

Office of the



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*From the Desk of*

## *A. Joseph DeNucci*

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In recent testimony before the House and Senate Ways and Means Committees in support of our budget request for Fiscal Year 2008, I stressed the positive impact that the work of this office has had on the fiscal condition of state government. As I noted, a strong State Auditor's Office is a sound investment and our work more than pays for itself.

Among the examples I cited was our ongoing audits that annually identify millions of dollars in unallowable charges to state contracts. In particular, I was pleased to note the Attorney General's recovery this January of \$7.5 million as a result of our audit which revealed inappropriate, excessive and highly questionable charges by a human services provider.

Another example is our recent audit that exposed the deteriorating, unsafe and unsanitary physical condition of many state-subsidized public housing units across the state due to shortfalls in funding, and made

recommendations for prompt corrective action. On February 27, our efforts were recognized by the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials, which presented me with its "Outstanding Public Service Award." This is an honor that I want to share with the audit staff, because, as I always like to say, I am only as good as the work that you do.

In addition, I recently presented testimony to the House Special Committee on Child Abuse and Neglect that described our audit work over the past several years regarding the Department of Social Services. Our audits raised troubling issues concerning DSS licensing and oversight of foster homes and foster care placements. It is of crucial importance that these problems, which affect the safety and well-being of children in state care, be resolved. I also noted to the committee that DSS has made administrative improvements in response to our recommendations that should result in better monitoring and compliance.

I am proud of these examples of the ways in which the work of this office can have a positive and meaningful impact on state policy and on legislative initiatives. I look forward to continuing to work with you, as well as with state officials, to improve performance and make state government more accountable and responsive to the people of Massachusetts.

## *Outstanding Public Service Award*



Tom Connelly, Executive Director of the Massachusetts Chapter of NAHRO, presents the “Outstanding Public Service Award” to

Auditor DeNucci was honored by the Massachusetts Chapter of the National Association of Housing and Redevelopment Officials (NAHRO) for his efforts to “improve the quality of life for those seniors and families who reside in state-aided public housing developments.”

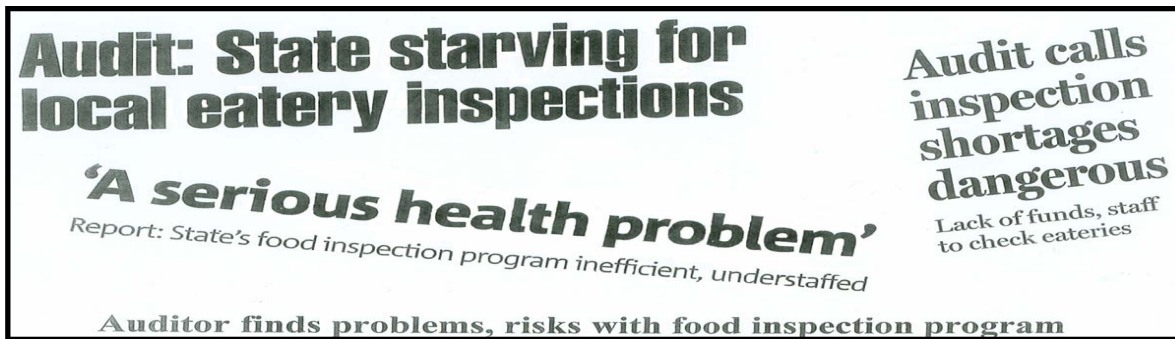
Tom Connelly, the Executive Director of NAHRO, presented Auditor DeNucci with the organization’s “Outstanding Public Service Award” at a luncheon during the group’s annual Legislative Education Day on February 27, at the State House. Mr. Connelly specifically recognized the Auditor’s October 2006 report, which disclosed a pattern of serious physical deterioration in state subsidized housing units across Massachusetts due to chronic shortfalls in state funding, jeopardizing the health and safety of elderly persons, families and veterans who reside in public housing.

