



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

Making government work better

Strategic Performance Report

Fiscal Year 2013



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OSA Strategic Goals for FY2013 – FY2015

When State Auditor Suzanne Bump took office in February 2011, she committed to building an office that is rooted in the principles of accountability, professionalism, efficiency and effectiveness, and transparency—and dedicated to providing independent and objective audits and reports that could serve as a catalyst for making state government work better. She introduced many reforms in procedures and practices, including new performance expectations. The impact of the work that the OSA has produced on behalf of the taxpayers of the Commonwealth over the past three years is evidence of how fully the OSA's employees have embraced these changes and used them to help make government work better.

Furthering Auditor Bump's vision for an office that approaches its work strategically, the OSA developed a three-year strategic plan for fiscal years 2013 through 2015.

Vision

In May 2012, State Auditor Suzanne M. Bump articulated her vision for the Office of the State Auditor:

To become a national leader in professional government auditing and an example of accountability, professionalism, efficiency and effectiveness, and transparency.

Mission

The mission of the Office of the State Auditor is to use its audits, investigations, and informational reports as tools to make government work better. To these ends, the office conducts independent and objective performance audits of the Commonwealth's governmental entities and contractors, and provides policymakers with recommendations for improvements that can be made in the overall operations of state government. Further, pursuant to statutory authority, the OSA renders determinations as to whether proposed or existing state mandates impose direct costs on a municipality, works with stakeholders to find solutions to funding deficiencies, and also investigates allegations of public-assistance fraud.

GOAL 1: Use Resources Strategically

Focus resources of the OSA on areas of highest risk to taxpayer dollars and effective, efficient service delivery.

GOAL 2: Promote Professionalism

Strengthen professionalism and capacity of staff.

GOAL 3: Provide Solutions

Champion reforms that make government more efficient, more effective, and more accountable.

GOAL 4: Communicate Across Audiences

Enhance understanding by public officials and the public of the role of the OSA in protecting taxpayer dollars and ensuring efficient delivery of service.

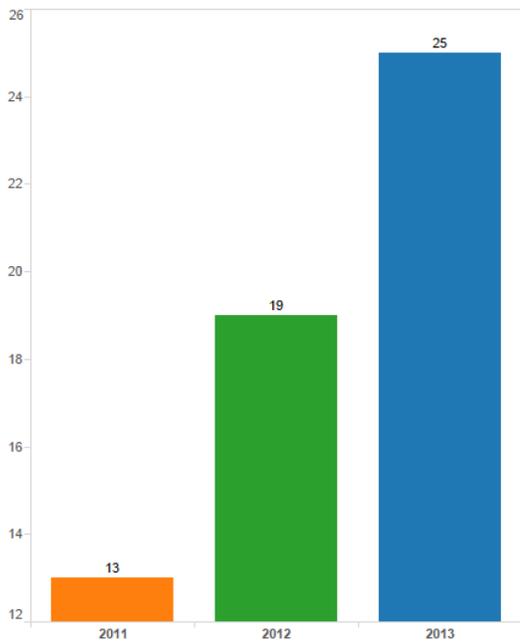
This report details some of the achievements toward those goals realized by the various units throughout the office. It is not intended to be a comprehensive report on every accomplishment, but rather to illustrate different ways that the office has made progress in fiscal year 2013 toward realizing the four broad goals established in the OSA's Strategic Plan.

GOAL 1: Use Resources Strategically

Focus the OSA's resources on areas of highest risk to taxpayer dollars and effective service delivery

Audit Operations

The Audit Operations Division manages the majority of the work that the OSA is mandated to perform under state law. A diverse team of professionals—auditors, lawyers, technology specialists, and government analysts—is tasked with reviewing how Massachusetts state government utilizes taxpayer funding and protects public money from fraud, waste, and abuse. Audit staff conducts financial, performance, and technical assessments of state programs, departments, agencies, authorities, and vendors. Also, a city or town, by vote of the governing body, can request an audit of any local municipal program, contract, or vendor. Audit Operations established specific goals for fiscal year 2013 to contribute to the overall OSA attainment of the four office-wide goals established on the Strategic Plan.



Risk-based audits

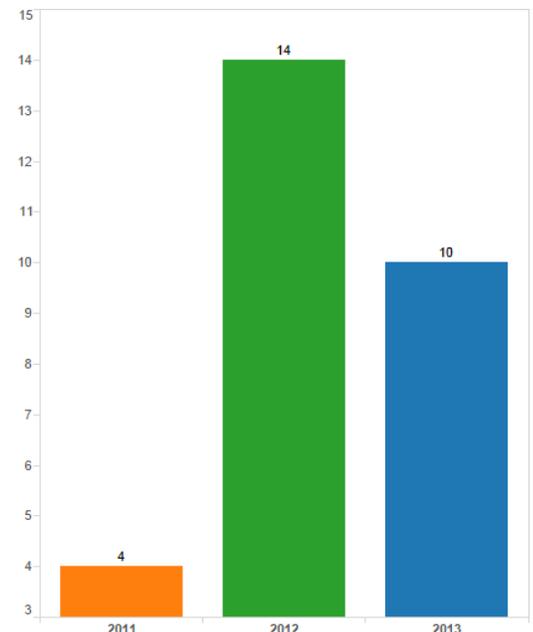
Audit Operations undertook efforts to more fully utilize the application of data analytics and other staff analytical resources in order to initiate more audits that are based upon a determined level of risk of waste, fraud, or abuse of public funds or resources. Focusing more resources in higher-risk areas will allow the office to have a greater impact on state government using existing resources.

