



Commonwealth of Massachusetts

Office of the State Auditor

Suzanne M. Bump

Making government work better

Fiscal Year 2013

July 1, 2012-June 30, 2013

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 state government.

- State Auditor

Suzanne M. Bump

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.

Created by the Legislature in 1849 and led by a State Auditor who is elected statewide for a four-year term, we conduct independent and objective audits of the state's financial and programmatic activities, providing the public and policy-makers with meaningful recommendations to make government work better.

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.

During the last fiscal year, our work identified over \$187 million 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. 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.



As of June 29, 2013, the Office of the State Auditor had 226 employees in offices in Boston and, west to east, Chicopee, Marlboro, and Brockton.

contents

- A Report to Our Citizens **P.1**
- How Are We Doing? **P.2**
- What Are Our Costs? **P.3**

Legislative Initiatives

Protecting Children

A new law required the Department of Early Education and Care to check for sex offenders at the same address of licensed child care providers after an audit found 119 instances of such circumstances and that CORI checks on staff were not reliably performed.

Accountability in Public Benefits

After an audit of the Department of Transitional Assistance found millions of dollars in questionable transactions, the Senate passed legislation strengthening the oversight of high-risk EBT card usage.

Dam Safety

The Legislature loan fund to help cities and towns fix dangerous dams in response to a report from the Division of Local Mandates that found 100 dams were in poor condition and put lives and property at risk.

Return on Investment

In order to audit business tax credits and determine their results in achieving outcomes, our office authored, filed and continued to pursue legislation to become the 37th state that shares Department of Revenue data with its Auditor.

How Are We Doing?

- An audit of the MBTA revealed a **variance of over \$100 million** between its automated fare collection system and actual receipts, documenting the need to reduce the T's risk of potential loss or theft.
- Nearly **\$15 million in emergency funding** from the Department of Developmental Disabilities was not used for its intended purpose, highlighting the need for transparency in budgeting the true costs of delivering needed services.
- A MassHealth audit led to **new and increased eligibility processes** including wage matches and a new law connecting the agency to Lottery winners' data. Another MassHealth audit found **over \$20 million** in drug testing that was too frequent, unnecessary, or deceptively billed.
- BSI brought to court 40 cases of public assistance fraud, an **increase of 250%** over the last fiscal year.
- The Legal Unit **developed ethics and diversity trainings**.



We issued 90 audits during fiscal year 2013.

- 8 Education Reports
- 9 Health & Human Services Reports
- 9 Housing Authority Reports
- 6 Independent Authority Reports
- 15 Public Safety / Judiciary Reports
- 14 Financial Management & Other State Reports
- 29 American Recovery and Reinvestment Act Reports

- The Division of Local Mandates **identified \$7.3M in Special Election Costs** reimbursements due to cities and towns and ruled on nine requests to evaluate potential local mandates.
- Our Administration and Finance units **increased our data storage capacity by 500%** to support 15 new data analytics projects that will support future audits and investigations.
- A revamped **Quality Control Process**, coupled with **2,147 individual training sessions** attended, resulted in 89% compliance with government auditing standards on first review of an audit and **100% compliance** at issuance.
- Our Human Resources unit provided leadership as the office **increased its diversity** by over 6% among minorities and over 9% among women since FY11.

Bureau of Special Investigations FY13

- 6,858 Public Assistance fraud investigations
- 915 Fraud instances identified
- \$6.4M Record value of fraud identified

What Are Our Costs?

Give us your feedback

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?

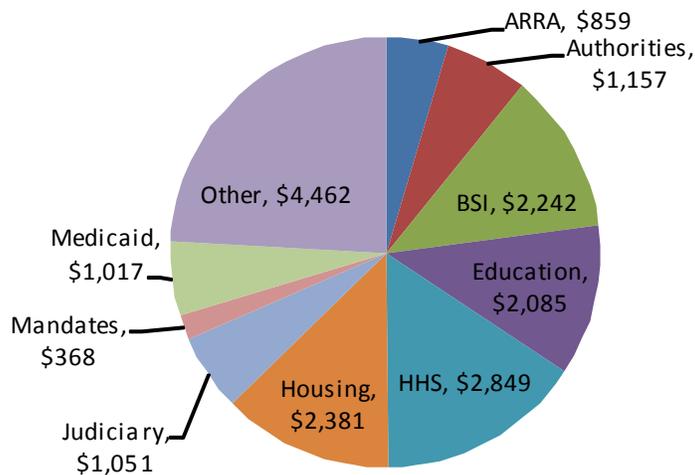
Email christopher.j.thompson@sao.state.ma.us to let us know.