The NAHRO award praised Auditor DeNucci for presenting the Legislature and other concerned parties “with compelling evidence documenting the adverse impact of insufficient resources on decent, safe, sanitary public housing for the elderly and families of low income.” The award also stated, “He has performed his duties and responsibilities with the highest degree of integrity and professionalism, and merits the recognition and highest respect of all public officials and the citizens of the Commonwealth.”

In remarks to the housing officials, Auditor DeNucci said, “I am pleased that my report brought much-needed attention to this issue in the Legislature and the media, and I hope it serves as a catalyst for improvement.” He also noted that his First Deputy Auditor, Ken Marchurs, on that very same day, was appearing before the Joint Legislative Committee on Housing to discuss findings from the October audit, emphasizing that subsidies paid to the housing authorities over the years were irregular, inadequate, and untimely and that capital funding was limited. Repairs were, therefore, ignored for years, resulting in serious health and safety problems.

Auditor DeNucci closed his remarks by commending NAHRO’s advocacy for decent, safe public housing and again thanking its officials for recognizing his contributions to that effort, as well as the work of his audit staff.

## *Audit Critical of Food Inspection Program*



Statewide media coverage indicated intense interest in our recent audit of the state's food inspection program. The hard-hitting audit reported that understaffing, inadequate training and funding cuts have left Massachusetts without an effective food inspection program at the state and local levels, posing a significant risk to public health and safety. Specifically, the elimination of positions over the years has reduced Department of Public Health staffing to less than one full-time position available for oversight of the municipalities that are directly responsible for the local inspections of thousands of retail food establishments each year.

Among the findings of the 102-page report:

- Eleven of the 13 local health authorities visited during audit field work were not in compliance with federal and state standards that call for inspections at least every six months for most food establishments, such as large restaurants, hospitals and nursing homes. It was not uncommon for some high-risk establishments to go more than a year without being inspected, and some did not receive even routine inspections for as long as seven years. The audit cited one local authority that had not complied with the minimum number of inspections for any of the 13 establishments under its responsibility, during the period under review.
- The program's inspections of wholesale firms were also found to be inadequate, as more than 2,000 of these businesses were inspected an average of only once every four years.

- There were deficiencies in the reporting, investigation and response activities associated with the detection and control of food-borne illness incidents. Information sharing between state and local officials was frequently inadequate, and incidents of suspected food-borne illness were not fully investigated. According to the Federal Centers for Disease Control and Prevention, about 76 million people contract food-borne illnesses in the United States each year; about 325,000 require hospitalization; and about 5,000 die.
- Only eight percent of inspectors met the preferred Certified Food Safety Professional Qualifications standard and over 50 percent had unquestionably low standards. These included some who did not even meet the minimum regulatory requirements that were categorized by outside professionals as "woefully inadequate" when they were promulgated by DPH seven years ago.

Auditor DeNucci urged the Department of Public Health to work with the administration to obtain sufficient resources for effective oversight of local food inspection programs. "This is a critical public health responsibility that affects every citizen of the Commonwealth," said the Auditor, who also expressed hope that this audit "will serve as a catalyst for improvement that is urgently needed to ensure food safety in Massachusetts."

## Audit Update

The OSA released a number of important audit reports over the winter, as Auditor DeNucci continued to stress that state government must be resolute in its fiscal oversight if it is to successfully fulfill its mission of serving the Commonwealth's citizenry in the most economic and efficient manner possible. During the dark months, the OSA shed light on the financial activities of a variety of entities, including MassHealth's payment of transportation claims to Medicaid providers, the Department of Social Services' administration of foster care programs, and the Department of Mental Retardation's Metro Residential Services program. Also examined were a contract awarded by the Department of Correction to the University of Massachusetts Medical School to provide comprehensive services to prison inmates, the MBTA's purchase of disabled-accessible Green Line cars, a proposal to privatize the pharmacy at The Soldier's Home in Holyoke, and voluntary check-offs on state income tax forms. A brief review of these reports' highlights follows.

