



Commonwealth of Massachusetts Office of the State Auditor Suzanne M. Bump

Making government work better

Fiscal Year 2012

Mission, Vision, and Core Values

The mission of the Office of the State Auditor is to use its audits, investigations, and reports as tools to make government work better.

My vision is for this office to become a national leader in professional government auditing and an example of accountability, professionalism, efficiency and effectiveness, and transparency.

These principles and the ethical standards articulated in the U.S. Government Accountability Office's Generally Accepted Government Auditing Standards guide all of the work of the Office of the State Auditor.

Our team strives for professional excellence in safeguarding taxpayer dollars, uncovering abuse and promoting good management practices for

A Report to Our Citizens

The Office of the State Auditor is committed to ensuring that every dollar given to state government is a dollar well spent and that state agencies and contractors follow the rules when spending public funds.

We conduct independent and objective audits of the Commonwealth's financial and programmatic activities and provides policy-makers with meaningful recommendations for improvements in the operations of state government.

Our Bureau of Special Investigations (BSI) tracks down fraudulent public assistance claims. Our Division of Local Mandates (DLM) determines if a state mandate imposes direct costs on a city or town.

During the last fiscal year, our work identified over \$113M in potential savings, recoveries, and cost avoidances through audits of state agencies, MassHealth and human service agencies and vendors, authorities, public higher education, the judiciary, public safety agencies, and other state activities as well as BSI fraud investigations and DLM mandate determinations.

This report provides highlights of our recent activities. Everything in this report including copies of individual audit and DLM reports and BSI quarterly reports can be found at our website: www.mass.gov/auditor

We welcome your ideas, input, and assistance! The measures utilized in this report were selected based on the input we received from the public. What would you like to see in this report? Contact us to let us know.

Our website also includes a tool that allows the public to confidentially report suspected fraud, waste or abuse of taxpayer dollars. Click on the red Report Fraud and Waste button or call 617-727-6771.

Mass. Gov

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Legislative Initiatives

Education Collaborative Reform:

In response to a series of audits by our office, this law mandates state representation on boards, strengthens financial reporting and oversight, and tightens controls on related-party transactions.

The "Follow the Money" Bill:

This new law gave our office the ability to access records of sub-contractors to state contracts. This will help prevent state contractors from concealing activity from scrutiny by subcontracting their work to related entities.

Protecting Career School Students:

This law allowed our office to ensure that sufficient financial recourse was available to students in the event one of the state's 200 private occupational schools ceased operations.

Public Assistance Fraud Prevention Unit:

Our office obtained additional funding to use cutting edge data analysis technology to detect and prevent public assistance fraud.

How We Are Doing

- We examined **Indigent Counsel Services** at district courts and questioned \$47.9M in costs because we found that many probation departments did not determine whether a defendant was eligible for taxpayer-funded services. In response, new systems and policies were established.
- We uncovered pervasive problems in oversight and governance of **Education Collaboratives**, which largely provide special education services, questioned \$46.4M in costs and worked on comprehensive reform of these organizations.
- Reflecting the increased priority on human service vendor audits, we found \$2.3M in expenses lacking documentation and nepotism in contracting at the **Life Focus Center**, which was closed as a result.
- **BSI** joined local, state, and federal authorities in a raid on stores suspected of **food stamp trafficking** that resulted in 53 arrests.



We issued 118 audits during fiscal year 2012.

- 28 Education Reports
 - 7 Health & Human Services Reports
 - 10 Housing Authority Reports
 - 4 Independent Authority Reports
- 39 Public Safety / Judiciary Reports
- 17 Financial Management & Other State Reports
- 13 American Recovery and Reinvestment Act Reports

- The **Division of Local Mandates** reviewed **Homeless Student Education and Transportation Costs** and determined this was an unfunded mandate that costs local school districts \$11.3 million statewide.
- Our **Legal** unit pursued **successful court action** to secure needed records for an audit from a resistant MassHealth provider.
- To foster educational and collaborative opportunities, we doubled staff membership in the **Association of Government Accountants**.
- Our **Administration and Finance** units earned a **top 10** finish in state agencies using prompt payment discounts, **processed 1,125 resumes**, and **upgraded our website and technology infrastructure**.

Bureau of Special Investigations

- 4,807 Public Assistance Fraud Investigations
- 1,117 Fraud Instances Identified
- \$5.5M Record value of fraud identified



With a budget of 16.75 million we identified ...

