

**2014 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

February 2015

**Milwaukee County Office of the Comptroller
Audit Services Division**

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Milwaukee County Comptroller**


Jerome J. Heer, Director of Audits

**Investigative Team
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**Administrative Support
Cheryl Hosp**



Office of the Comptroller
Audit Services Division

Milwaukee County

Jerome J. Heer

• Director of Audits

February 27, 2015

To the Honorable Chairwoman
of the Board of Supervisors
of the County of Milwaukee

We have completed an annual report concerning operation of the Audit Hotline and other related audit activities undertaken by the Office of the Comptroller's Audit Services Division during 2014.

The attached report includes a statistical summary of these activities, as well as a brief narrative that describes the nature of various categories of cases resolved during the year. In addition, some of the more interesting cases closed during 2014 are presented in greater detail. Further, County departments experienced continued success from our proactive procedures to reduce the number of unauthorized electronic banking transactions perpetrated on County accounts.

The nature of alleged improprieties presented to the Audit Services Division for investigation is often complex and continues to involve inter-agency cooperation with numerous governmental entities. As the Audit Services Division begins its 22nd year of operating the Hotline, the experience gained from working cooperatively with County departments, the District Attorney's Office, the Office of the Sheriff and other law enforcement agencies has improved the effectiveness of our efforts to combat waste, fraud and abuse in Milwaukee County government. We believe the attached report demonstrates the value those efforts.

In early 2014, the individual with primary responsibility for the hotline retired. The limited number of closed cases reflect the loss of this valuable employee. Fortunately, in August 2014 our recruitment for a new Forensic Audit Supervisor resulted in the hiring of Matthew Hart. Mr. Hart brings solid educational and professional credentials to his new position. While addressing a backlog of 2014 cases, he has also initiated several changes to our program to make it even stronger. These include an outreach program to increase awareness of the hotline and proposed ordinance changes to enhance our ability to address waste, fraud, and abuse in County government.

Please refer this report to the Committee on Finance, Personnel and Audit.

Jerome J. Heer
Director of Audits

JJH/DCJ/cah

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Janelle Jensen, Chief Committee Clerk, Office of the County Clerk

**2014 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

Background

The Milwaukee County Board of Supervisors approved the establishment of an Audit Hotline on September 23, 1993. The Hotline was created for concerned citizens and other interested individuals to report suspected instances of fraud, waste or abuse in County government. Callers are not required to identify themselves and, if they wish, may remain anonymous.

A County Board Resolution (File No. 95-210) directs the Audit Services Division of the Office of the Comptroller to submit annual reports on Hotline activities to the Committee on Finance, Personnel and Audit. This report provides a statistical summary of Hotline and other related audit activity during the past year, a description of various categories of resolved cases, as well as details of selected cases closed during 2014. The Audit Hotline and audit activity related to fraud, waste and abuse resulted in the recovery of \$13,362.50 in 2014.

According to the Association of Certified Fraud Examiners,¹ tips are the most common fraud detection method and account for more than 40% of cases. Tips from employees account for nearly 50% of discovered fraud. Organizations that operate hotlines are more likely to catch fraud by a tip, detect fraud 50% more quickly and experience fraud that is 41% less costly than an organization without a hotline.

