

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 26, 2019

To: Supervisor Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors
Supervisor James 'Luigi' Schmitt, Chair, Committee on Finance and Audit

From: Jennifer L. Folliard, Director of Audits, Office of the Comptroller

Subject: Role and Use of Audit Services: Vendor Selection Complaint

Background

This communication is in response to recent outreach to our office, from multiple sources, regarding a Department of Health and Human Services vendor selection process complaint. We have received and continue to collect information and are reviewing documents. At this time, we are evaluating how best to proceed.

We have historically issued a memo summarizing the role of our office at the start of each term (see File no. 18-324), and plan to do so again in April 2020. This situation presents an opportunity to review the different functions of our office and discuss how our resources are best used.

Discussion

Our office, situated under the Comptroller and guided by Milwaukee County Ordinance 34.09 and 34.095, performs a number of functions including: performance audits, investigations and operation of the fraud, waste, and abuse hotline, management of the external audit contract, and bank reconciliation. The bulk of our staff resources are focused on performance auditing. A central principle of our work is independence. We are able to perform audit work because we are independent of administrative decision-making.

Performance Auditing Function

Performance audits provide elected officials and government employees with an objective third-party analysis of their operation to help them improve performance, reduce costs, and make informed data-driven decisions. Key elements of performance auditing are listed below.

- The scope of this work includes a wide range of diverse topics, but the overall goal of all of our work is to improve programs and services to County residents by either being more effective in accomplishing program objectives, becoming more efficient, strengthening controls and safeguarding County assets, and/or complying with laws and regulations.
- We follow Generally Accepted Government Auditing Standards for all of our performance audit work.
- We issue public reports, which we present to both management and publicly to the County Board. All of our performance audit reports going back to 2002 are available on the Comptroller's website.
- Performance audits can be requested by County Board resolution, can be directed by the Comptroller, or initiated by our office.

Investigations into Fraud, Waste and Abuse (Fraud Hotline Function)

Since 1994, the County's Audit office has also maintained a hotline function to receive, evaluate, and investigate allegations of fraud, waste and abuse in County government. In 2015, the County Board

and County Executive codified this authority by creating Chapter 34.095 of the Milwaukee County Code of General Ordinances. The allegations have ranged from employee and elected official misconduct, theft, public assistance fraud, vendor fraud and counterfeit County checks. Our personnel have worked with the District Attorney's Office, the Office of the Sheriff and state agencies in investigating these allegations. Investigations have resulted in employee discipline, criminal prosecutions, debarment of contractors, and recovery of County funds.

We report out on these activities annually, though generally in order to protect the integrity of the hotline and the anonymity and confidentiality it offers, it is our practice not to discuss these matters outside of our annual reporting process.

- Hotline investigations are typically narrower in scope and predicated by specific alleged misconduct. Therefore, investigations generally wrap up quicker than performance audits, which take several months to complete.
- Due to the nature of the investigative function, hotline impacts are often not widely known or shared beyond the annual reporting.

Both mechanisms have impact. And, these resources do not operate in complete isolation. Fraud activity can lead to initiation of a performance audit (repeat behavior or repeat problems that may warrant a deeper dive), and the fraud auditor consults on every performance audit engagement to ensure our teams are positioned to see potential red flags for fraud, waste, and abuse. Similarly, performance auditors in the field may be approached by individuals regarding a separate fraud complaint.

Concluding Remarks

Finally, while we are often asked to audit in areas where there may be existing or potential litigation, such as inmate medical care, it has been a practice of our office to separate our work from individuals who have filed a lawsuit. When lawyers become involved in a situation, it is no longer an audit issue. This does not necessarily mean we can't perform an audit of an overall issue, but just that in doing so we are mindful to keep our work outside of the legal process. For example, in cases where we select samples, we would exclude those involved in lawsuits from our pool.

Again, in this particular situation, we continue to gather information in order to best determine whether and how we can assist in providing information to County stakeholders.


Jennifer L. Folliard

JLF/cah

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Members, Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Raisa Kolton, Chief of Staff, Milwaukee County Executive
Mary Jo Meyers, Director, Department of Health and Human Services
Kelly Bablitch, Chief of Staff, Milwaukee County Board of Supervisors
Margaret Daun, Milwaukee County Corporation Counsel
Steve Cady, Research and Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Division Manager, Office of the County Clerk