\$203,747 unclaimed funds and accounts receivable

\$263,362 in MassHealth overpayments

\$274,610 in ineligible grants and federal student assistance program refunds

\$337,528 in undocumented or unallowable credit card charges, vehicle allowance claims, and procurement

\$374,636 in lost potential public housing rents and tenant association overpayments

\$507,286 in forfeited bails and inmate telephone commissions

\$1,053,720 in avoidable contract payments

\$5,542,310 in public assistance fraud

\$6,309,902 in excessive or incorrectly documented payroll

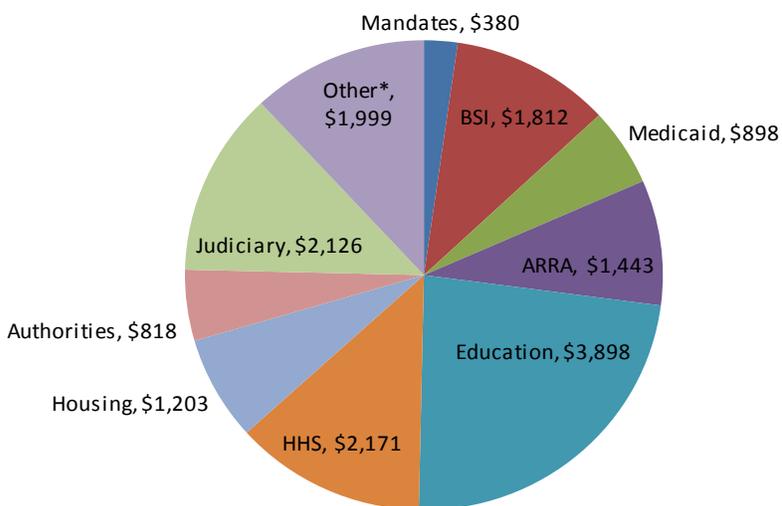
\$11,300,000 in unfunded local mandates

\$39,605,985 in questionable consultant, contractor and related party items

\$47,974,985 in potentially ineligible free legal services

... \$113,748,071 in potential savings and recoveries for Massachusetts taxpayers.

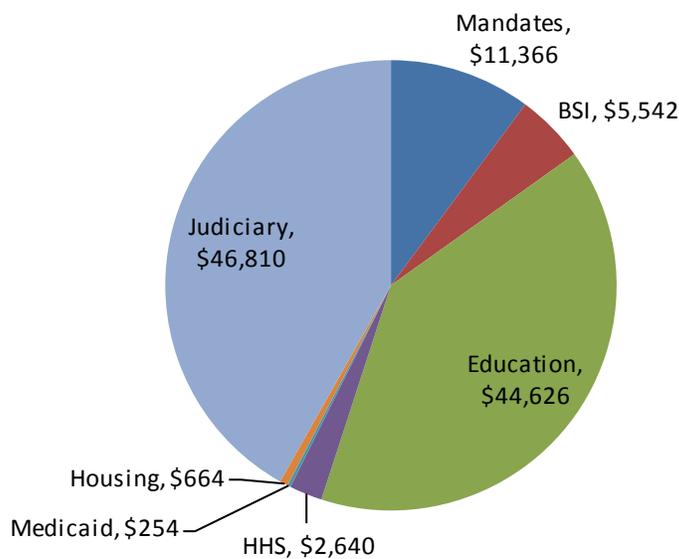
OSA Budget Expenditures by Audit Type and Unit



The chart to the left breaks down an approximation of our budget expenditures by audit type and unit.

The chart below shows the potential savings or recoveries by unit identified in our audits, mandate reviews, and

Potential Savings by Unit in Thousands





Our Strategic Plan

We are executing a multi-year strategic plan to:

- Better focus our resources on areas of highest risk to taxpayer funds and efficient, effective service delivery.
- Strengthen the capacity and professionalism of our staff.
- Champion reforms which make government more efficient, more effective, and more accountable.
- Enhance the public's understanding of our role.

Goals Moving Forward

We have made it a priority to identify and address overarching problems in key government systems:

• **MassHealth Application Process Review**

Confirm that the necessary checks and balances exist to ensure that only eligible applicants are receiving benefits.

• **Childhood Obesity**

Review the steps being taken to implement, enforce, and measure the effectiveness of new nutrition standards for state facilities and schools

• **Department of Transitional Assistance**

Ensure that DTA is using all available tools and resources to verify eligibility and to prevent the abuse of electronic benefits cards in order to maximize resources.

• **Protection of Children**

Examine the safeguards and practices of keeping children safe at the Department of Early Education and Care and the Department of Children and Families.

• **Data Analytics**

Develop further the infrastructure, access to databases, software and programming development to support targeted, data-driven work across the office.

• **Tax Expenditures**

Conduct a leading research project into the results and effects of local business property tax breaks.

• **Health Care**

Continue research, outreach, data gathering, and analysis necessary to monitor and ultimately report on the impact of Chapter 224 of the Acts of 2012, the health care quality and cost containment law.

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About this report

This report is presented in the Association of Government Accountants' Citizen Centric Reporting style to communicate government information in a four-page document that is visually appealing, understandable and clear.