The chart to the left indicates that in fiscal year 2013, the office initiated 25 audits based upon risk, as compared with only 19 in fiscal year 2012 and 13 in fiscal year 2011.

Program effectiveness audits

Audit Operations also sought to initiate a greater number of program effectiveness audits, which focus on the effective use of the Commonwealth's resources by the entities being audited. Program effectiveness audits require auditors to delve more deeply into the programs in order to evaluate not only whether they have effective internal controls, are following state law, and complying with applicable regulations, but also whether they are operating in an effective and efficient manner and utilizing best practices in their effort to achieve program objectives.

The chart to the right illustrates an increase in program effectiveness audits over a two-year period beginning in fiscal year 2012. The number of program effectiveness audits initiated in fiscal year 2013 decreased slightly due to available resources and the extra time these types of audits require. The office expects the trend to level out at the fiscal year 2013 level going forward unless additional staff becomes available in the coming fiscal years.



Division of Local Mandates

The Division of Local Mandates (DLM) is another critical resource for cities and towns, lawmakers, and the courts. Enacted in 1980, the Local Mandate law gives the OSA the authority to determine if a proposed or existing state mandate improperly imposes any direct service or cost obligations on a city or town and, if so, to provide an analysis of the financial impact. Elected municipal leaders, appointed managers, and school or educational collaborative officials, as well as lawmakers and legislative committees, may petition DLM for an opinion and request a cost impact analysis. In efforts to use resources strategically, the Division of Local Mandates established a goal engaging the division's ability to use technology to obtain data from municipalities.

1. An enhanced, electronic election cost certification system has been put in place in order to streamline the work of certifying local election costs for reimbursent to cities and towns; and
2. Data analytics has been employed in several projects, including one looking at Tax Increment Financing and another effort underway involving DLM's collaboration with Audit Operations' audit of charter schools.

Bureau of Special Investigations

The OSA's Bureau of Special Investigations (BSI) is charged with protecting the state's public assistance programs from fraud by identifying taxpayer dollars taken by those who try to cheat the system. During challenging fiscal times, BSI investigations take on even greater importance as agencies and public assistance programs struggle to stretch fewer dollars available to help those in need.

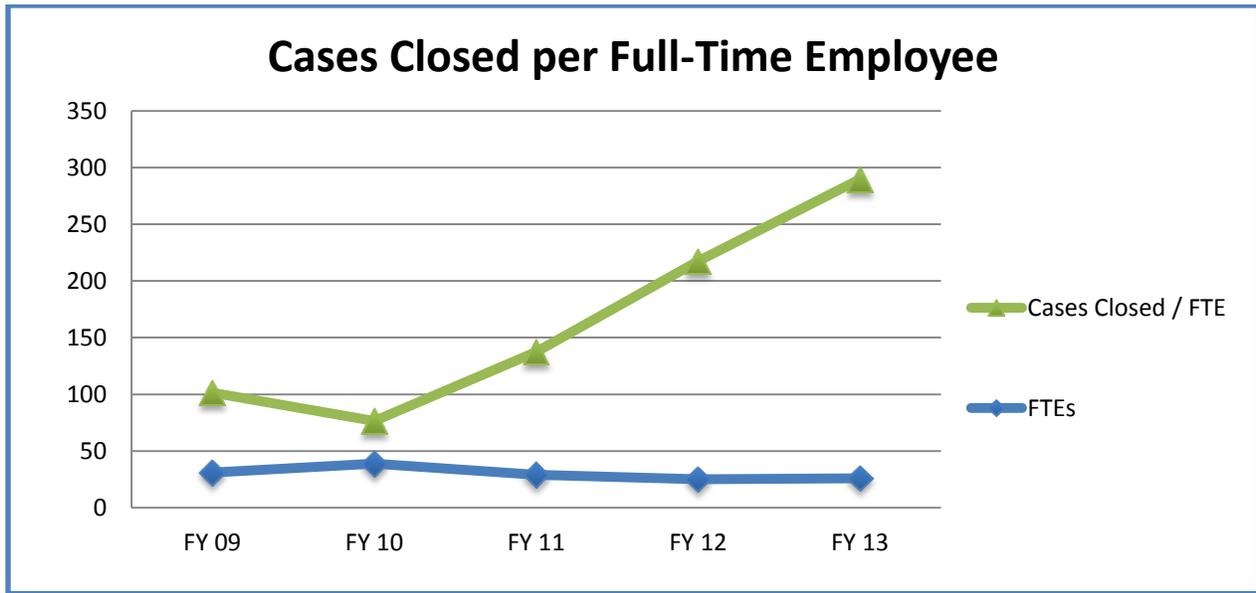
BSI employed a number of strategies in order to use its resources more strategically. It established a data analytics unit, which is focused on mining available data for the various public assistance programs and proactively identifying potential fraud for further investigation. This unit was just getting started in fiscal year 2013. However, it is anticipated that the data analytics projects that were initiated during the fiscal year will result in more efficient use of investigatory resources in fiscal year 2014 and beyond.

BSI has improved its return on investment to Massachusetts taxpayers and its performance even though it has lost a significant number of employees. In fact, BSI has lost one-third of its workforce since fiscal year 2010,

when it employed 39 full-time equivalent employees (FTEs). In fiscal year 2010, with 39 FTEs, BSI completed 1,462 investigations, for an average of 37 investigations per FTE. Under Auditor Bump, that average climbed from 108 in fiscal year 2011 to 192 in fiscal year 2012, and to 264 in fiscal year 2013.

