

MAINE STATE LEGISLATURE

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STATE OF MAINE
OFFICE OF THE STATE AUDITOR

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DEPUTY STATE AUDITOR

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DIRECTOR OF AUDIT and ADMINISTRATION

January 6, 2015

The Honorable Paul R. Lepage
Governor, State of Maine

The Honorable Michael D. Thibodeau
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 July 1, 2014 to December 31, 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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Honorable Paul R. LePage
 Governor of the State of Maine

Honorable Michael D. Thibodeau
 President of the Senate

Honorable Mark W. Eves
 Speaker of the House

STATE AUDITOR'S FRAUD HOTLINE
<http://www.maine.gov/audit/fraud/fraud.htm>
 December 2014 Semiannual Report
 For the Period 7/1/2014 to 12/31/2014

Total number of complaints received	23
Complaint sequence: Complaints No. 251 through No. 273	
Number of referrals made to the Office of the Attorney General	6
Number of complaints investigated by Office of the State Auditor personnel	3
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)	6
Maine State Housing Authority (MSHA)	1
Maine Department of Labor (DOL)	6
Maine Department of Public Safety (DPS)	1
Maine Revenue Service (MRS)	8
Bureau of Financial Institutions	1

A listing of the complaints received from July 1, 2014 to December 31, 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,
- alleged 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

BFI – Bureau of Financial Institutions (an agency of the Department of Professional and Financial Regulations)

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

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:	Action taken by the Office of the State Auditor:	Substantiation of Complaint:
251	Complaint alleged that a private entity coerced the falsification of reports used to receive governmental funding; complaint also alleged withholding of pay.	None; private fraud alleged.	Improper payments may be recouped.	Referred to FIRU and DOL	DOL closed their case, as complainant had resolved the withheld pay situation prior to contact; the other allegations are to be addressed by FIRU.
252	Complaint alleged underpaid overtime earnings that were unreported to the government.	None; private fraud alleged.	Unpaid taxes and/or penalties may apply.	Referred to MRS and DOL	DOL closed their case after determination of what complainant was owed; tax concerns to be addressed by MRS
253	Complaint alleged conflict of interest among town government officers; town not obeying pertinent State statutes.	None, local Government fraud alleged	Inappropriate town officials alleged.	Referred to AG	To be addressed by AG
254	Complaint alleged that a MDOT supervisor misappropriated State assets for personal use.	Employee fraud alleged against DOT	Allegedly misappropriated assets may be recovered.	Referred to AG	To be addressed by AG
255	Complaint alleged improper payroll and tax handling.	None; private fraud alleged.	Unpaid taxes and/or penalties may apply.	Referred to MRS and DOL	DOL determined no appropriate case based on this complaint; tax aspects to be addressed by MRS.
256	Complaint alleged several instances of fraud by two family members over several years.	None; private fraud alleged.	Private complaint against an individual, possible consumer protection issue.	Referred to DPS; AG	DPS referred to and will assist local police as needed; AG to determine their role.
257	Complaint alleged fraudulent emails to commit identity theft.	None; private fraud alleged.	None	Referred to AG	To be addressed by AG
258	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 addressed by MRS.
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Complaint No.	Nature of Complaint	Agency Complained of:	Potential Impact on Government:	Action taken by the Office of the State Auditor:	Substantiation of Complaint:
259	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 addressed by FIRU and MSHA.
260	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 addressed by FIRU.
261	Complaint alleged that the town manager was unresponsive to legal inquiries; inappropriately running the town; and hiding revenues.	None; local town fraud alleged	None	Called and discussed with complainant; Requested documentation clarifying complaint.	Closed as complainant failed to provide requested documentation.
262	Complaint alleged that an individual did not report income on tax forms	None; private fraud alleged.	Unpaid taxes and penalties may apply.	Referred to MRS	To be addressed by MRS.
263	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 addressed by MRS.
264	Complaint alleged an individual falsifying status to get DHHS benefits, and not reporting income.	None, private fraud alleged.	Unpaid taxes and penalties may apply; Possible inappropriate benefits may be recovered.	Referred to FIRU, MRS	To be addressed by FIRU, MRS.
265	Complaint alleged a fraudulent business deal and suspected tax fraud	None, private fraud alleged.	Unpaid taxes and penalties may apply.	Referred to MRS	To be addressed by MRS.
266	Complaint alleged inappropriate lending tactics by a credit union.	None; private fraud alleged.	None	Referred to BFI	BFI referred complainant to the NCUA – the governing agency over the credit union involved.
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Complaint No.	Nature of Complaint	Agency Complained of:	Potential Impact on Government:	Action taken by the Office of the State Auditor:	Substantiation of Complaint:
267	Complaint alleged inappropriate termination of employment.	None; no alleged fraud.	None	Complainant referred to HRC to determine if rights were violated.	No fraud in complaint; Any rights violations to be determined by HRC, if determination sought.
268	Complaint alleged mishandling of time and employee compensation by a private business.	None; private fraud alleged.	Possible unpaid employment taxes	Referred to DOL, MRS	DOL investigated and developed a resolution with the employer and affected employees.
269	Complaint alleged mishandling of time and compensation by a private business – same complaints as #268, but different complainant.	None; private fraud alleged.	Possible unpaid employment taxes	Referred to DOL, MRS	DOL investigated and developed a resolution with the employer and affected employees.
270	Complaint alleged business paying employees “under the table” to avoid taxes; employees inappropriately receiving Federal and State benefits.	None, private fraud alleged.	Unpaid taxes and penalties may apply; Possibly inappropriate benefits may be recovered	Referred to FIRU; DOL; MRS	To be addressed by FIRU, DOL, MRS.
271	Complaint alleged an individual is living in Maine, but reporting residence in NH to avoid taxes.	None; private fraud alleged.	Unpaid taxes and penalties may apply.	Referred to MRS after attempt to obtain further information	To be addressed by MRS.
272	Complaint alleged a telephone scam purportedly to be from the Department of Treasury.	None; private fraud alleged.	None	Referred to AG	Reviewed by AG’s office and added to database.
273	Complaint alleged a telephone scam.	None; private fraud alleged.	None	Referred to AG	Reviewed by AG’s office and added to database.