### ***Medicaid Transportation Claims***

In this February report, Auditor DeNucci disclosed that lax oversight has resulted in a 58 percent error rate in claims paid to Medicaid transportation providers, a lapse that could cost the Commonwealth millions of dollars in unnecessary or fraudulent payments. The audit was conducted as part of the office's ongoing review of the Commonwealth's \$7.2 billion Medicaid program, which represents 27 percent of the state budget and reimburses 26,000 providers. In fiscal year 2005, transportation claims made by providers totaled \$76 million. The Auditor's previous review of MassHealth, the agency that administers Medicaid, uncovered significant shortcomings in the agency's ability to detect fraud in the program. According to the audit, the highest risk for questionable claims and fraudulent payments was found among fee-for-service providers, who

accounted for 49 percent of the payments made. MassHealth's lack of oversight, particularly its failure to conduct on-site reviews of claims for at least 10 years, has increased considerably the risk of improper and fraudulent charges being made by these providers. Auditor DeNucci's review identified duplicate payments, mostly resulting from billing software deficiencies, that totaled approximately \$200,000 in fiscal year 2005. One of these providers was paid more than \$98,000 for 2,860 duplicate round-

***"State Auditor Joe DeNucci reported that lax oversight resulted in a 58 percent error rate in Medicaid claims reviewed during an audit for client transportation, potentially costing the state millions of dollars in unnecessary or fraudulent payments"***

***- State House News*** (Feb. 28, '07)

trip mileage claims. Furthermore, 87 providers were paid \$96,000 from July 2004 to December 2005 for mileage associated with 2,410 denied non-emergency transportation claims for Medicaid members who were not eligible for these services. Other irregularities uncovered by the audit included higher costs resulting from payments made to more costly provider types; medical services that could not be confirmed for 34 percent of the claims audited; overstated mileage paid; claims that

were paid without the required special authorization; shared rides billed as sole passenger trips; lack of oversight in type and mode of transportation; and problems with providers attempting to return overpayments.

### ***Holyoke Soldiers' Home - Pharmacy Privatization***

One of the OSA's important responsibilities is ruling on proposals that are submitted by agencies or institutions seeking to privatize services that are currently being performed by state employees. Contracts of \$200,000 or more must receive the OSA's okay, with the determining factors being that the quality would be at least equal to the current standard and that a private party could do the job more economically. The Soldier's Home in Holyoke proposed privatizing its pharmacy, which serves both inpatient and outpatient veterans, by contracting with McKesson Medication Management LLC to staff and oversee the operation. After thoroughly reviewing

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the institution's proposal and determining that it had clearly demonstrated that all of the privatization statute's requirements had been met, the OSA approved the agreement.

### ***Department of Social Services***

Also in February, Auditor DeNucci revealed that while DSS has continued to address deficiencies involving the licensing and oversight of foster homes and foster placements, more progress still needs to be made to fully resolve these matters and to ensure the safety of children in state care. The current audit determined that DSS has improved the timeliness of its Criminal Offense Record Information (CORI) checks for foster care providers, but 28 instances of overdue CORI checks were still identified. In addition, Auditor DeNucci reported that DSS continued to place children in foster homes before it had completed the proper licensing requirements for these facilities. For example, during fiscal year 2006, 324 children were placed in unlicensed homes, with 62 of these placements exceeding the 40-day emergency stay that is permitted. Moreover, the audit found a small increase in the department's computerized Family Net foster care tracking system's error rate, which increased 21 percent in fiscal year 2006, up by one percentage point from the preceding fiscal year. The errors were similar to the system's prior problems, involving missing and overdue annual licensing reassessments and missing criminal background checks. Another deficiency disclosed by the audit related to the failure to hold appeal hearings contesting department decisions within the prescribed period of 90 calendar days.