Statistical Summary

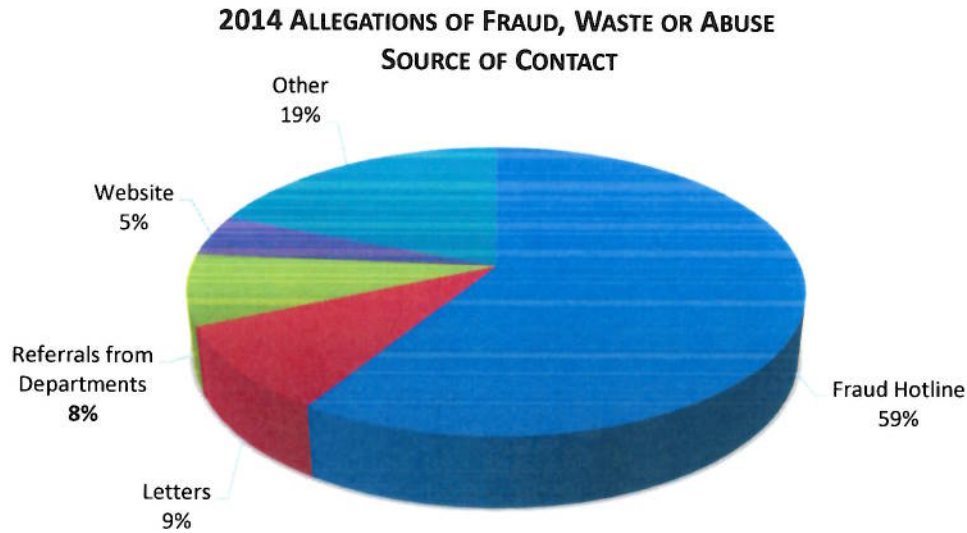
The Audit Services Division received 63 complaints concerning allegations of fraud, waste or abuse in 2014. These complaints are categorized by source in **Table 1**.

**Table 1
2014 Allegations of Fraud, Waste or Abuse
Source of Contact**

Fraud Hotline	37
Letters	6
Referrals from Departments	5
Website	3
Other	12
Total	63

¹ *Report to the Nations on Occupational Fraud and Abuse*. Austin: Association of Certified Fraud Examiners, 2014.

This same information is presented graphically as **Figure 1**.



Cases Opened

Cases opened in 2014 concerned allegations of individuals receiving benefits to which they were not entitled, employee fraud or misconduct, and counterfeit or unauthorized transactions, among others. When allegations involve issues beyond the jurisdiction of County government, they are referred to appropriate non-County agencies. All allegations of Wisconsin Works (W-2) fraud are referred to the State of Wisconsin Department of Children and Families' Fraud Hotline to avoid duplication.

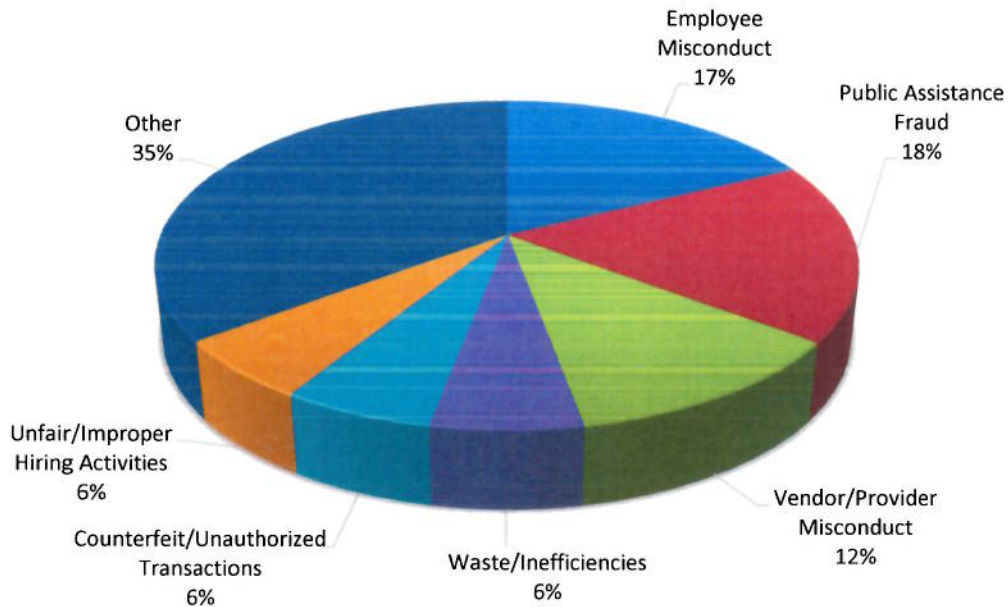
Table 2 identifies, by complaint type, cases opened in 2014.

