



February 2021

## Former ROD's Willful Disregard for County Policies and Procedures and Cooperative Vendors Facilitated Development of a "Pot of Gold" for Improper Use of County Funds

### BACKGROUND

Former Register of Deeds John La Fave was charged with one felony count of wire fraud in June of 2020 and entered into a plea agreement with the U.S. Attorney's office. La Fave pled guilty to allegations that beginning in April of 2011 and continuing through 2017, La Fave and "Business A" executed a scheme to evade the county budgeting and procurement rules and processes in order to give La Fave control over the funds. County Board File No 19-486 requested an audit to determine what occurred and what recommendations exist that could prevent future misuse of county funds.

### OVERALL OBJECTIVE

Our overall objective was to review the county's policies and procedures for purchasing and use of outside vendors, accounts payable process and issuance of revenue contracts. In addition, we analyzed what occurred within the ROD's office under La Fave and two vendors, SSR and Fidlar, to determine if he was following established State Statutes, county ordinances, policies and procedures and guidelines.

### WHAT WE FOUND

- La Fave used SSR to perform ROD functions including a social security number redaction program.
- La Fave used sole source agreements with SSR that prohibited the use of third party vendors. SSR used third party vendors and in order to pay these vendors, SSR used a "funds on account" or submitted invoices to Milwaukee County on SSR letterhead instead of the third party vendor's letterhead. Creating the funds on account was done via the submittal of fake pre pay invoices to the county which allowed La Fave to build and then maintain the funds off the county books and spend at his discretion.
- We found the highest level of cumulative funds on account at SSR at year end to be \$850,000 in 2014.
- By overpaying SSR by \$211,178 in 2014, La Fave ended fiscal year 2014 with a deficit of \$226,795 that would have been nearly eliminated if he paid SSR only for actual work performed.
- County processing software does not remind departments that pre-payment to a vendor is not allowed.
- When asked by a County Supervisor regarding the redaction project balance in 2014, La Fave emailed it was \$100,000 when our review found it to be approximately \$851,988.
- At the point SSR finished the redaction project, there was over \$350,000 remaining in the "pot of gold" as La Fave referred to the funds on account in his email (shown below).
- "Project technician fees" were charged by SSR of over \$142,000. We found \$48,969 in project management charges and \$93,313 in charges where we did not find evidence of any work performed. La Fave's plea agreement includes a restitution to the county of \$89,000 from La Fave.
- It appears in addition to county employees moonlighting on the SSR redaction project that SSR employed both La Fave's wife and daughter.
- Fidlar provides numerous products to the county some of which are revenue based. La Fave executed the revenue contracts as the lone county signature and included language allowing Fidlar to hold county revenue contrary to state and county policies. A lack of review of revenue contracts and revenue deposits meant these actions were not caught prior to our fraud investigation.
- La Fave used the holding of revenue at Fidlar to create a funds on account similar to the one at SSR.
- La Fave manipulated the deposit of revenues from Fidlar to correspond to his budgeted revenue amounts as to not create suspicion.
- La Fave used the funds on account to pay for lodging while attending conferences in addition to suggesting the use of the funds to pay for attendance and food and possible tickets for Brewers games in Milwaukee, Chicago and St. Louis.
- Fidlar gifted La Fave over \$7,800 in gifts from 2010 to 2018 which were reported on his Statement of Economic Interest form to the Ethics Board. Currently no information is included on the forms regarding the relationship of the vendor to the recipient.
- We found that approximately \$800,000 was held in funds on account at Fidlar from 2011 to 2018.
- The current ROD followed county policies when executing a new contract with Fidlar in late 2019.

<b>From:</b>	LaFave, John
<b>Sent:</b>	Monday, January 25, 2016 3:32 PM
<b>To:</b>	msobie@ssr-online.com
<b>Cc:</b>	Sarit Singhal; Eckert, Larry
<b>Subject:</b>	Estimate of \$ on account after PROGRIO completes their indexing

Woo hoo!  
Glad to be done with redaction.

I would still like to receive the monthly report as to how we're spending the pot of gold.  
I guess it can be given a new name, such as ROD Balance on Account.

### Why We Did This Audit

We conducted an investigation into the behavior of the prior ROD and referred the materials to law enforcement in 2016. In June of 2020 former ROD La Fave was charged with one felony count of wire fraud. County File No. 19-486 requested an audit to determine if procedures were being followed and any recommendations to improve internal and external controls along with details on how the alleged fraud occurred and any information about involved vendors.

### What We Recommend

ASD made ten recommendations that, if implemented, will address the issues raised in the audit. Key items include:

- The county should update current policies and procedures, manuals and training to include a reminder to departments that the county does not prepay for services.
- The county should review the conduct of SSR and determine if debarment as a county vendor is an appropriate action.
- DHR should work to create and publish guidelines for departments to use when establishing procedures to follow when employees request to perform work for an outside entity including specific instructions when that outside entity is a vendor under a county contract.
- The ROD should work with DHR to review the conduct of ROD employees who were included on email correspondence discussing the former ROD's scheme and who processed inappropriate invoices on his behalf to determine whether corrective action is appropriate for violation of State Statutes, county ordinances, policies and procedures.
- The Administrator of the Ethics Board should prepare a resolution to be considered by the County Board to modify the Statement of Economic Interest form to include information regarding the status of a vendor's relationship with a department when a gift has been received in excess of \$50.
- The current ROD should request full documentation from Fidlar for the funds on account, prepare a written policies and procedures manual for contract review and signature signoff and issue a RFP for all products currently offered from Fidlar at the county.
- The county should review its cash receipts process and possibly include attestations that all earned revenue has been received.
- The county should update ordinances to reflect current statutory guidelines for contracts and include revenue contracts.
- The county should form a workgroup to finalize and issue an updated AMOP including current and accurate procedures to follow for purchasing contracts.
- The county should form a workgroup to develop a training program and manual for newly elected officials to explain their role and the application/explanation of relevant county policies and procedures.

For more information on this or any of our reports visit <https://county.milwaukee.gov/EN/Comptroller/Reports>

To report county government fraud, waste or abuse call 414-933-7283 or visit <http://county.milwaukee.gov/Audit/Fraud-Reporting-Form.htm>