

MAINE STATE LEGISLATURE

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July 15, 2014

The Honorable Paul R. LePage
Governor, State of Maine

The Honorable Justin L. Alfond
President of the Senate

The Honorable Mark W. Eves
Speaker, House of Representatives

I am pleased to submit the State Auditor's Fraud Hotline Semiannual Report for the period January 1, 2014 to June 30, 2014.

A summary of the complaints is attached.

Sincerely,

A handwritten signature in blue ink that reads "Pola A. Buckley".

Pola A. Buckley, CPA, CISA
State Auditor



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STATE AUDITOR'S FRAUD HOTLINE
<http://www.maine.gov/audit/fraud/fraud.htm>
June 2014 Semiannual Report
For the Period 1/1/2014 to 6/30/2014

Total number of complaints received	31
Complaint sequence: Complaints No. 220 through No. 250	
Number of referrals made to the Office of the Attorney General	8
Number of complaints investigated by Office of the State Auditor personnel	4
Number of referrals to the Office of Program Evaluation and Government Accountability	none
Complaints about individuals referred to (some to more than one agency):	
Fraud Investigation and Recovery Unit of DHHS (FIRU)	9
Maine State Housing Authority (MSHA)	2
Maine Department of Labor (DOL)	2
Maine Department of Public Safety (DPS)	1
Maine Revenue Service (MRS)	13
Division of Support Enforcement and Recovery of DHHS (DSER)	1

A listing of the complaints received from January 1, 2014 to June 30, 2014 begins on page 4 of this report.

A legend for the abbreviations used in this report appears on page 3.

Types of complaints Office of the State Auditor personnel investigate:

- illegal acts affecting State government such as theft, fraud, and financial conflict of interest,
- financial fraud depleting resources or increasing expenditures of the State,
- significant abuse of State equipment or property,
- clear misuse of State property, programs, or work time for personal gain,
- gross misconduct with significant financial effects,
- consistent, wasteful conduct with significant financial implications, and
- kickbacks or similar acts involving return payments to State workers or vendors.

Types of complaints Office of the State Auditor personnel do not investigate, but the Office does generally refer these complaints to other State agencies or other government authorities:

- personal conflicts between individuals or domestic or other threats of violence.
- improper acts by federal officials,
- personal gripes against State employees about personal matters,
- mistakes made by State personnel,
- insignificant matters or complaints without sufficient factual basis, and
- matters handled by other specific State investigation units.

The Office of the State Auditor does not have enforcement power. However, we work with governmental entities that do have enforcement power. This includes the Attorney General's Office and the District Attorneys' Offices.

Agency acronyms used in the report:

AG - Office of the Attorney General

DAFS - Department of Administrative and Financial Services

DOC - Department of Corrections

DFPS - Division of Financial and Personnel Services (a division of DAFS)

DHHS - Department of Health and Human Services

DOL - Department of Labor

DPS - Department of Public Safety

DSER - Division of Support Enforcement and Recovery (a division of DHHS)

FIRU - Fraud Investigation Recovery Unit (a division of DHHS)

MRS - Maine Revenue Services (a division of DAFS)

MSHA - Maine State Housing Authority

OIT - Office of Information Technology (a division of DAFS)

TANF - Temporary Assistance for Needy Families (a division of DHHS)

Complaint No.	Nature of Complaint	Agency Complained of:	Potential Impact on Government:	Recommended Action:	Substantiation of Complaint:
220	Complaint alleged that an individual receives food stamps, lives with another individual at an address different than reported to the State, resides out of State part of the year and uses the food stamps in Florida.	None; private fraud alleged.	Improper payments may be recouped.	Referred to FIRU	To be determined by FIRU.
221	Complaint alleged that a business owner asked complainant if he had a problem with being paid "under the table" during a job interview.	None; private fraud alleged.	Unpaid taxes and/or penalties may apply.	Referred to MRS and DOL	To be determined by MRS and Labor.
222	Complaint alleged that a private subcontractor to a private contractor of a State agency mishandled the implementation of State contracts.	None; private fraud alleged.	Private complaint against an individual or private company; Potential fraud against a State contract.	Referred to AG; being investigated by OSA	To be determined; investigation is still in process.
223	Complaint alleged that DAFS/DOC service center personnel paid "dummy bills" to spend general fund appropriations and demanded employees perform non-standard operating and accounting procedures.	DAFS/DOC Service Center	Inappropriate spending	None	Complainant did not follow through with information requested by the Office of the State Auditor.
224	Complaint alleged that an individual receiving child support/welfare/food stamps fraudulently claimed two children lived with her.	None; private fraud alleged.	Improper benefits might be recouped.	Referred to FIRU and DSER	To be determined by FIRU and DSER.
225	Complaint alleged that an individual received a phone call from the IRS with threat of legal action if the individual did not contact a certain other individual.	None; private fraud alleged.	Private complaint against an individual, possible consumer protection issue.	Referred to AG	To be determined by AG.
226	Complaint alleged that there were irregularities with a transportation study that apparently adversely affected complainant. State AG's office responded to complainant.	Private complaint against federal and State officials.	None; Federal jurisdiction	None; AG recommendation acknowledged	AG deferred to Federal government; US DOT/OIG closed the complaint – elected not to pursue
227	Complaint alleged that a couple was receiving income tax refunds even though they did not work.	None; private fraud alleged.	Unpaid taxes and/or penalties may apply.	Referred to MRS	To be determined by MRS.