Cases Closed per Full Time Employee			
	FTEs	Cases Closed (CC)	CC/FTE
FY 09	31	2,180	70
FY 10	39	1,462	37
FY 11	29	3,145	108
FY 12	25	4,807	192
FY 13	26	6,857	264

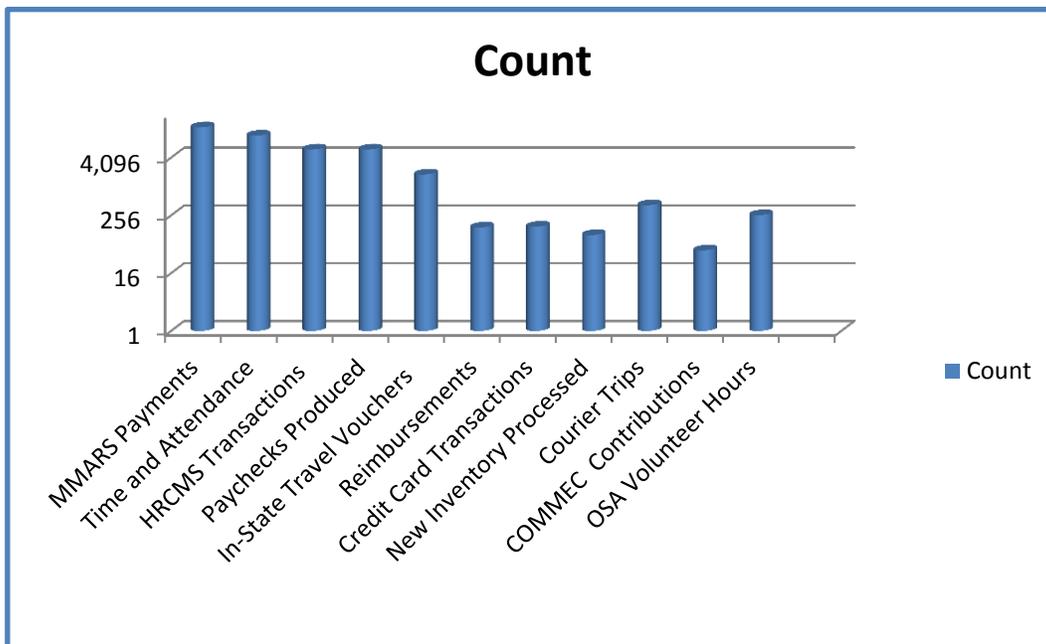
Even with their increased caseloads, each Fraud Examiner was able to complete investigations in a timely manner. This allows BSI to place greater emphasis on higher impact cases. This results in a higher fraud value per case ratio and a total of \$6,354,399 in identified fraud, a 15% increase from FY2012.



Administration and Finance

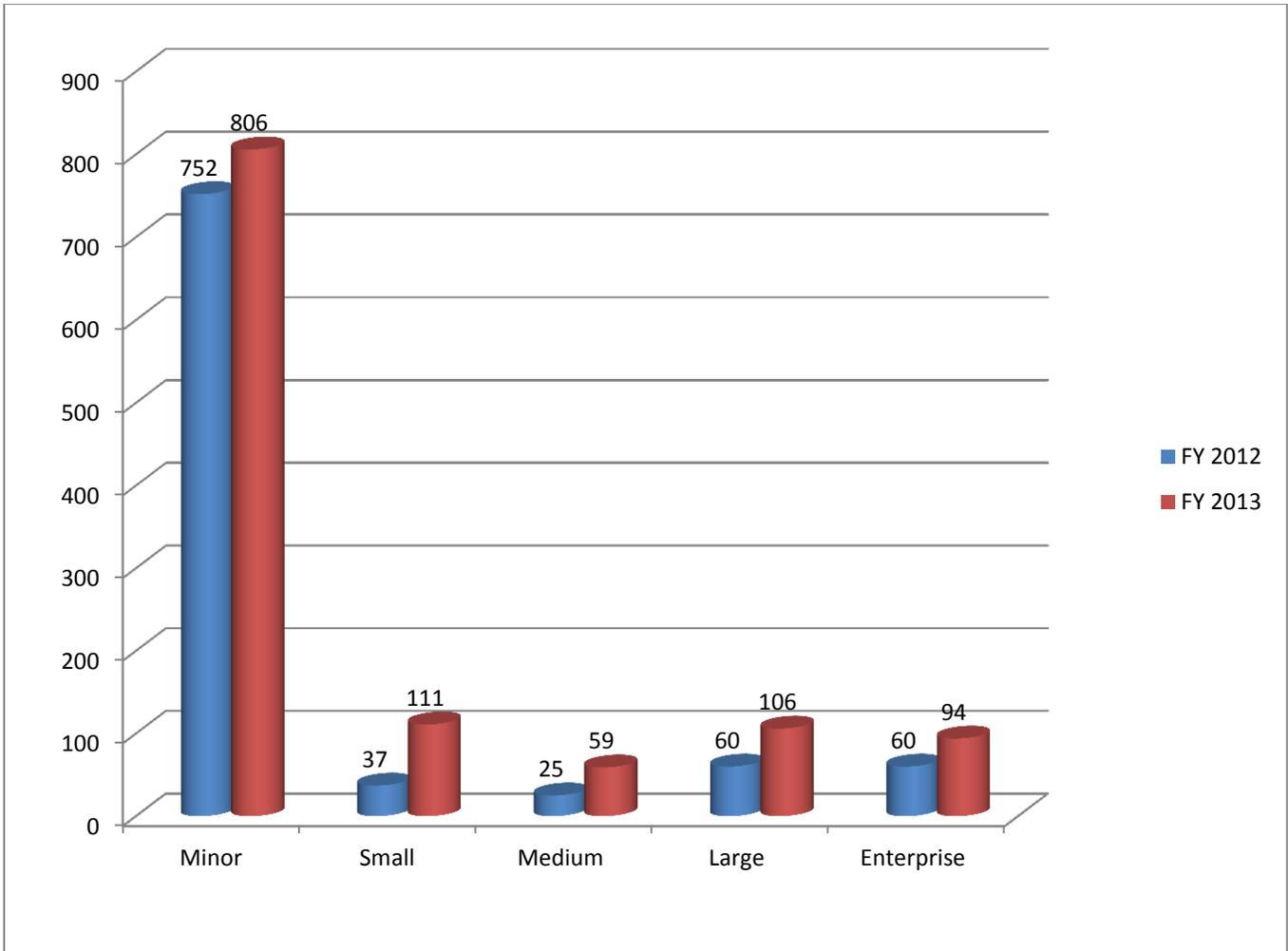
The Division of Administration and Finance (ANF) is committed to providing the highest-quality infrastructure and support services to achieve the OSA’s overall mission to make state government work better. The units within ANF include Operations, Human Resources, and Information Technology.

