

**2013 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

March 2014

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

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Office of the Comptroller
Audit Services Division

Milwaukee County

Jerome J. Heer
Douglas C. Jenkins

- Director of Audits
- Deputy Director of Audits

February 27, 2014

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 2013.

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 2013 are presented in greater detail. Direct savings to taxpayers of Milwaukee County and other jurisdictions attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2013 totaled \$49,433. In addition, we estimate future savings of approximately \$228,600 resulting from Rent Assistance program participant terminations facilitated by Hotline verifications performed at the request of County program staff. 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 21st 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.

I would like to take this opportunity to acknowledge the dedication and professionalism of Mr. James Felde, CPA, CFE. Mr. Felde is retiring after 34 years of exceptional service with the County Audit Department/Audit Services Division. That service included performing lead investigative services for the Audit Hotline since 1996. His presence will be missed.

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
Amber Maureen, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Don Tyler, Director, Department of Administrative Services
Janelle Jensen, Chief Committee Clerk, Office of the County Clerk

**2013 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 2013. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2013 totaled \$49,433. In addition, we estimate additional future savings of approximately \$228,600 resulting from Rent Assistance program participant terminations facilitated by Hotline verifications performed at the request of County program staff.

Statistical Summary

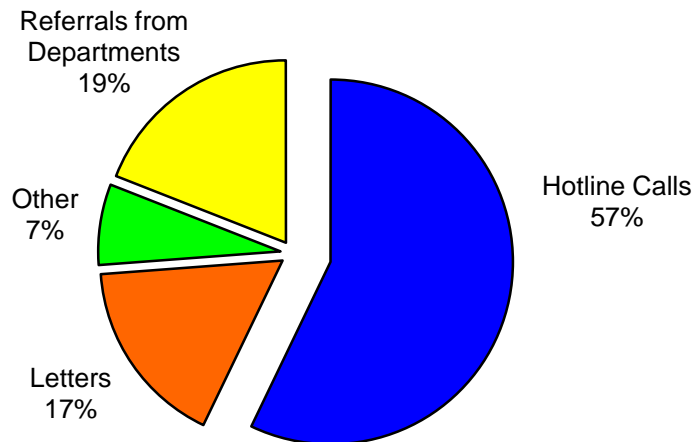
The Audit Services Division received 42 contacts concerning allegations of fraud, waste or abuse in 2013. These contacts are categorized by source in **Table 1**.

**Table 1
2013 Allegations of Fraud, Waste or Abuse
Source of Contact**

<u>Source</u>	<u>Number</u>	<u>Percentage</u>
Hotline Calls	24	57%
Referrals from Departments	8	19%
Letters	7	17%
Other	3	7%
Total	42	100%

The source of 2013 Hotline contacts information is presented graphically as **Figure 1**.

Figure 1
2013 Allegations of Fraud, Waste or Abuse
Source of Contact



Cases Opened

Cases opened in 2013 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.

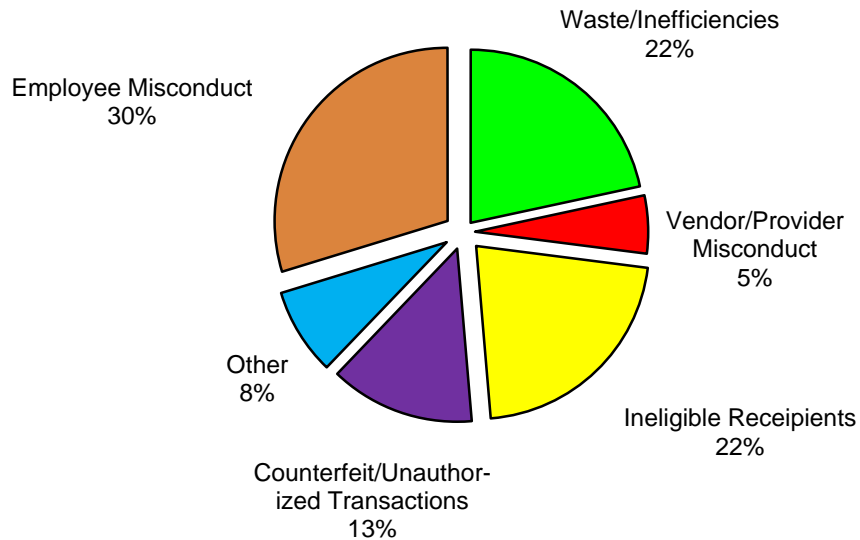
Table 2 identifies, by type of allegation, Hotline cases opened in 2013.

