to this contractor were noted. For example:
- purchased equipment items could not always be located
 - sole source procurements were awarded for repairs that appeared to be routine in nature, and
 - \$26,777 in premiums were paid for expedited orders although the orders were not ultimately expedited.



DHMH – Spring Grove Hospital Center

Projects Totaling \$232,000 Were Directed To Three Other Contractors That Employed A Specific Individual

- The Maintenance Department directed work totaling approximately \$232,000 to three other contractors while they employed a specific individual.
- These contractors had not been awarded any projects prior to, or subsequent to, the time periods that they employed this individual. We were advised by Maintenance Department management that they directed work to these contractors (without utilizing any type of competitive process) because they liked the work performed by this individual.



DHMH – Spring Grove Hospital Center

Projects Totaling \$232,000 Were Directed To
Three Other Contractors That Employed A Specific
Individual

- A number of other “red flags” relating to projects awarded to these contractors were noted. For example:
- sole source procurement justifications were inadequate, and
 - for one of the projects awarded, the losing bid was submitted via fax by the aforementioned individual although this individual (at that time) worked for the contractor that was the winning bidder on the project.



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DHMH – Spring Grove Hospital Center

Personal Relationships Between Employees and Contractors

- Contractors were awarded projects that had personal relationships with two Maintenance Department employees and a senior management employee outside the Maintenance Department. No projects had been awarded to these contractors prior to the employment of these employees.
- For example, a Maintenance Department supervisory employee and an executive of a certain contractor resided at the same home address at the time projects totaling approximately \$25,000 were awarded to this contractor. The executive of the contractor was also named as the primary beneficiary of this supervisory employee's State pension benefits. For one project awarded to this contractor, in which a competitive bid process was purportedly used, the losing company's bid was printed from the supervisory employee's email account.



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DHMH – Spring Grove Hospital Center

Personal Relationships Between Employees and Contractors

- A senior management employee was married to the president of an organization of contractors. We noted that this senior management employee authorized three no-bid projects totaling \$6,560 for interior design services to a firm whose owner served as an associate board member of the aforementioned organization. We also noted that various registration fees totaling \$4,450 were paid by the Center to the organization.



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Department of General Services

Office of Facilities Planning, Design and Construction - Potential Conflict of Interest

- Despite a previous agreement to the contrary with the State Ethics Commission, a DGS management employee continued to maintain oversight responsibilities related to a contract involving the firm that employed this employee's spouse for a seven-month period. During that period, DGS made payments totaling \$183,000 to the firm.
 - Once the aforementioned contract expired, the same management employee participated (played a key role in price negotiations) in a new contract totaling \$4.3 million awarded to another firm that subsequently employed the management employee's spouse. Subsequent to the spouse's employment, the management employee approved contract billings totaling \$3.1 million.
 - The management employee did not disclose with the State Ethics Commission, as required, that the spouse was employed by an entity doing business with the State.
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MDOT-Maryland Transit Administration

Transit Operation Fare Box Revenues

- Keys used to access bus fare boxes and safes were not adequately safeguarded and accounted for. Furthermore, MTA did not maintain a complete inventory of such keys or document the employees to whom keys had been issued.
- Due, in part, to the aforementioned conditions, in January 2008 the MTA referred to the OAG – Criminal Division a matter concerning unusual usage of certain critical keys by an unauthorized employee to access fare box collections.
- MTA did not utilize reports generated by its automated fare box system to ensure that recorded fare collections were subsequently deposited. The collections recorded on the reports disclosed differences totaling approximately \$475,000 when compared to the cash deposited for the period we reviewed from March 2007 through June 2007.



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 has identified and reported on a number of significant findings based on hotline calls and certain investigations are planned for the future.