### ***DMR - Metro Residential Services Program***

This three-part report, which was released in January, was undertaken after DMR notified the OSA of missing funds at two of the residences it operates in the greater Boston area for persons with serious or long-term mental health problems. The audit determined that the Canton residence's house manager, who had access to client funds as well as full

responsibility for accounting for cash transactions, was able to divert \$9,158 from six clients for personal use. The Canton house manager admitted to stealing the money and has made partial restitution. At the Needham residence, the failure to segregate financial duties allowed the house manager to steal \$2,407 from seven clients. The money was used for such questionable purchases as Beatlemania tickets, pet and fish supplies and dumbbells. Law enforcement agencies have been notified of both thefts and indictments have followed their investigations. DMR will also seek full restitution. At the Dorchester residence, client fund records and receipts were missing, but no misuse of funds was found. The housing manager of this residence was fired. Auditor DeNucci urged DMR to have the residential services program keep a permanent record of client funds and financial transaction records. The Auditor also recommended that large amounts of cash not be accumulated in individual client accounts and that financial activities involving these accounts be divided among a number of employees.

***"The MBTA will spend an extra \$101 million over the next 20 years because officials failed to properly monitor the design of new handicapped accessible Green Line trolleys, said a report released by Auditor DeNucci"***

***- BostonGlobe*** (Feb. 23, '07)

### ***University of Massachusetts Medical School***

This special-scope audit was conducted at the request of the Department of Correction, an agency that has a contract with UMass Medical School to provide comprehensive medical services to prison inmates, after UMass requested additional funding to cover net losses it claimed it had incurred under the agreement. The OSA review revealed that the medical school had not adequately documented its original cost proposal for the contract and had not developed a cost allocation plan to ensure that all contract costs would be properly identified and accounted for by program site. Furthermore, the audit noted that the medical school did not have adequate controls regulating the reporting of hours by psychiatrists, doctors and nurse practitioners, and that it also made numerous errors in both the methodology and figures used to calculate expenditures. These administrative and control deficiencies resulted in the medical school being unable to generate accurate supplemental funding requests to the Department of Correction. The audit

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also noted, however, that the medical school did incur more than \$1.28 million in additional expenses, mostly because of the medical condition of inmates at the Massachusetts Alcohol and Substance Abuse Center. The increased costs, which were considerably less than the medical school was seeking in additional funding and which resulted partly from services being provided in excess of contract requirements, were attributed to the Department of Public Health decreasing the number of detoxification beds that it funded throughout the state, which led to a greater number of civil commitments to the Alcohol and Substance Abuse Center.

### ***MBTA - Purchase of Green Line Cars***

The OSA's follow-up review of the MBTA's procurement of 100 disabled-accessible Green Line cars revealed that the purchase, which was originally projected to total approximately \$215 million, would cost the T an additional \$101 million over the expected 20-year life span of these vehicles. The increased expense was the result of design errors, change orders, consultant fees and wheel and track modifications that were necessary to address car derailment problems. Most of these shortcomings stemmed from the MBTA's failure to properly oversee the activities of its design and consultant

engineers prior to the purchase of the low-floor cars from an

Italian firm, Breda, in 1995. It was not until after the purchase that the MBTA discovered that the cars' unproven and radical design was not compatible with the Green Line's track infrastructure. After a

protracted dispute between the T and Breda, the two entities entered into an Interim Settlement Agreement intended to achieve a full implementation of the new cars. Both Breda's and the MBTA's charges of fault were waived; Breda agreed to participate in certain technical enhancements efforts; and the remaining Breda cars were scheduled for delivery in early 2007.

### ***Voluntary State Income Tax Check - Offs***

In March, Auditor DeNucci disclosed that the more than \$3.9 million that the Department of Revenue has collected in voluntary contributions from check-offs on state income tax returns since 2001 has been spent on the purposes for which the money was intended. Contributions to these funds are added to a person's tax. The recipients for the fiscal years 2001 through 2006 include the Organ Transplant Fund (\$1,060,863); the National Heritage and Endangered Species Fund (\$1,252,389); the Massachusetts AIDS Fund (\$1,028,035); the Massachusetts United States Olympic Fund (\$328,260); and the Massachusetts Military Family Relief Fund, which received \$181,852 in its first year. Established in 2005, this fund helps defray the costs of food, housing, utilities, medical services and other expenses for the families of Bay State National Guard members and reservists who are called to active duty.

