

MAINE STATE LEGISLATURE

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**STATE OF MAINE
DEPARTMENT OF AUDIT**

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STATE AUDITOR

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**Honorable Paul R. LePage
Governor of the State of Maine**

**Honorable Justin L. Alford
President of the Senate**

**Honorable Mark W. Eves
Speaker of the House**

MAINE STATE AUDITOR'S FRAUD HOTLINE

<http://www.maine.gov/audit/fraud/fraud.htm>

December 2012 Semiannual Report

Period 07/01/12 to 12/31/12

Total number of complaints received: 19

Complaint sequence: Complaints 140 to 158

Number of referrals of fraud or other criminal conduct to the Attorney General: 3

**Number of referrals of agency performance issues to the Office of Program Evaluation and
Government Accountability: 0**

**Number of complaints received by the State Auditor: Opened: 19
 Completed/Closed: 19**

Complaints about private individuals referred (some to more than one agency)

Referred to Fraud Investigation and Recovery Unit of DHHS (FIRU): 5

Referred to MaineHousing: 2

Referred to Maine Revenue Services: 8

Referred to Child Support Enforcement of DHHS: 0

Referred to Maine Department of Labor: 2



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What we DO investigate

- illegal acts within state government: theft, fraud, 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 measurable financial implications
- kickbacks or similar acts involving return payments to state workers or vendors

We do NOT investigate

- improper acts by federal officials
- improper acts of local government
- improper acts by private individuals or companies
- personal gripes against state employees about personal matters
- human mistakes of state personnel
- insignificant matters or complaints without sufficient factual basis
- matters handled by other specific state investigation units
- we do not have enforcement power: we are auditors

Agencies receiving referrals:

AG- Office of the Attorney General

CSEU- Child Support Enforcement Unit (part of DHHS)

DHHS – Department of Health & Human Services

FIRU – Fraud Investigation Recovery Unit (part of DHHS)

MRS – Maine Revenue Services

OIG – Office of Inspector General (federal auditors)

Complaint #140

Nature of Complaint: Complaint alleged that an individual was running personal expenses through their business thus evading Maine income tax.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; any income tax owed might be recouped.

Recommended action: Referred to MRS. Closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by MRS.

Complaint #141

Nature of Complaint: Complaint alleged that an individual paid for a home business opportunity program and then was solicited for free website service but that \$166.80 was deducted from their checking account.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable: private complaint against individual.

Recommended action: Referred to AG. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by AG.

Complaint #142

Nature of Complaint: Complaint alleged that an auto repair garage owner was requesting cash payments from customers, paying employee in cash and boasted that he was receiving fuel assistance.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; unpaid taxes and penalties and improper benefits might be recouped.

Recommended action: Referred to MRS and Maine Housing. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by MRS and Maine Housing.

Complaint #143

Nature of Complaint: Complaint alleged that the president, his wife and her sister of a non-profit condo association are using association funds for their own profit such as advertising for their other business.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; any income tax owed might be recouped.

Recommended action: Referred to MRS. Closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by MRS.

Complaint #144

Nature of Complaint: Complaint alleged that an individual had an accident at work due to employer's work safety violations and was subsequently terminated from employment. The individual made the complaint referring to the Whistleblower Act.

Agency complained of: None.

Potential savings to State: Not applicable; private employee issue.

Recommended action: Complainant referred to Maine Human Rights Commission. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by Maine Human Rights Commission.

Complaint #145

Nature of Complaint: Complaint alleged that his wife obtained a bank mortgage on their house by signing a false affidavit with the bank stating there were no other liens on the property. The husband maintains that his parents loaned the former couple \$145,000.00 and this should have been disclosed to the bank.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; private bank issue.

Recommended action: Complainant referred to bank originating the mortgage. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by bank.

Complaint #146

Nature of Complaint: Complaint alleges that they were duped into paying overdue funds owed to a bank as a final settlement. Shortly thereafter they received a bill from a collection agency.