Operations Unit. In an effort to identify areas in which staff resources could be used more strategically, ANF began collecting and reviewing information on the use of these resources in order to conduct its tasks. The chart below shows the productivity of the Operations Unit within ANF.



IT Job-Tracking System Processed Tasks

Similarly, the Information Technology Unit (IT) instituted a job-tracking system in order to ensure that it is delivering services to the office in an efficient manner and maximizing the use of resources. The chart below shows the increase in IT tasks that were completed in fiscal year 2013 as compared to fiscal year 2012.



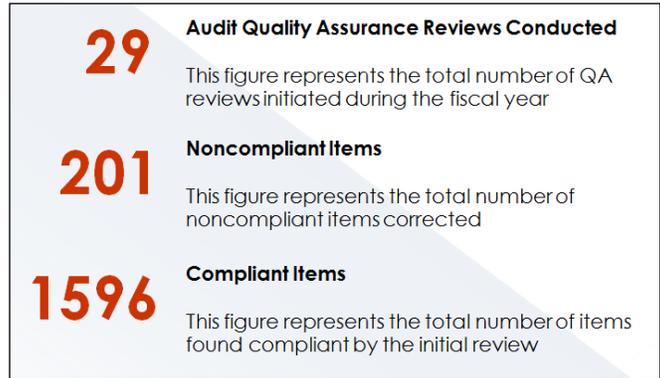
GOAL 2: Promote Professionalism

Strengthen professionalism and capacity of staff

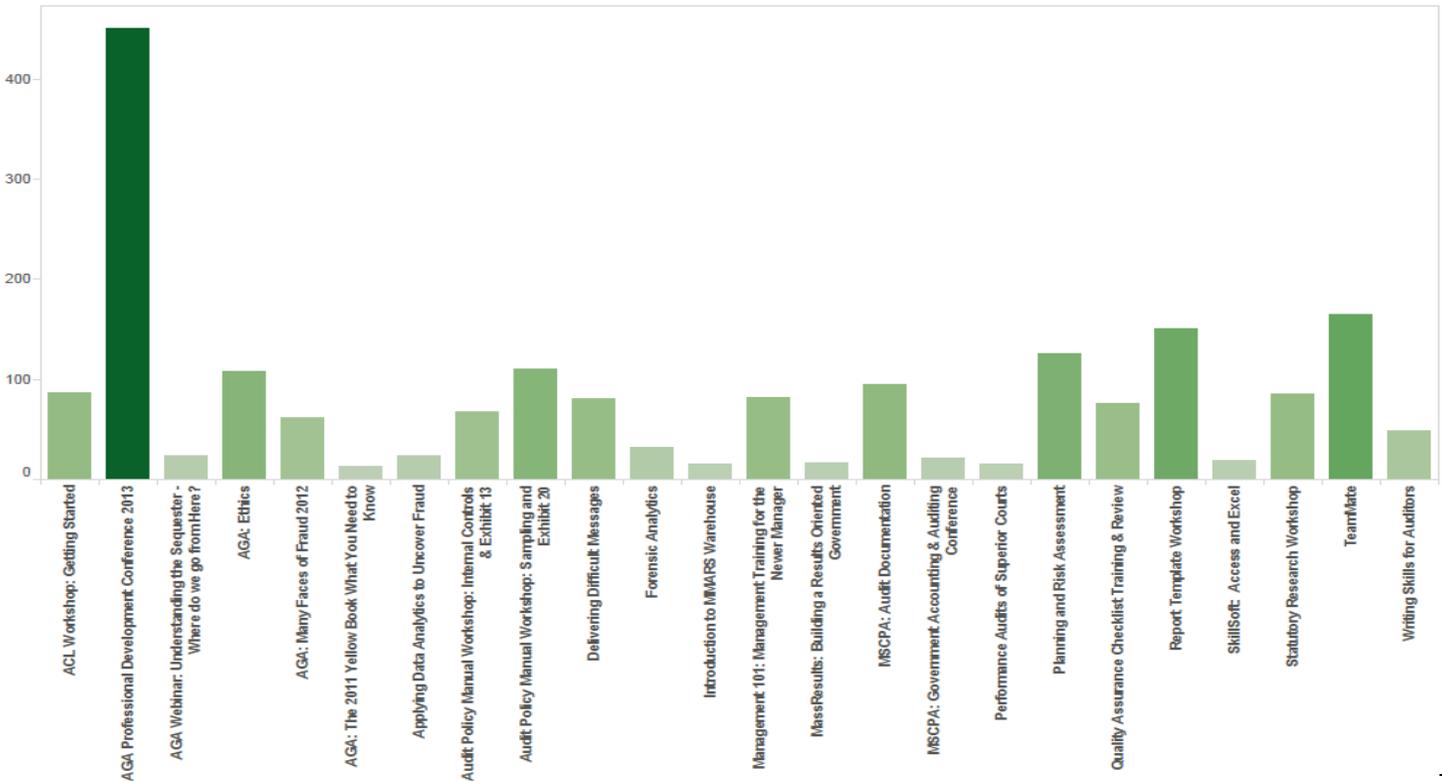
Audit Operations

Promoting the professionalism of our staff and our audit work is a central goal for the Audit Operations Division. Ensuring that all audits are performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS) is not just an OSA goal, but a requirement for all of our audits. Our success in this area will be measured by a peer review that will be conducted in March 2014.

Quality Assurance. Central to ensuring compliance with these standards is our system of quality assurance, by which each audit is reviewed for compliance with GAGAS. The chart to the right shows the number of quality assurance reviews initiated during fiscal year 2013 and the number of noncompliant items that were found.



Audit training and professional development. Upon taking office, Auditor Bump significantly increased the amount of resources devoted to training and professional development and, at the same time, insisted upon using those dollars efficiently and effectively. To accomplish this goal, the Audit Operations Division uses information from quality-assurance reviews and other evaluations of audit work and targets training resources to address identified deficiencies. In fiscal year 2013, the total number of staff hours spent attending targeted audit training sessions was 2,147. The chart below shows the session break-down.



