



STATE OF MAINE
OFFICE OF THE STATE AUDITOR

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State Auditor

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Deputy State Auditor

16. October 2023

Peter Schleck, Director
Office of Program Evaluation and Government Accountability
82 State House Station
Room 104 Burton Cross State Office Building
Augusta, ME 04333-0082

Dear Director Schleck,

We are in receipt of yours of the 3rd instant regarding our discussion following the hearing of the Joint Standing Committee on Government Oversight of the 20th ultimo which discussed, in part and particular to this correspondence, matters of concern in the administration of the Maine Veterans' Homes (MVH). Specifically, you inquire of this office as to our capacity to make available resources for the following: to perform an assessment of internal controls over spending on supplies and services at the Maine Veterans' Homes and what the timeline for such an assessment would be. Our discussion drove at the root of the complaint filed with you by a former employee of the central administration of the Maine Veterans' Homes which has raised concerns regarding waste, fraud, and abuse. This follows our review of the materials you conveyed to us, and which we return to you accompanying this correspondence.

In the case of the Maine Veterans' Homes, many sections of the documents you provided orbit around the circumstances informing the separation of the former employee who brought the described issues to the attention of the Legislature. Another audit—or a deeper one—is not useful in addressing disagreements over management decisions regarding personnel actions. Such disagreements are properly addressed elsewhere. In our review, we limited our analysis to the audit work already done and the allegations of fraud that trail the departure of the former employee.

The audit performed by BerryDunn and reviewed by Verrill “do not evidence any financial improprieties (Tab G, page 5) and “do not support that MVH’s financial or accounting activities failed to meet Generally Accepted Accounting Principles (GAAP) or that audit of such practices evidenced impropriety. (Tab G, page 14)”. In reviewing the financial documents you provided, we observe that the auditor had offered an unmodified opinion (Tab V) while noting areas of significant risk (*Independent Auditor’s Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in*

Accordance with Government Auditing Standards, BerryDunn, Page 2). The former employee asserted to you in a communication from 29 December, 2022 that they “have evidence of fraud, waste and abuse” (Tab B, page 1) at MVH. We followed through with the individual to obtain clarity on their interpretation of those actions that they interpreted as fraudulent.

According to the Institute for Internal Auditors, *fraud* is defined as “any illegal act characterized by deceit, concealment, or violation of trust.” In our interview, the former employee recounted a single incident where the signature of an individual who was unavailable to provide the required authorizing signature for a Federal grant drawdown was photocopied onto the instrument. They did not assert that this was not authorized, but did indicate that there was no funds or other assets that were misused or misappropriated. While not ideal, a photocopied signature or a rubber stamp is not uncommon in authorizing an action by way of a printed instrument, and if no illegal activity results, does not fit the definition of fraud.

An audit is only useful if it conveys information not currently in the possession of the users of the audit. We believe reperforming the work already conducted by BerryDunn and reviewed by both Verrill and PretiFlaherty will only provide the Committee with the information already within its possession. It is a policy decision of the Legislature, of course, to determine whether additional audit work by the Office of the State Auditor would be useful to its deliberations on the matter. If it is the will of the Legislature that our offices initiate an engagement to audit the financial functions of the Maine Veterans’ Homes, then we will most certainly conduct that work, and will do so objectively and in accordance with applicable standards. Our preliminary analysis, however, is that lacking evidence that substantiates the original charge of fraud, our work will only replicate that already in your possession.

Please advise if you have any questions; I am and shall remain

Very sincerely yours,



Matt Dunlap, CIA
State Auditor



PETER SCHLECK
DIRECTOR

MAINE STATE LEGISLATURE
OFFICE OF PROGRAM EVALUATION AND
GOVERNMENT ACCOUNTABILITY

October 3, 2023

VIA HAND DELIVERY

Matthew Dunlap, CIA
State Auditor
19 Union Street
Suite 223-A
Augusta, Maine 04330

Dear State Auditor Dunlap,

Thank you for the opportunity to meet with you and Deputy State Auditor Melissa Perkins today to discuss Maine Veterans' Homes. As you know, on September 20, 2023, the Government Oversight Committee voted to approve a refined scope of work concerning this entity, with the additional direction that OPEGA work in tandem with the Office of the State Auditor, as necessary. I am most grateful for your own participation in that Committee meeting, and your initial suggestion that subject to further discussions on scope and timing, the Office of the State Auditor may be able to assist, indeed.

The scope of work the Committee voted to approve is an assessment of:

- Internal controls over Maine Veterans' Homes spending on supplies and services, in relation to established budgetary limits.
- The relative timeliness of accounts payable accrual and processing.
- The extent to which internal data (and data systems), including related to purchasing, payroll, and human resources, adequately supports and informs MVH spending within established budgetary limits.

Due to OPEGA's own current staffing commitments on other pressing Committee priorities, I am requesting your feedback on two matters, prior to the October 18, 2023, meeting of the Committee:

1. Does the Office of the State Auditor have resources available to perform the above assessment for OPEGA and the Committee?; and
2. If so, in what specific timeframe would the Office of the State Auditor be able to initiate the above assessment? It is my understanding that this is a priority matter for the Committee, and that the time element is an essential consideration.

With your kind reply in hand, I can report back to the Committee and obtain further direction, as necessary, including in the event the timeframe proposed will not meet the Committee's needs.

To help facilitate your analysis, I am providing with this letter a binder of relevant materials. Please note that these documents remain part of the confidential working papers of OPEGA, and are exempt from public disclosure. 3 M.R.S. § 997(3). Certain information may also be confidential by operation of other provisions of Maine or Federal law. Accordingly, please safeguard the contents and refer any Freedom of Access requests directly back to OPEGA.

Thank you, again, kindly.

Sincerely,



Peter Schleck
Director

Attachment (Binder)