Agency complained of: None; private fraud alleged.

Potential savings to State: Not applicable; potential consumer protection issue.

Recommended action: Referred to AG. Closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by AG.

Complaint #147

Nature of Complaint: Complaint alleges that they heard that an individual was messing with their taxes.

Agency complained of: Not applicable; complaint about private individual.

Potential savings to State: None.

Recommended action: Case closed by Maine Department of Audit

Statement whether complaint is substantiated: Insufficient facts to show fraud.

Complaint #148

Nature of Complaint: Complaint alleges that a business owner pays employees in cash including his girlfriend who receives state benefits for four children.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; unpaid taxes and penalties and improper benefits might be recouped.

Recommended action: Referred to MRS, FIRU and DOL. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by agencies referred to.

Complaint #149

Nature of Complaint: Complaint alleges falsification of MaineCare form and potential for rent refund fraud.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; Improper benefits might be recouped and unpaid taxes and penalties may apply.

Recommended action: Referred to FIRU and MRS. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by agencies referred to.

Complaint #150

Nature of Complaint: Complaint alleges business owner is not reporting cash receipts from rental units.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; any income tax owed might be recouped.

Recommended action: Referred to MRS.

Statement whether complaint is substantiated: To be determined by MRS.

Complaint #151

Nature of Complaint: Complaint alleges that this individual who works for a home health care organization was improperly written up by a supervisor.

Agency complained of: None; private complaint against individuals.

Potential savings to State: None.

Recommended action: Closed by Department of Audit at request of complainant.

Statement whether complaint is substantiated: No fraud alleged.

Complaint #152

Nature of Complaint: Complaint alleges improper receipt of food stamps and MaineCare benefits by an individual for a son not living with him.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; improper benefits may be recouped.

Recommended action: Referred to FIRU. Case closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by FIRU.

Complaint #153

Nature of Complaint: Complaint alleges an individual sold prime real estate and did not file an income tax return.

State Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; any income tax owed might be recouped.

Recommended action: Referred to MRS. Cased closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by MRS.

Complaint #154

Nature of Complaint: Complaint alleges that a person received food stamps and Section 8 housing assistance but did not report live in boyfriend's income to qualify.

Agency complained of: None: private fraud alleged.

Potential savings to State: Not applicable; improper benefits may be recouped.

Recommended action: Referred to FIRU and to Maine State Housing. Cased closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by FIRU and Maine State Housing.

Complaint #155

Nature of Complaint: Complaint alleges that a business owner pays an employee \$6.00 per hour in cash, pays for personal expenses through the business account and purchases equipment out of state to evade paying sales/use tax.

Agency complained of: None; private complaint against individual.

Potential savings to State: Not applicable; any income tax owed may be recouped.

Recommended action: Referred to MRS and DOL. Cased closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by MRS and DOL.

Complaint #156

Nature of Complaint: Complaint alleged that an individual used her bank debit card to pay for adult films. After communication with the bank and the adult film agency the charges were refunded.

Agency complained of: None; private complaint against individual.

Potential savings to State: None.

Recommended action: Closed by Maine Department of Audit

Statement whether complaint is substantiated: Complainant resolved the issue to their satisfaction.

Complaint #157

Nature of Complaint: Complaint alleges that a Netherlands company ordered gift shop items via email but did not pay the proprietor for them.

State Agency complained of: Not applicable; private fraud alleged.

Potential savings to State: None; private fraud proceeds might be recouped.

Recommended action: Referred to AG. Cased closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by AG.

Complaint #158

Nature of Complaint: Complaint alleges that an individual is collecting disability benefits but goes dancing regularly.

State Agency complained of: Not applicable: private fraud alleged.

Potential savings to State: None; improper benefits may be recouped.

Recommended action: Referred to FIRU. Cased closed by Maine Department of Audit.

Statement whether complaint is substantiated: To be determined by FIRU.