Table 2
2014 Cases Opened
Type of Allegation

Employee Misconduct	3
Public Assistance Fraud	3
Vendor/Provider Misconduct	2
Waste/Inefficiencies	1
Counterfeit/Unauthorized Transactions	1
Unfair/Improper Hiring Activities	1
Other	6
Total	17

This same information is presented graphically as **Figure 2**.

**2014 CASES OPENED
TYPE OF ALLEGATION**



Cases Closed

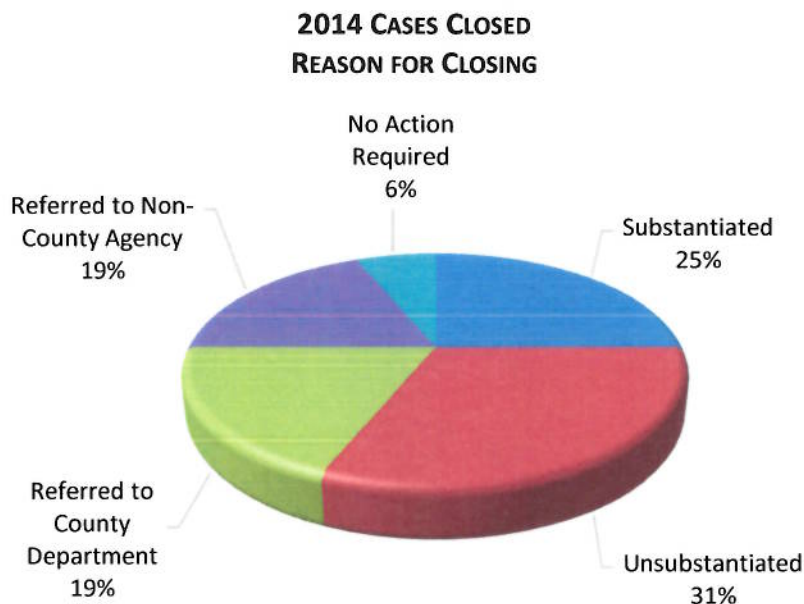
During 2014, 16 cases were closed for a variety of reasons. Of these, three cases were opened in 2013, while the remaining 13 were opened during 2014. As of year-end 2014, three cases remained active.

Table 3 categorizes the 16 cases closed in 2014. Four cases were closed because the allegations were substantiated by the investigation and corrective measures were either implemented or in the process of being implemented. In five of the cases, the investigations were unable to substantiate the allegations. Of the remaining cases: three were referred to a non-County agency, there was no action required in one case and three cases were referred to a County department for additional review and action.

**Table 3
2014 Cases Closed
Reason for Closing**

Substantiated	4
Unsubstantiated	5
Referred to County Department	3
Referred to Non-County Agency	3
No Action Required	1
Total	16

This same information is presented graphically as **Figure 3**.



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2014. These cases are an example of the kinds of allegations which are reported to the County through the hotline. These cases also represent the value the County receives from devoting resources to combating fraud, waste and abuse.

Update to Case # 12045

In July 2012, Freida Webb, the former director of the Milwaukee County Community Business Development Partners department, was arrested for allegedly receiving kickbacks in exchange for writing phony contracts. The Audit Services Division provided the District Attorney's (DA's) office with information, records and support. The County terminated Webb in March 2013. In June 2013, the DA's office charged Webb with four counts of criminal misconduct: forgery, theft, private interest in public contract and misconduct in public office. The court case number is 2013CF002903. In September 2013, Webb was found guilty of theft; the other charges were dismissed pursuant to plea negotiations. In June

2014, Webb was sentenced to one year of probation, 100 hours of community service and was ordered to pay the County restitution in the amount of \$13,362.50.

Case # 13035

In December 2013, a County employee was reported stealing copper fixtures from the basements of the County Safety Building and Courthouse. The theft was referred to the DA's office but the DA's office declined to prosecute the employee. The employee's theft was handled administratively and, in September 2014, the employee resigned. The employee's annual salary was approximately \$64,566.