Table 2
2013 Cases Opened
Type of Allegation

<u>Type of Allegation</u>	<u>Number</u>	<u>Percentage</u>
Employee Misconduct	11	30%
Ineligible Recipients	8	22%
Waste/Inefficiencies	8	22%
Counterfeit/Unauthorized Transactions	5	13%
Vendor/Provider Misconduct	2	5%
Other	3	8%
Total	37	100%

The types of allegations made in Hotline cases opened in 2013 are presented graphically as **Figure 2**.

Figure 2
2013 Cases Opened
Type of Allegation



Cases Closed

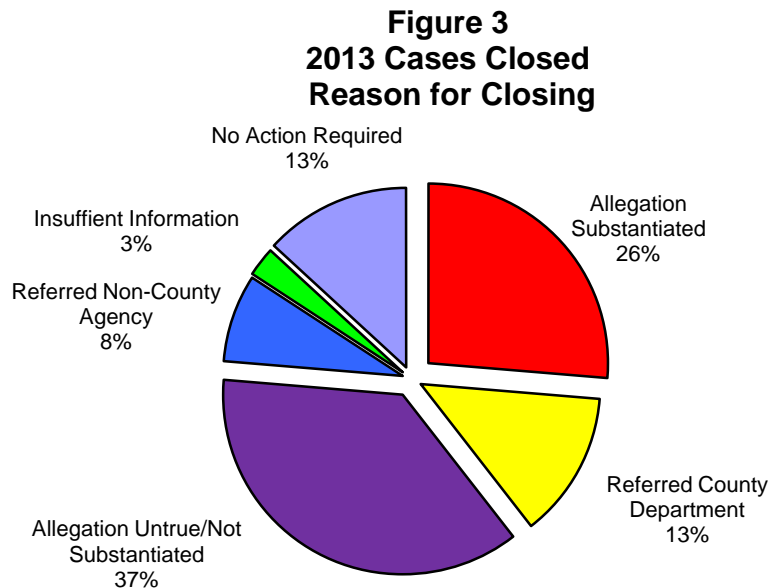
During 2013, 38 cases were closed for a variety of reasons. Of these, four cases were opened in 2012, while the remaining 34 were opened during 2013. As of year-end 2013, two cases remained active.

Table 3 categorizes the 38 cases closed in 2013. Ten cases were closed because the allegations were determined to be either correct or substantially correct, and corrective measures were either implemented or in the process of being implemented. Fourteen cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Of the remaining 14 cases closed in 2013, three were referred to a non-County agency; there was no action required in five cases; there was insufficient information provided to reach any conclusion in one case; and five cases were referred to a County department for additional review and action.

**Table 3
2013 Cases Closed
Reason for Closing**

<u>Reason for Closing</u>	<u>Number</u>	<u>Percentage</u>
Allegation Untrue/Not Substantiated	14	37%
Allegation Substantiated	10	26%
No Action Required	5	13%
Referred to County Department	5	13%
Referred to Non-County Agency	3	8%
Insufficient Information	1	3%
Total	38	100%

The reasons for closing Hotline cases in 2013 are presented graphically as **Figure 3**.



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2013. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

Service Provider Fraud

In 2013, a service provider notified the Milwaukee County Behavioral Health Division (BHD) that the provider had conducted an internal review that found billing discrepancies related to one of its clinicians. The matter was referred to the Administration Section of the Department of Health and Human Services (DHHS). Staff from Contract Administration immediately contacted the Office of the Comptroller Audit Services Division and requested our guidance.

According to the service provider, its internal review included a complete chart audit of the clinician's files and associated billing reports. The clinician had cooperated openly with the internal review, hoping to minimize any consequences, and admitted falsely billing for clients that failed to appear for scheduled counseling services. According to the service provider, the clinician would make telephone contact with clients that missed appointments to 'touch base' and then falsely document and bill the calls as if face-to-face counseling services had been rendered.

The service provider reported that the clinician was immediately terminated following discovery of the falsified billings. In addition, the service provider supplied the County with a copy of a formal complaint that the agency had submitted to the State of Wisconsin Department of Safety and Professional Services regarding the matter. The service provider also supplied the County with documentation that it had reported the incident to the Milwaukee Police Department.