Bureau of Special Investigations

Increasing staff ability to handle cases was one of BSI's goals under the office-wide goal of promoting professionalism. Specifically, BSI made a commitment to generate investigations for prosecution. Staff attended 10 different trainings and conferences and participated in in-house training to accomplish this goal. As a result of this increased staff capability, Fraud Examiners brought 40 cases to court in fiscal year 2013, an increase from the 16 that were filed in fiscal year 2012.

OSA Legal Office

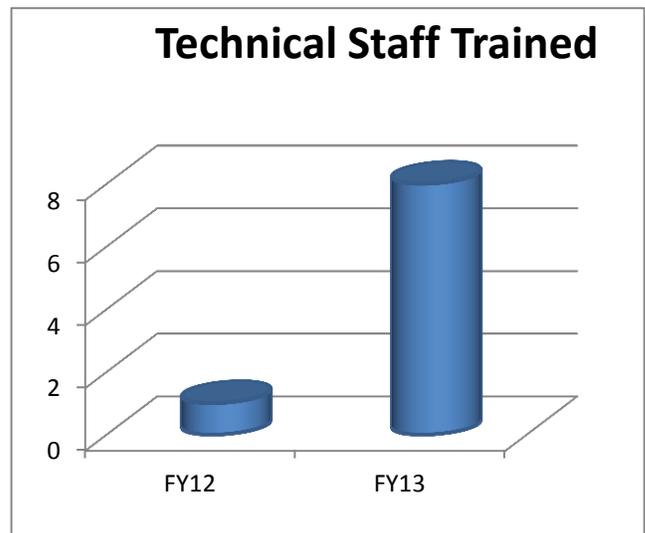
The OSA Legal Office supported the overall goal of promoting professionalism in several significant ways:

- In fiscal year 2013, the OSA Legal Office offered an ethics training program for auditors through the Association of Government Accountants and conducted a training program in statutory research for all OSA employees.
- The Legal Office developed diversity and sexual harassment training to be conducted at the beginning of fiscal year 2014.
- The office began developing training for OSA employees in ethics and campaign finance laws and responsibilities.
- The Legal Office collaborated with the Human Resources Division to develop a new OSA Policies and Procedures Manual, which has been distributed to all employees.

Information Technology Unit

Auditor Bump's priority for training and professional development focused not only on employees in the Audit Operations Division, but was a priority throughout the office. Throughout the office, there has been an enhanced reliance on information technology systems and data analytic capabilities.

In the Information Technology Unit, the number of technical IT staff who received training in fiscal year 2013 was substantially higher than in fiscal year 2012, as illustrated by the chart to the left.

