



GREGORY W. SULLIVAN  
INSPECTOR GENERAL

*The Commonwealth of Massachusetts*  
*Office of the Inspector General*

JOHN W. MCCORMACK  
STATE OFFICE BUILDING  
ONE ASHBURTON PLACE  
ROOM 1311  
BOSTON, MA 02108  
TEL: (617) 727-9140  
FAX: (617) 723-2334

December 20, 2010

Secretary Jeffrey B. Mullan  
Massachusetts Executive Office of Transportation  
10 Park Plaza, Suite 3170  
Boston MA 02116

Dear Secretary Mullan:

Thank you for the Massachusetts Department of Transportation's (MassDOT) response of September 28, 2010 regarding the Office of the Inspector General's (OIG) request for information concerning KPMG LLP's "Readiness Assessment" for compliance with the requirements under the American Recovery and Reinvestment Act (ARRA) issued in August 2009.

As a follow up to your September 2010 letter, the OIG would like to offer the following comments:

KPMG offered a number of recommendations to help strengthen MassDOT's capacity for the prevention, detection and response to fraud, waste, and abuse.

In response to KPMG's recommendation that MassDOT implement an agency-wide antifraud strategy as well as formally document its policies and procedures for responding to allegations of fraud, waste, and abuse, MassDOT stated that it had been "finalizing an organization-wide policy to 'aid in the detection and prevention of fraud' within the department" and that it expected to adopt and disseminate this policy by mid-October. As part of this strategy, KPMG also suggested that MassDOT provide fraud awareness training to MassDOT employees working with ARRA funds and distribute fraud-specific information to employees and third party vendors. MassDOT replied that its employees "received fraud awareness and prevention training from the Massachusetts Recovery and Reinvestment Office and that it, "will shortly begin a fraud prevention and detection training program for key employees of both MassDOT and the MBTA" using materials from the OIG and the Office of the State Comptroller.

The OIG encourages MassDOT:

- To distribute its fraud policy to its employees, contractors, subcontractors, and the public if it has not yet done so.
- To establish an ongoing agency-wide fraud prevention effort consisting of periodic staff training, risk assessments, compliance reviews, selected audits or reviews, and other prevention and detection protocols. The prevention of fraud, waste, and abuse must be a continuous effort that is made a part of everyday programmatic activity. Prevention activity should not be a one-time or simply periodic effort.

Regarding the issue of “Employee and Third Party Due Diligence”, KPMG recommended that the Highway Division, “consider conducting periodic reviews of prequalification waivers to ensure that bidders have been subject to appropriate due diligence” as well as, “develop procedures for periodically reviewing bid records”. The OIG recommends that MassDOT continue and strengthen its existing review and approval processes during all aspects of the procurement process to ensure due diligence of recipients and to identify possible evidence of fraud, waste and abuse such as vendor collusion, kickbacks or bid rigging.

Finally, KPMG offered suggestions for the issues of MassDOT’s “Internal Audit and Compliance Bureau”, “Process-Specific Fraud Controls”, and “Proactive Forensic Data Analysis” to strengthen MassDOT’s internal controls as they relate to fraud prevention.

KPMG recommended that MassDOT “consider leveraging the Audit and Compliance Unit to evaluate agency-wide internal controls” and that it augment its specific antifraud controls to mitigate exposure to fraud, waste, and abuse.” MassDOT responded that, “the MassDOT Highway Division has updated its Internal Control Plan for project development and delivery to reflect specific control mechanisms as they relate to the ARRA program.”

The OIG recommends that:

- MassDOT evaluate the internal controls of all divisions of your agency in addition to the Highway Division and consider applying those updates agency-wide.
- As KPMG suggests, MassDOT continue to use proactive forensic data analysis as a tool to detect trends and/or anomalies that may be indicative of fraud and therefore another important step to ensure that MassDOT has adequate controls. Examples of proactive forensic data analysis provided by KPMG in the Readiness Assessment include comparing vendor payment data to construction progress reports and reviewing for duplicate payments or repetitive payment patterns.

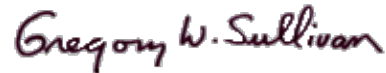
Mr. Mullan  
December 20, 2010  
Page 3

The OIG believes that a comprehensive anti-fraud program is crucial for the prevention and detection of fraud, waste, and abuse. The ongoing maintenance and the communication of this program to employees, vendors, and contractors can help ensure that an antifraud program remains a vibrant part of your agency's internal control and oversight framework.

We encourage MassDOT to continue to implement and maintain the recommendations put forth in KPMG's "Readiness Assessment."

If you have any questions or concerns, please contact Deputy Inspector General Neil Cohen at (617)722-8819. Again, thank you for your cooperation.

Sincerely,

A handwritten signature in dark ink that reads "Gregory W. Sullivan". The signature is written in a cursive, slightly slanted style.

Gregory W. Sullivan  
Inspector General

cc: Doug Rice, MA Recovery and Reinvestment Office  
Peter Scavotto, Office of the State Comptroller