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Complaint No.	Nature of Complaint	Agency Complained of:	Potential Impact on Government:	Recommended Action:	Substantiation of Complaint:
228	Complaint alleged that an individual receiving TANF, Food Stamps and low income housing has three jobs implying inappropriate access to State benefits.	None; private fraud alleged.	Improper benefits might be recouped.	Referred to FIRU and MSHA	To be determined by FIRU and MSHA.
229	Complaint alleged that an individual receiving food stamps and child care assistance for her children was not using these benefits appropriately.	None; private fraud alleged.	Improper benefits might be recouped.	Referred to FIRU	To be determined by FIRU.
230	Complaint alleged that an individual receives benefits for his two children that do not live with him.	None; private fraud alleged.	Improper benefits might be recouped.	Referred to FIRU	To be determined by FIRU.
231	Complaint alleged that a restaurant business did not report income.	None; private fraud alleged.	Unpaid taxes and penalties may apply.	Referred to MRS	To be determined by MRS.
232	Complaint alleged individual owns a side business that is an unreported cash only business.	None, private fraud alleged	Unpaid taxes and penalties may apply.	Referred to MRS	To be determined by MRS.
233	Complaint alleged fraudulent online attempts to defraud complainant of funds.	None, private fraud alleged	Private complaint against an individual, possible consumer protection issue.	Referred to AG	To be determined by AG.
234	Complaint alleged an uncomfortable work environment.	No fraud alleged	None	None applicable	No fraud alleged.
235	Complaint alleged a) Fraudulent documentation of a sale of private equipment; b) Forged documentation to obtain occupational training.	None; private fraud alleged	a) Unpaid taxes b) Inappropriate use of training resources	a) Referred to MRS b) Referred to DPS, AG	a) to be determined by MRS b) determined by AG to be past statute of limitations, without significant result.
236	Complaint alleged welfare fraud.	None; private fraud alleged	Improper benefits might be recouped	Referred to FIRU	To be determined by FIRU.
237	Complaint alleged unlicensed business charging sales tax.	None; private fraud alleged	Unremitted sales tax; unpaid business license fees	Referred to MRS	To be determined by MRS.
238	Complaint alleged income tax fraud.	None; private fraud alleged	Possible inappropriate income tax refund	Referred to MRS	To be determined by MRS.

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Complaint No.	Nature of Complaint	Agency Complained of:	Potential Impact on Government:	Recommended Action:	Substantiation of Complaint:
239	Complaint alleged fraudulent use of benefits.	None, private fraud alleged	Improper benefits might be recouped	Referred to FIRU	To be determined by FIRU.
240	Complaint alleged possible phone tax fraud scheme.	None; private fraud alleged	None	Referred to AG	To be determined by AG.
241	Complaint alleged business operating without filing taxes.	None; private fraud alleged	Unpaid taxes and penalties may apply	Referred to MRS	To be determined by MRS.
242	Complaint alleged a tax reporting scheme involving another state.	None; private fraud alleged	None	Referred to AG	To be determined by AG.
243	Complaint alleged a scheme to fraudulently obtain money.	None; private fraud alleged	None	Referred to AG	To be determined by AG.
244	Complaint alleged a cash only business operating without charging sales tax.	None; private fraud alleged	Unpaid taxes and penalties may apply.	Referred to MRS	To be determined by MRS.
245	Complaint alleged housing benefit fraud.	None, private fraud alleged	Improper benefits might be recouped	Referred to FIRU, MSHA	To be determined by FIRU, MSHA.
246	Complaint alleged someone called impersonating an IRS agent, and alleged overdue taxes.	None; private fraud alleged	None	Referred to AG	To be determined by AG.
247	Complaint alleged benefit and tax fraud.	None, private fraud alleged	Improper benefits might be recouped; possible tax implications	Referred to FIRU, MRS	To be determined by FIRU, MRS.
248	Complaint alleged individual working without paying taxes.	None; private fraud alleged	Unpaid taxes and penalties may apply.	Referred to MRS	To be determined by MRS.
249	Complaint alleged individual working without paying taxes.	None; private fraud alleged	Unpaid taxes and penalties may apply	Referred to MRS	To be determined by MRS.
250	Complaint alleged business is not following wage and tax laws.	None; private fraud alleged	Unpaid taxes and penalties may apply	Referred to MRS, Labor	To be determined by MRS, Labor.