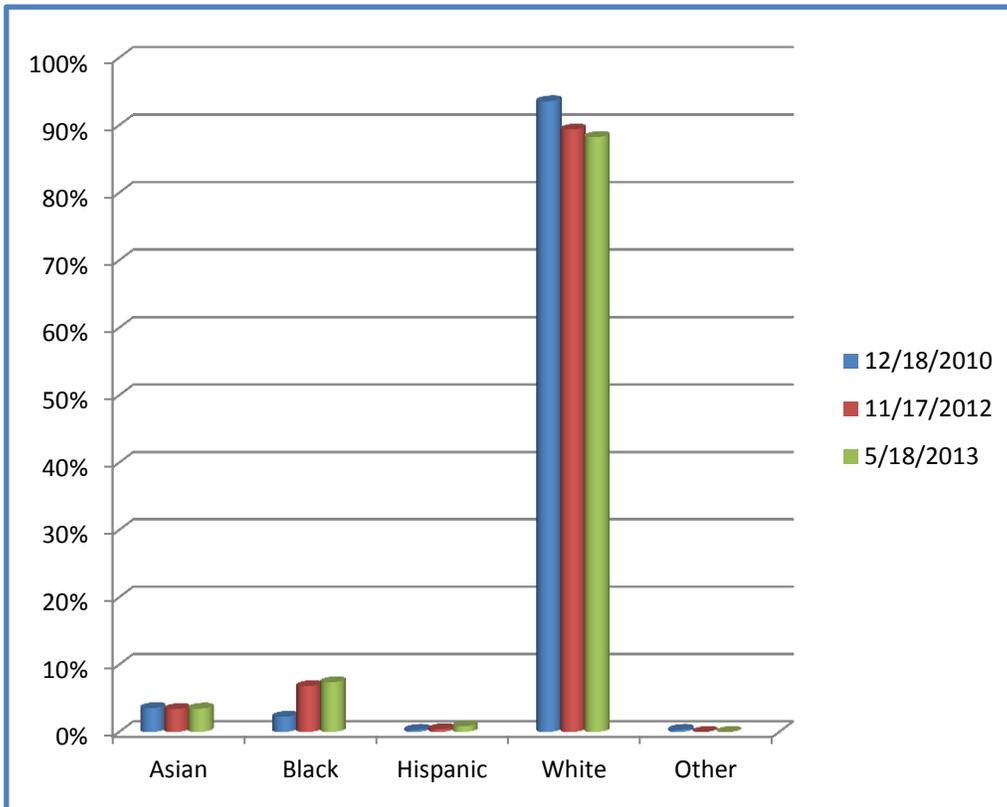


Division of Local Mandates

Similarly, staff in the Division of Local Mandates participated in 15 different trainings and conferences, a 50% increase over fiscal year 2012. Further, in support of promoting professionalism by being more responsive to the public, DLM instituted protocols that reduced the length of time to complete unfunded-mandate requests from 83 days in fiscal year 2012 to 77 days in fiscal year 2013.

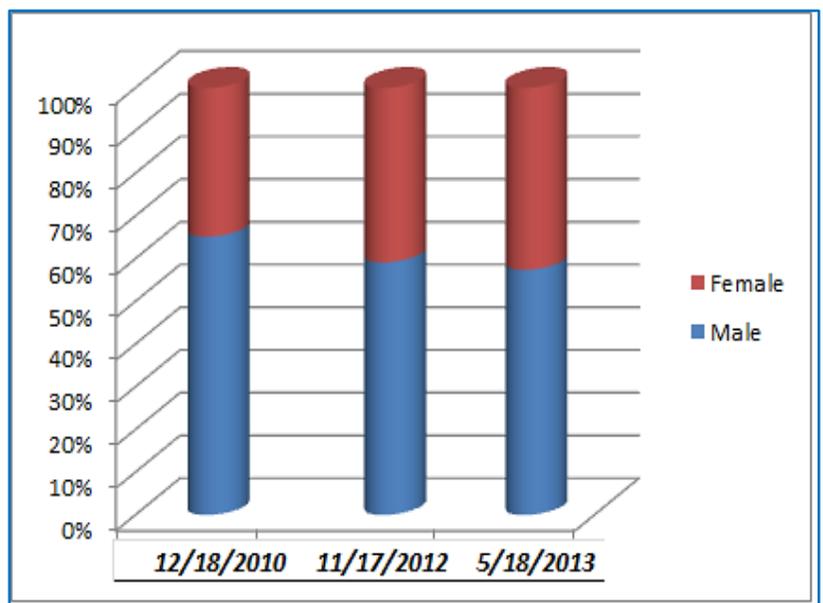
Human Resources Unit

Immediately after taking office, Auditor Bump made clear established her belief that central to promoting professionalism is creating a diverse and inclusive workforce. The Human Resources Unit has placed great emphasis on this priority by focusing recruiting efforts on increasing the diversity of the candidate pools and ensuring that hiring managers appreciate the importance of diversity throughout the office.



Significant improvements were made in the area of racial diversity.

Similarly, the workforce has become more diverse in terms of gender.



GOAL 3: Provide Solutions

Champion reforms that make government more efficient, more effective, and more accountable

Audit Operations

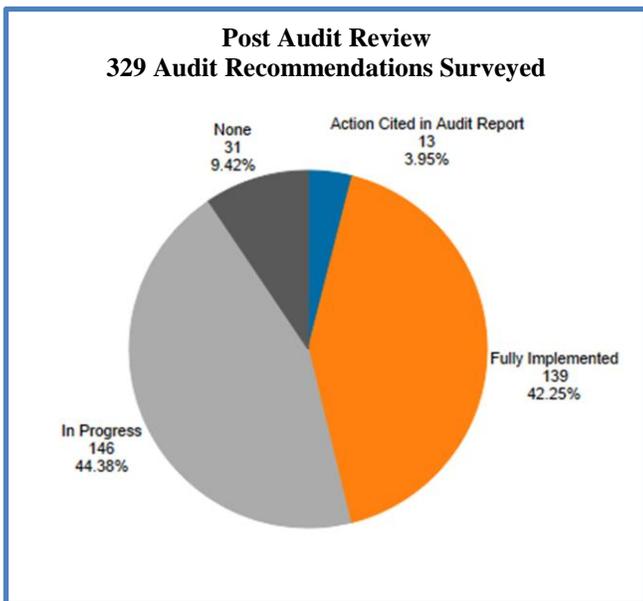
Since taking office, Auditor Bump has consistently emphasized that the work of the office should be meaningful and provide solutions to the problems that are identified.

Under this broad goal – provide solutions – Audit Operations identified two specific goals: (1) develop audit recommendations that identify best practices to improve the efficient and effective use of government resources and (2) utilize the post-audit review process to track the effectiveness of audit recommendations.