Additional action taken by the service provider included:

- Conducted an in-service meeting with its clinic staff regarding proper billing procedures.
- Implemented additional checks and balances at both the clinic and corporate office levels to help prevent and detect employee misconduct.
- Reinforced with staff that the service provider's ethical standards and business practices must be followed at all times, and that failure to do so would lead to disciplinary action including possible termination, prosecution and license revocation.

The service provider's internal review report of billing discrepancies related to the clinician was described as follows:

After review, due to existing management controls, it appears the clinician's misconduct was limited to Milwaukee County funded mental health clients who were served between November, 2012 to December, 2012. During this two month period, the clinician billed for 24 clients (total of 27 sessions) whom he did not see and did not provide services as required. Total amount is \$1,512.00 for 11/2012 and 12/2012.

As a result of its internal review, the service provider reported nine additional claims the service provider should not have billed due to lack of proper documentation to support the claim, bringing the total to \$2,016.

A joint meeting of staff from the service provider, DHHS Contract Administration, Audit Services Division and BHD was held to further discuss the service provider's internal review and findings related to the falsified billings submitted by the clinician. At the meeting, the service provider was advised by the Audit Services Division that Milwaukee County would conduct its own independent

review of client case files which would include an expanded review of client files for services billed by the clinician in question, as well as other clinicians.

The results of the County's review identified the following additional problems:

- Sessions and/or client signatures were not confirmed by clients contacted;
- Documentation required for billing purposes was missing; and
- Duplicate billings were identified.

The review resulted in a proposed fiscal disallowance of \$6,233, including the service provider's initial review findings totaling \$2,016. The service provider agreed to the additional disallowances and reimbursed Milwaukee County the full amount.

Rent Assistance

Milwaukee County's Rent Assistance program provides rent and utility subsidies based on a participant's income and family size. The Hotline tips relating to the program in 2013 consist primarily of allegations that participants have not reported all of their income, or that they have not disclosed a change in the household makeup (other individuals are now residing in the residence).

In recent years, tips relating to the federal Section 8 Housing Choice Voucher Program (Rent Assistance) have accounted for a relatively high percentage of the allegations reported to the Hotline. For the five-year period 2008 through 2012, tips concerning Rent Assistance issues accounted for 35% of all Hotline allegations.

Due to the number of Hotline allegations related to the Rent Assistance program, in May 2010, the Audit Services Division issued an audit report, *Better Management Oversight Needed for the County Administered Federal Rent Assistance Program*. The report identified the need for improved management oversight and additional program resources to reduce errors and omissions in the calculation of rent subsidies paid on behalf of program participants. Errors and omissions resulted in estimated annualized overpayments of \$328,000 in the \$11.9 million Milwaukee County Rent Assistance program. The report also recognized an estimated \$355,000 in future program savings achieved by management, while noting the opportunity for enhanced program integrity efforts.

In 2013, there was a substantial departure from this recent trend, with six tips (14% of the total received) related to Rent Assistance. Two of the tips were referred to the City of Milwaukee's Fraud Hotline, as the names of the participants and addresses provided were not in Milwaukee County's

program. Of the four tips received in 2013, we were able to substantiate one incident of Rent Assistance impropriety. The caller stated that an individual with a criminal record had moved into the program participant's residence, a potential program violation. We located the individual in the State of Wisconsin Offender database. He was assigned to a Probation Agent. We contacted the Probation Agent and verified that the individual was residing with the program participant. We provided the information to the Rent Assistance program and the program participant was terminated from the program for not reporting a change in household residence. We estimate the future savings to the program is approximately \$41,800.

In addition to receiving allegations related to program participants, we also have been contacted by Rent Assistance program staff to assist in verifying information related to annual recertification forms. Based on the information we provided, five additional individuals were terminated from the program in 2013, resulting in an estimated future savings of approximately \$228,600. It is our observation that Rent Assistance management has taken a more aggressive stance in pursuing program violations during the past year.

Counterfeit Checks/Unauthorized Transactions

With assistance from the Audit Services Division's Bank Reconciliation staff, the Audit Hotline 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.

During 2013, five cases of unauthorized transactions involving Milwaukee County bank accounts were identified:

- Three checks involved forged endorsements.
- One check was altered to change the payee and dollar amount.
- One check was cancelled after having been reported lost, but ultimately was cashed at a later date.