## ***Inaugural Celebration!***

### ***GIC Annual Open Enrollment***

The GIC has announced many changes in our health coverage, insurers, and rates. All employees should read the materials sent by GIC and the OSA and consider attending a Health Fair. This will be important to making the correct selection for you and your family.

*GIC's Annual Open Enrollment will take place from April 17 thru May 18, 2007.*

## Training Update

**Audit Staff training goals.** The OSA training staff has been very busy in the last few months. We have entered a new two-year training cycle (Jan 1, 2007 - Dec 31, 2008) in which each auditor must obtain 80 hours of training. With this in mind, all audit staff are asked to complete 10 hours of training each quarter, thus facilitating training planning and reducing a rush at the end of each year. The training staff has already begun to measure our progress toward this goal and plans to produce quarterly reports. In addition to our training staff we thank the many members of our staff who have assisted in the development and presentation of training.

### Audit Training

- Tom Connelly of the training division is offering a 7-session course in *Writing that covers fundamentals in writing (spelling, diction, grammar and style.)* His course helps staff identify priorities, create outlines, write transitions, and perform proof reading and editing.
- Thirty members of the OSA's auditing staff attended the annual Association for Government

*Auditors conference at Bentley College in March. Topics included: Logic Modeling, Professional Ethics, White Collar Crime, Emerging Trends and Best Practices in Financial Management, ACL, Gaming Fraud, Money Laundering and Investigations. The course on ACL was developed and presented by Joe Valchuis, Bob Buchanan and John Beveridge of the IT Audit Division.*

- Ken Woodland, Tom Holak, Charlie McCarthy and Ed Sylvanowicz assisted John Sullivan in the OSA's training on interviewing skills.

### BSI Training.

- Over the next six months, training for BSI Examiners will include a series of training sessions focused on legal issues, and the court system's structure and procedures, as well as a variety of topics concerning electronic access to investigative materials and data. Instructors will be Fred Riley, Bill Daly and Jim Panorese.

## BSI Update

BSI's joint work with the Food and Drug Administration and the United States Attorney's Office resulted in the conviction of Maximano Silva on charges of obtaining controlled substances by fraud as well as related healthcare and identity theft charges. The government charged that Silva's scheme resulted in \$70,000 in Medicaid fraud. Silva's conviction on Federal charges was the result of a lengthy investigation that culminated with a seven day trial. He was convicted on 22 of 24 counts alleged in the indictment and faces a jail sentence of approximately nine years. Silva's wife, Crystal Silva, pleaded guilty to a 4-count indictment earlier in the month. Maximano and Crystal Silva will be sentenced on June 20th.

Another investigation resulted in a guilty plea by Priscilla LaBay of Springfield, a Personal Care

Attendant (PCA) charged with wanton neglect of a disabled person, while submitting false timesheets in order to obtain Medicaid reimbursement of over \$20,000. The PCA was responsible for assisting the disabled woman with activities of daily living, including helping her out of bed and preparing her morning meal. The investigation showed that the disabled woman was frequently left on her own in a wheelchair, unfed and not bathed for many hours at a time.

During the third quarter of the year, BSI completed over 331 investigations and identified over \$710,000 in cash and medical assistance fraud. During this same period BSI received over 500 new referrals of fraud for investigation.

## *Auditor DeNucci Praises Audit Team*



Auditor DeNucci with the audit team that worked on the public housing audit

From left: Director of Housing Authority Audits Henry Malioneck, Stephen Concillio, Auditor DeNucci, Karen

## *Congratulations!*

During the past few month, the Auditor has approved the following promotions.

**Caryn Shea** has been promoted to Audit Manager.

**Frank Moro** has been promoted to BSI Manager, Office Investigations.

**Mary Gove** has been promoted to Audit Supervisor.

**Diane Szulc** has been promoted to Assistant Director of MIS for Software Support and Application Development.

**Janice Moberg** has been promoted to Audit Supervisor.

Congratulations and good luck to all of you in your new positions!