During fiscal year 2013, seven audits were identified as having produced significant policy changes. For example, the audit of the MassHealth’s Eligibility Determination Process resulted in procedural and regulatory changes within MassHealth to ensure that only eligible applicants receive benefits. Similarly, the Department of Transitional Assistance issued a 100-Day Plan to improve its fraud systems, which incorporates many of the recommendations in the OSA’s audit of that agency’s systems. And after releasing a series of audits of Massachusetts Special Education Collaboratives, Auditor Bump made recommendations to the Legislature which ultimately resulted in legislation that reformed the oversight over Education Collaboratives.

Seven audits that produced significant policy changes:

1. Office of Medicaid (MassHealth) Application Process and Eligibility Verification
2. Office of Medicaid (MassHealth) – Dental Program – Review Controls over Dentist Billings for Oral Exams
3. Office of Medicaid (MassHealth) – Medicaid Claims for Drug Screenings
4. Central Massachusetts Special Education Collaborative
5. Department of Early Education and Care – Child Care Provider Inspections
6. Department of Developmental Services (DDS) – Review of Limited Use Service Agreements (LUSA)
7. Department of Transitional Assistance



Post-Audit Reviews

To ensure that audit reports help effect positive change, the OSA launched an initiative to follow up with audited agencies on their actions regarding audit recommendations and the resulting outcomes. Audited entities were surveyed and asked to provide information about their implementation of 329 recommendations contained in the OSA’s audits in fiscal year 2013.

Based upon responses to those surveys, 42% of the recommendations have been fully implemented, and for another 44%, implementation is in progress. This metric allows the OSA to better understand whether audit recommendations are meaningful and allows Auditor Bump to consider providing assistance where entities identify barriers to implementing the recommendations.

Division of Local Mandates

Under the goal of providing solutions, DLM set a goal of developing public policy recommendations based upon its local-mandate reviews and other reports. DLM made recommendations regarding regulations to address the issue that resulted from the federal McKinney-Vento Act, which requires cities and towns to pay the transportation costs of homeless students who reside in one community but attend school in their previous community. DLM has also worked with the Secretary of State and the Legislature to address costs to municipalities associated with U.S. Senate special election legislation.

Administration and Finance

For administration and finance, the goal of providing solutions is largely internally facing. The “customers” of the ANF units (Human Resources, Information Technology, and Operations) are primarily other OSA units.

Audit Bump has placed great emphasis on improving the internal infrastructure of the office—up-to-date information technology, professional development, and strong human resources—in order to improve overall performance. Many of the ANF accomplishments in fiscal year 2013 relate to these efforts.

IT Unit Accomplishments

1. Partnered with Information Technology Division to migrate email to Commonwealth MassMail.
2. Streamlined business and financial processes in all ANF units.
3. Increased JobtraQ tool users from 10 to 26, with 12 non-IT users.
4. Developed COGNOS reports to assist with internal reporting.
5. Reduced manual data entry for internal databases.
6. Partnered with all OSA units for greater utilization of data analytics, resulting in 13 data analytic projects.
7. Upgraded the network and server technology infrastructure to better serve the changing needs of the OSA.
8. Upgraded to new virtualization technology in the Data Center allowing creation of virtual machines and servers in minutes.
9. Increased data-storage capacities of office servers by 500%.
10. Converted TeamMate from distributed model to centralized model for over 100 users.
11. Replaced approximately 150 desktop computers.

Bureau of Special Investigation

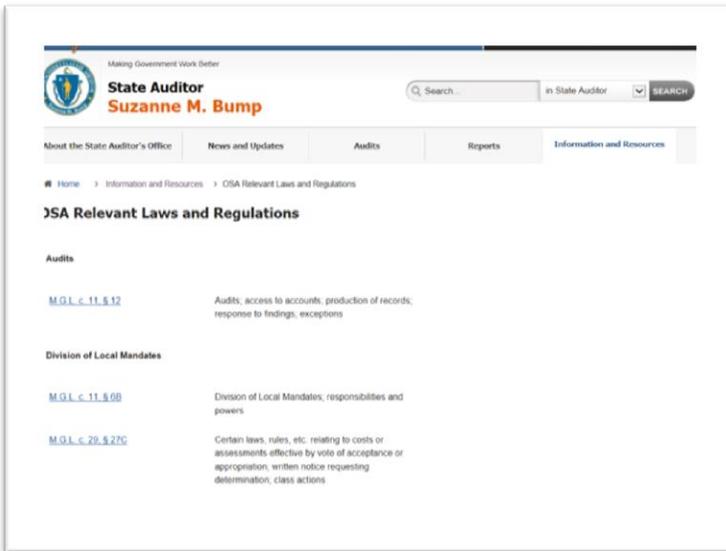
Under the goal of providing solutions, BSI set two specific unit goals: (1) identify systemic issues within MassHealth and the Department of Transitional Assistance (DTA) that lead to risk of fraud and (2) develop public policy recommendations based on BSI investigations.

During fiscal year 2013, BSI identified three legislative proposals to reduce fraud: one that would give BSI the ability to subpoena records from financial institutions in order to obtain evidence necessary to successfully prosecute public assistance fraud cases, one that addresses fraud in the personal care attendant program, and one that would enable BSI to share information about public assistance fraud with housing authority officials. Further, BSI regularly makes recommendations to DTA and MassHealth on procedures that would reduce the risk of fraud.

GOAL 4: Communicate Across Audiences

Enhance understanding by public officials and the public of the role of the OSA in protecting taxpayer dollars and ensuring efficient delivery of service

Communicating across audiences is a priority for Auditor Bump because she believes that the work of the OSA should be readily accessible to members of the public, government officials, and community and civic leaders.