Of the three forged endorsements, two were checks issued to Department of Health and Human Services clients and the other was issued to a jury duty participant. All three reported that they had not received their checks. We generated copies of the checks and verified that the checks were cashed and that the endorsements appeared to be forged. We contacted the appropriate bank staff and the accounts were reimbursed the appropriate funds. In addition, the three individuals were reissued checks.

The check that was altered and the check that was cancelled were identified by the Positive Pay system initiated by the Office of the County Treasurer. The Treasurer's Office electronically provides a list of checks and amounts to the bank. When a check is presented, the check number and the amount are verified against the Positive Pay list. If there is a variance, the check is rejected. In both cases, the checks were deposited into the accounts of another bank and then presented to the Treasurer's Office bank account. The Positive Pay system worked as designed and rejected both checks. We provided the necessary unauthorized transaction documentation to the banks affected.

This represents a substantial reduction in the County's exposure to this type of activity compared to prior years. We believe the reduction is due to our constant vigilance over Milwaukee County's bank accounts, as well as implementation of our previous recommendations to place restrictive controls on various accounts to combat unauthorized transactions.

As we have noted in previous Hotline reports, theft by unauthorized electronic fund transfer and counterfeit checks is a nationwide problem. Easy access to sophisticated computer graphics printing capabilities, as well as increasing reliance on electronic fund transfers, creates an environment of greater risk of bogus transactions. Early detection is critical to avoiding losses from unauthorized transactions, as timely notification places the liability on the accepting party and/or the bank. Proactive procedures implemented by the Audit Services Division to identify questionable transactions on County bank accounts continue to pay dividends.

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 2013 activity.

- **Milwaukee County Hotline Savings (1994—2013)**
 - Total Direct = \$4,919,311
 - Total Direct/Indirect = \$9,838,622

- **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. Our current audit of the Milwaukee County Rent Assistance Program is an example of using data from the Hotline to identify areas of County operations at risk for potential fraud, waste or abuse.

As the Milwaukee County Audit Services Division proceeds with its 21st 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 2013.

Table 4
Milwaukee County Department of Audit Fraud Hotline
Savings Identified 1994—2013

<u>Year</u>	<u>Savings</u>
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
Direct Savings	\$4,919,311
Estimated Total Savings	\$9,838,622

*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—2013
Sources of Contacts

<u>Year</u>	<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
Total	1,207	145	80	64	30	66	1,592
% of Total	75.8%	9.1%	5.0%	4.0%	1.9%	4.1%	100.0%
Average	60.4	7.3	4.0	3.2	1.5	3.3	79.6
1996—2013 Total	648	117	80	64	30	53	992
1996—2013 Average	36.0	6.5	4.4	3.6	1.7	2.9	55.1
1996—2013 Average %	65.3%	11.8%	8.1%	6.5%	3.0%	5.3%	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. Detail may not add to totals due to rounding.

Table 6
Milwaukee County Fraud Hotline Statistics 1994—2013
Types of Allegations

<u>Year</u>	<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
Total	335	543	140	113	58	81	166	1,436
% of Total	23.3%	37.8%	9.7%	7.9%	4.0%	5.6%	11.6%	100.0%
Average	16.8	27.2	7.0	5.7	2.9	4.1	8.3	71.8
1996—2013 Total	259	259	109	98	58	28	60	871
1996—2013 Average	14.4	14.4	6.1	5.4	3.2	1.6	3.3	48.4
1996—2013 Average %	29.7%	29.7%	12.5%	11.3%	6.7%	3.2%	6.9%	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. Detail may not add to totals due to rounding.

Table 7
1994—2013
Reasons for Case Closings

<u>Year</u>	<u>Allegation Substantiated</u>	<u>Allegation Untrue/ Not Substantiated</u>	<u>Referred to Non-County Agency</u>	<u>Insufficient Information</u>	<u>Referred to County Department</u>	<u>No 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
Total	367	479	174	75	206	81	42	1,424
% of Total	25.8%	33.6%	12.2%	5.3%	14.5%	5.7%	2.9%	100.0%
Average	18.4	24.0	8.7	3.8	10.3	4.1	2.1	71.2
1996—2013 Total	248	290	115	47	90	71	4	865
1996—2013 Average	13.8	16.1	6.4	2.6	5.0	3.9	0.2	48.1
1996—2013 Average%	28.7%	33.5%	13.3%	5.4%	10.4%	8.2%	0.5%	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. Detail may not add to totals due to rounding.



MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

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

**Write: Audit Hotline- 2711 W. Wells St., 9th Floor, Milwaukee, WI 53208
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

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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