Case # 14001

Following the fire at the Courthouse in July 2013, the Audit Services Division conducted an audit of the County's follow-up to the fire which included the restoration of the Courthouse to full use and the cost to repair the damages. In the course of the audit, audit personnel identified suspicious entries on contractor invoices. In January 2014, a County employee left a message on the Hotline that the former County Interim Risk Manager was receiving kickbacks from an area restoration company. Contemporaneously, the DA's office received a similar allegation. The Audit Services Division provided support and information to the DA investigators during their investigation. The employee retired from the County in March 2014. The employee's annual salary was approximately \$69,906.

In August 2014, the DA's office charged the employee with six counts of criminal misconduct, including two counts of a public official accepting a bribe, two counts of misconduct in public office and two counts of false swearing. The court case number is 2014CF003620. The criminal complaint alleged the following:

When the County suffered a loss due to property damage, the employee was relied upon by County departments for advice or to choose an outside contractor to perform the repair work. The employee was close with an area restoration company. From 2009 to 2012, this company received over \$10 million from the County for property restoration contracts. The company provided the employee with dinners, home repairs, tools and other items of value in order to maintain the lucrative relationship between the company and the employee. The employee did not report these items on his Statements of Economic Interest.

Case # 14004

With assistance from the Audit Services Division's Bank Reconciliation staff, the investigations staff continues to work closely with bank officials and law enforcement investigators to identify and track counterfeit check activity and unauthorized transactions against Milwaukee County bank accounts.

In January 2014, the County Treasurer's office notified the Audit Services Division of a counterfeit check. The check, routing and account number from a jury fee check issued in December 2013 were used on a check provided to a wholesale club. The check was identified by the Positive Pay system initiated by the Milwaukee County Treasurer. The Treasurer electronically provides a list of checks and amounts to the bank. When a check is presented, the check number and the amount is verified against the Positive Pay list. If there is a variance, the check is rejected. The Positive pay system worked as intended and rejected the fraudulent check. There was no loss to the County.

Ongoing Hotline Benefits

We frequently have been approached by other audit organizations at both the state and local levels for advice regarding the establishment of hotline functions in their respective jurisdictions. We provide the following information regarding the ongoing benefits of the Fraud Hotline to Milwaukee County citizens. This information has been updated to reflect 2014 activity.

- **Milwaukee County Hotline Savings (1994—2014)**
 - Total Direct = \$4,932,674
 - Total Direct/Indirect = \$9,865,348

- **Intangible Benefits**
 - Someone's Watching: the Audit Hotline has a deterrent effect, for both internal and external sources of fraud, waste and abuse.
 - Someone Cares: a public message of 'zero tolerance' for fraud, waste and abuse is sent by allocating resources to a Hotline function.
 - Beneficial Contacts: interaction with the District Attorney's Office, police/sheriff departments, state and federal data sources, and even corporate security staff help forge alliances beneficial to the pursuit of eradicating fraud, waste and abuse from government.

- **Future Audit Project Leads**
 - Hotline tips often point to areas in need of review. Some of the received allegations are made possible by insufficient controls, such as a lack of oversight and review. Following an investigation, the Audit Services Division may perform an audit to address and correct the deficiencies which contributed to fraud, waste or abuse.

As the Milwaukee County Audit Services Division proceeds with its 20th year of operating a Hotline, the benefits described above continue to play an important part in the department achieving its stated mission:

Audit Services Division Mission Statement

Through independent, objective and timely analysis of information, the Milwaukee County Audit Services Division assists both policy makers and program managers in providing high-quality services in a manner that is honest, efficient, effective and accountable to the citizens of Milwaukee County.

Historic Hotline Data

Tables 4 through 7 present annual Hotline statistics from its inception in 1994 through 2014.

Table 4
Milwaukee County Department of
Audit Fraud Hotline
Savings Identified 1994–2014

1994	\$169,427
1995	\$182,920
1996	0
1997	\$17,044
1998	\$182,512
1999	\$94,487
2000	\$282,627
2001	\$238,152
2002	\$123,962
2003	\$2,504
2004	\$1,249,032
2005	\$155,635
2006	\$389,123
2007	\$171,417
2008	\$1,070,650
2009	\$75,840
2010	\$144,675
2011	\$245,765
2012	\$74,106
2013	\$49,433
2014	\$13,363
Direct Savings	\$4,932,674
Estimated Total Savings	\$9,865,348

Note: Estimated total savings based on industry standard of \$1 indirect savings for every \$1 direct savings.