Legal Office

OSA's regulations and statutes have been posted on the OSA website to provide the public with more information about the laws that govern the work of the office. The legal office also has updated the information on the website relating to the law governing privatization of state services.

Further, the Legal Office collaborated with former OSA Audit Director Howie Olsher on his history of the OSA, with emphasis on legal issues, and how the authority of the OSA has changed through the years.

Administration and Finance

Administration and finance units significantly stepped up their efforts to provide more effective internal and external communication. In particular, activities within the Information Technology Unit included:

1. Published 45 IT Scoop articles in OSA's internal newsletter, the *OSA Insider*, providing better communication about IT initiatives to staff across the office.
2. Developed deeper relationships with peers in other constitutional and executive offices.
 - The unit gained direct data access to Executive Office of Health and Human Services Medicaid data.
 - IT Director and Assistant Directors attended 24 meetings/events with other statewide offices.
3. Increased capacity for ANF Directors and Assistant Directors to present at state and outside conferences.
 - Presented to National State Auditors Association national conference.
4. Conducted three informational drop-in sessions for users.

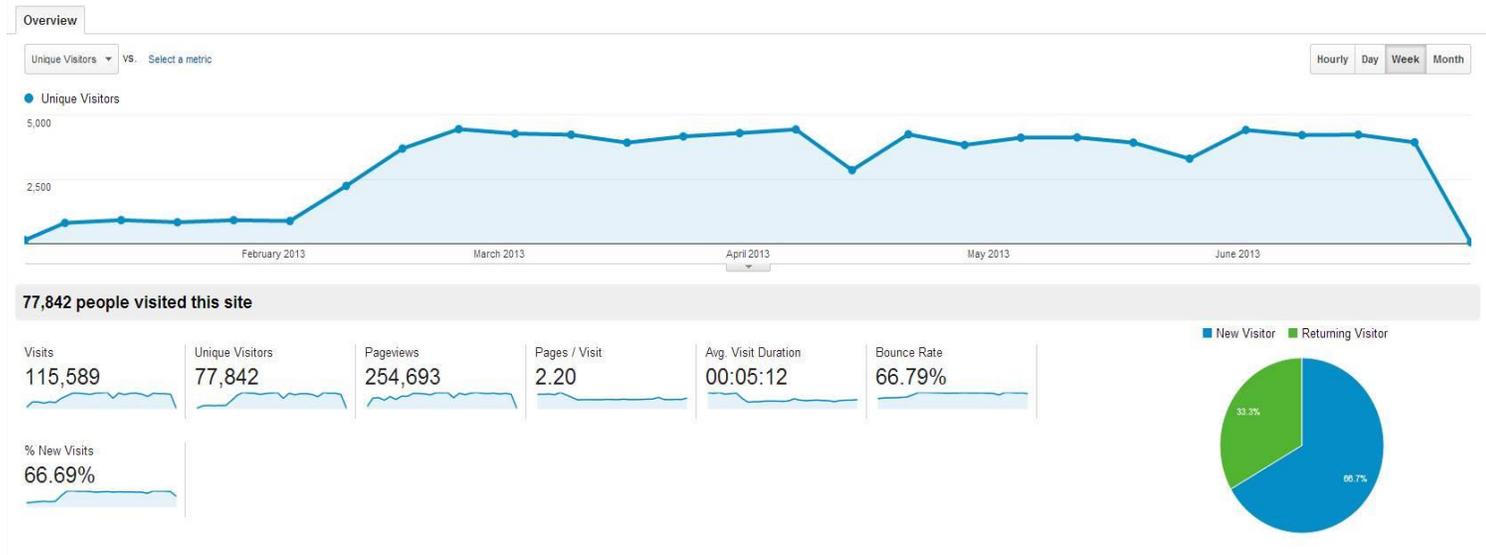
Division of Local Mandates

DLM updated its brochure and other presentation materials, and prepared a 2013 State Government Telephone Directory. The division created a tool to track stakeholder contacts and made presentations to different groups interested in local-mandate issues, including the Massachusetts Municipal Association, the Massachusetts Town Clerks' Association, Massachusetts City Clerks' Association, the Central Worcester Regional Planning Commission, and elected officials from the Whitman/Hanson area.

Executive Divisions

The Executive Divisions within the office, Communications and Outreach and Intergovernmental Affairs, had an overall goal for fiscal year 2013 to support and enhance the capacity of the Auditor and of the OSA to achieve the Auditor's and the OSA's mission and goals.

The Communications and Outreach Division focused efforts on improving the OSA website and tracking metrics on usage in order to better tailor the content to the needs of users. During fiscal year 2013, almost 78,000 people visited the OSA website, with more than 66% of the website visitors being new visitors to the site and the average visitor staying on the site for five minutes.



Increased media coverage of the OSA

The Communications and Outreach Division also increased its efforts to reach different audiences through increased media coverage of the work of the office.

Praise

The Republican. Bump's office has been relentless in its effort to uncover incidents of public fraud since she was elected in 2010 ... We applaud the auditor's efforts to make sure that the programs are run honestly and that the people who desperately need the assistance are getting that help.

The Boston Globe
State agencies got far too comfortable with the gentle approach preferred by the previous auditor... and Bump's more aggressive stance is entirely warranted.

THE SUN
Fortunately, that's why the state auditor doesn't answer to the governor. Bump and her office have won our praise for getting answers that Early Education and Care already should have known.

BOSTON Herald Auditor Suzanne Bump has surely helped prod the Patrick administration toward overdue changes.



Total media coverage of the OSA's work increased by 9% in fiscal year 2013, and editorials specifically about the work of the OSA in newspapers across the Commonwealth increased by 33%.