Peer Review



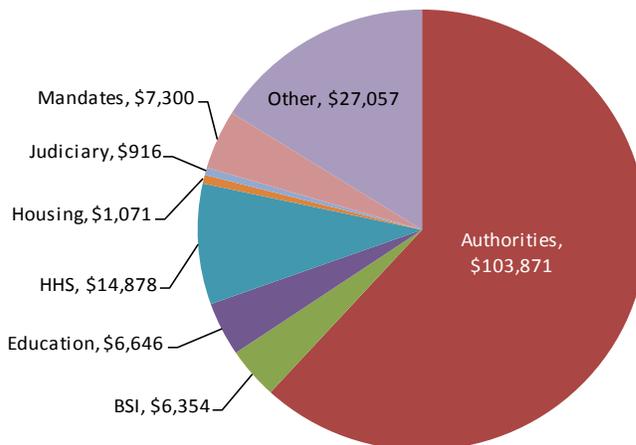
The Office of the State Auditor participates in the National State Auditors Association peer review program to review audit policies, procedures and work product against national standards. Peer review reports are available at www.mass.gov/auditor/reports/peer-review-reports/

OSA Budget Expenditures by Audit Type and Unit



The top chart breaks down our budget expenditures by audit type and unit. The chart below shows the potential savings or recoveries by unit identified in audits, mandate reviews, and investigations. Both charts are displayed in thousands (000).

Potential Savings by Unit



With a budget of \$17.57 million we identified ...

\$44,462 in billing or inventory errors and thefts

\$167,307 in inappropriate salary, severance or reimbursement payments

\$3,047,195 in foregone revenues, rents, or forfeited funds and bails

\$6,354,398 in documented public assistance benefits fraud

\$6,646,404 in questionable educational collaborative transactions

\$6,825,572 in questionable contract and grant payments

\$7,300,000 in unfunded local mandates

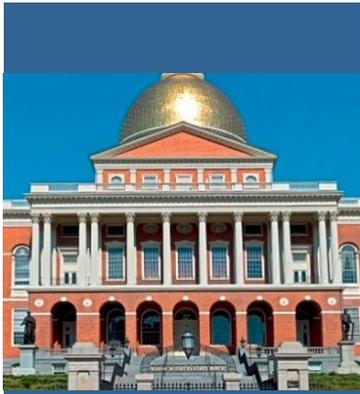
\$14,877,642 in improperly administered payments to human service vendors

\$17,861,205 in MassHealth overpayments

\$20,059,000 in potential benefit fraud due to systemic program weakness

\$103,871,133 in MBTA fare box collections variances

...\$187,054,318 in potential savings and recoveries for Massachusetts taxpayers.



Goals Moving Forward

We have made it a priority to identify and address overarching problems in key government systems. The Office of the State Auditor will work toward these goals, in line with its strategic plan, while maximizing the use of available staff and budgetary resources and also continuing its quest to gain access to data to strengthen audit performance.

• Charter Schools

Review the Department of Elementary and Secondary Education’s oversight of charter schools across the Commonwealth and examine the influence of charter schools on public education.

• Health Care & Chapter 224

Conduct research, data gathering, analysis and build out of technology 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.

• MassHealth Limited Program

Audit to ensure coverage that \$50 million in claims paid are being used only for emergency procedures as intended.

• Savings in the Correction System

Determine if the Department of Correction and county Sheriffs can reduce inmate health care costs through Medicaid eligibility for inpatient hospital stays.

• Protecting Children

Review practices around transportation and wait lists at the Department of Early Education and Care.

• Ensuring Public Safety

Audits of the Department of Public Safety and the Board of Registration in Medicine will review protections around amusement operators, elevator inspections, and physician licensing.

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.

Access and read the full strategic plan at www.mass.gov/auditor/reports/osa-strategic-plan/

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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.