Table 5
Milwaukee County Fraud Hotline Statistics 1994—2014
Sources of Contacts

	<u>Calls</u>	<u>Letters</u>	<u>Referred from Departments</u>	<u>Leads from Audits</u>	<u>Elected Officials</u>	<u>Other</u>	<u>Total</u>
1994	420	21	0	0	0	10	451
1995	139	7	0	0	0	3	149
1996	54	4	0	0	0	0	58
1997	28	5	2	0	3	5	43
1998	26	4	5	0	1	1	37
1999	17	0	3	0	2	1	23
2000	40	14	11	7	0	4	76
2001	27	8	10	9	0	1	55
2002	21	9	4	8	12	3	57
2003	29	5	5	7	3	2	51
2004	18	9	5	3	1	4	40
2005	27	5	8	5	2	2	49
2006	67	9	1	7	2	3	89
2007	34	5	2	9	0	5	55
2008	48	3	3	3	2	3	62
2009	49	9	4	4	0	7	73
2010	51	7	0	1	1	2	62
2011	49	10	4	1	0	3	67
2012	39	4	5	0	0	5	53
2013	24	7	8	0	1	2	42
2014	37	6	5	0	0	15	63
Total	1,244	151	85	64	30	81	1,655
% of Total	75.2%	9.1%	5.1%	3.9%	1.8%	4.9%	100.0%
Average	73.2	8.9	5.0	3.8	1.8	4.8	97.4
1996—2014 Total	536	96	63	63	29	43	830
1996—2014 Average	35.7	6.4	4.2	4.2	1.9	2.9	55.3
1996—2014 Average %	64.5%	11.6%	7.6%	7.6%	3.5%	5.2%	100.0%

Note: During 1995, all allegations of welfare fraud were referred to the Department of Health and Human Services to avoid duplication. Consequently, separate statistical averages are maintained for post-1995 data

Table 6
Milwaukee County Fraud Hotline Statistics 1994—2014
Types of Allegations

	<u>Employee Misconduct</u>	<u>Ineligible Recipients</u>	<u>Waste or Inefficiencies</u>	<u>Vendor or Provider Misconduct</u>	<u>Counterfeit or Unauthorized Transactions</u>	<u>Non- County Issues</u>	<u>Other</u>	<u>Total</u>
1994	59	213	22	12	0	38	80	424
1995	17	71	9	3	0	15	26	141
1996	9	22	5	2	0	5	8	51
1997	11	4	8	7	0	6	3	39
1998	9	3	9	6	0	6	2	35
1999	8	2	4	5	0	3	1	23
2000	34	2	15	9	6	6	2	74
2001	17	1	8	10	0	0	13	49
2002	14	9	9	6	7	0	2	47
2003	10	13	7	4	7	0	7	48
2004	13	12	6	4	2	1	0	38
2005	12	15	5	5	5	0	4	46
2006	20	37	6	6	7	0	2	78
2007	12	18	3	5	7	1	2	48
2008	15	21	1	7	3	0	2	49
2009	17	22	5	6	6	0	1	57
2010	10	28	1	5	2	0	4	50
2011	18	25	4	6	1	0	3	57
2012	19	17	5	3	0	0	1	45
2013	11	8	8	2	5	0	3	37
2014	4	3	1	2	1	0	6	17
Total	339	546	141	115	59	81	172	1,453
% of Total	23.3%	37.6%	9.7%	7.9%	4.1%	5.6%	11.8%	100.0%
Average	19.9	32.1	8.3	6.8	3.5	4.8	10.1	90.8
1996—2014 Total	211	209	92	87	52	28	53	682
1996—2014 Average	14.1	13.9	6.1	5.8	3.5	1.9	3.5	48.7
1996—2014 Average %	28.8%	28.5%	12.6%	11.9%	7.1%	3.8%	7.3%	100.0%

Note: During 1995, all allegations of welfare fraud were referred to the Department of Health and Human Services to avoid duplication. Consequently, separate statistical averages are maintained for post-1995 data. 2005 and 2006 totals for Employee Misconduct includes 3 and 4 cases, respectively, classified in the Annual Reports as 'Non-Resident.'

Table 7
Milwaukee County Fraud Hotline Statistics 1994—2014
Reasons for Case Closings

	<u>Allegation Substantiated</u>	<u>Allegation Unsubstantiated</u>	<u>Referred to Non-County Agency</u>	<u>Insufficient Information</u>	<u>Referred to County Department</u>	<u>No Further Action Required</u>	<u>Other</u>	<u>Total</u>
1994	74	84	31	17	29	0	30	265
1995	45	105	28	11	87	10	8	294
1996	5	6	6	2	27	3	4	53
1997	12	8	3	7	2	1	0	33
1998	13	14	0	1	2	2	0	32
1999	13	9	1	4	0	3	0	30
2000	24	23	2	4	0	4	0	57
2001	18	12	0	1	8	7	0	46
2002	16	26	1	6	4	7	0	60
2003	10	19	5	3	6	6	0	49
2004	16	10	4	2	1	1	0	34
2005	12	21	7	0	2	3	0	45
2006	15	35	17	0	3	6	0	76
2007	19	17	10	3	4	0	0	53
2008	15	11	12	0	7	5	0	50
2009	14	23	11	0	7	2	0	57
2010	7	15	12	5	3	6	0	48
2011	19	13	10	5	7	6	0	60
2012	10	14	11	3	2	4	0	44
2013	10	14	3	1	5	5	0	38
2014	4	5	3	0	3	1	0	16
Total	371	484	177	75	209	82	42	1,440
% of Total	25.8%	34.4%	12.3%	5.2%	14.5%	5.7%	2.9%	100.0%
Average	21.8	28.5	10.4	4.4	12.3	4.8	2.5	90.0
1996—2014 Total	209	249	91	38	76	56	4	675
1996—2014 Average	13.9	16.6	6.1	2.5	5.1	3.7	0.3	48.2
1996—2014 Average %	28.9%	34.4%	12.6%	5.3%	10.5%	7.7%	0.6%	100.0%

Note: During 1995, all allegations of welfare fraud were referred to the Department of Health and Human Services to avoid duplication. Consequently, separate statistical averages are maintained for post-1995 data.



MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

**Ph: (414) 93-FRAUD – Fax: (414) 223-1895
(933-7283)**

**Write: Audit Hotline- 633 W. Wisconsin Avenue, Suite 904, Milwaukee, WI 53203
Website: my.execpc.com/~milcoaud**

A service of the Milwaukee County Comptroller's Office

For Reporting:

- **Incidents of fraud or waste in County government**
- **Concerns over inefficient Milwaukee County government operations**

CALLERS NOT REQUIRED TO IDENTIFY THEMSELVES

----- Other Numbers -----

Milwaukee County:

Aging - Elder Abuse Helpline	414-289-6874
Child Support - TIPS Hotline (Turn in Parents for Support)	414-278-5222
District Attorney – Consumer Fraud Unit	414-278-4585
Public Integrity Unit	414-278-4645
Mental Health Crisis Hotline	414-257-7222
Crisis Hotline (TTY/TDD)	414-257-6300
Minimum Wage Ordinance	414-278-4206

Sheriff's Department –

Community Against Pushers (Anonymous Drug Reporting)	414-273-2020
Guns Hotline	414-278-4867

State of Wisconsin:

Child Abuse or Neglect Referrals	414-220-7233
DOJ Consumer Protection Unit	1-800-998-0700
Wisconsin W-2 Fraud Hotline	1-877-865-3432
Wisconsin Child Care Fraud	1-877-302-3728
Legislative Audit Bureau Hotline	1-877-372-8317

Federal:

Medicare Fraud	1-800-447-8477
Social Security Fraud	1-800-269-0271
Federal Funds Fraud (FraudNet)	1-800-424-5454

City of Milwaukee:

Fraud Hotline	414-286-3440
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