

**2021 Annual Report  
Fraud, Waste and Abuse  
Investigations**

**February 2022**

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

**Scott B. Manske  
Milwaukee County Comptroller**



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Office of the Comptroller  
Audit Services Division

# Milwaukee County

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• Director of Audits  
• Deputy Director of Audits

February 14, 2022

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

We have completed an annual report concerning operation of the Audit Fraud Hotline and other related investigation activities undertaken by the Office of the Comptroller's Audit Services Division during 2021. Per Milwaukee County General Ordinance 34.095(h), the Audit Services Division is required to report annually to the County Executive and the County Board of Supervisors on the preceding year's activities related to fraud, waste and abuse.

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 investigated during 2021 are presented in greater detail.

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 29<sup>th</sup> year of operating the Hotline, the experience gained from working cooperatively with County departments and offices, 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 of those efforts.

Please refer this report to the Committee on Audit.

Jennifer L. Folliard

JLF/cah

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller  
Milwaukee County Board of Supervisors  
David Crowley, Milwaukee County Executive  
Mary Jo Meyers, Chief of Staff, County Executive's Office  
Kelly Bablitch, Chief of Staff, Milwaukee County Board  
Aaron Hertzberg, Director, Department of Administrative Services  
Steve Cady, Research & Policy Director, Office of the Comptroller  
Janelle Jensen, Legislative Services Division Manager, Office of the Milwaukee County Clerk

## Background

The Milwaukee County Board of Supervisors approved the establishment of a hotline within the Audit department on September 23, 1993. The hotline was created for concerned citizens and other interested individuals to report allegations of fraud, waste or abuse in County government. Callers are not required to identify themselves and may remain anonymous.

According to the Association of Certified Fraud Examiners,<sup>1</sup> tips are the most common fraud detection method. Tips account for 43% of initial fraud detection, which is nearly three times greater than the next detection method (internal audit; 15%). Tips from employees account for 50% of discovered fraud. Organizations that operate hotlines and other reporting media are more likely to catch fraud by a tip and experience fraud that is nearly 50% smaller than an organization without a hotline. In addition to the hotline, fraud complaints can be made using a dedicated email address and a website-based online reporting form<sup>2</sup>.

The Audit Services Division (ASD) is authorized by Wisconsin state statute § 59.225(i)<sup>3</sup> and Milwaukee County ordinance § 34.095 to investigate allegations of fraud, waste and abuse.

In April 2015, following the approval of both the County Executive and the County Board of Supervisors, ordinance § 34.095 took effect. Under the ordinance, county employees, officials, contractors, vendors and program clients are required to cooperate in an investigation, ASD has increased access to records and premises, retaliation against people who cooperate with an investigation is prohibited and allegations or known instances of fraud, waste and abuse are to be reported to ASD.

The new employee orientation sessions include a segment on fraud, waste and abuse and the ways that an employee can make a report.

ASD and the County Ethics Board formed a relationship in which ASD personnel can act as agents of the Ethics Board when ASD opens an investigation into an alleged violation of the ethics code. This relationship allows ASD personnel limited and specific access to Ethics Board records which would otherwise be unavailable or require notification of disclosure to the filer.

The COVID-19 pandemic which began in March 2020 and affected normal business, commercial and social operations continued to have an impact on the fraud reporting function in 2021. Complaints related to Milwaukee County government were less than the received complaints which were unrelated to County functions. A possible theory is that the pandemic attributed to a rise in fraudulent behavior generally but the disruptions to and closures of County services, particularly to the public, and changes in employee work habits resulted in fewer instances of reportable fraud.

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<sup>1</sup> 2020 *Report to the Nations*. Copyright 2020 by Association of Certified Fraud Examiners, Inc.

<sup>2</sup> <https://county.milwaukee.gov/EN/Comptroller/Fraud-Waste-Abuse>

<sup>3</sup> The comptroller shall perform all audit functions related to county government. The comptroller shall also have the duties and all the powers and responsibilities conferred upon the clerk as auditor under s. [59.47 \(1\)](#), and shall perform any additional duties and shall have any additional powers as are imposed and conferred upon him or her from time to time by resolution adopted by the board. Audit functions under this paragraph shall be performed in accordance with governmental auditing standards issued by the comptroller general of the United States and generally accepted auditing standards.

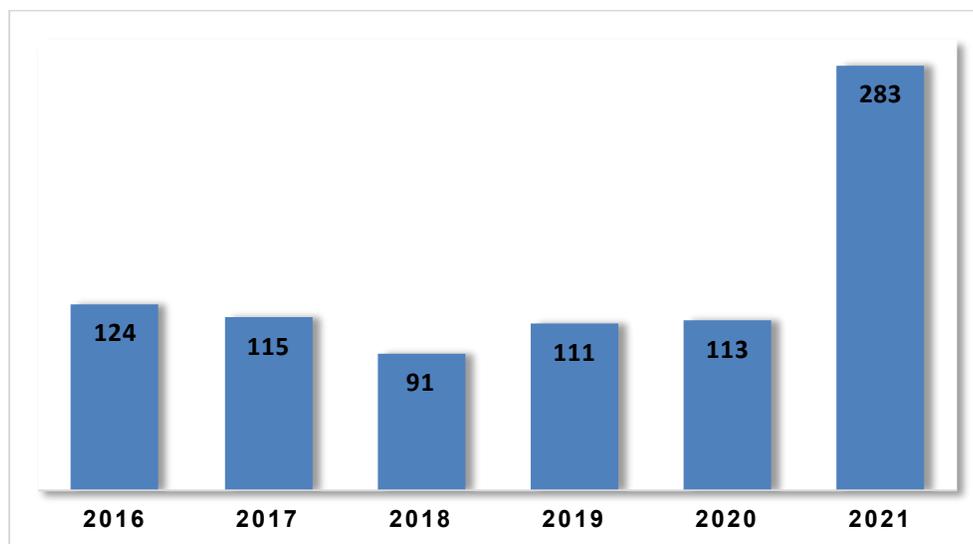
## Summary of 2021 Investigative Activity

### Tips

ASD received 283 complaints (tips) in 2021. 165 of the 283 complaints concerned fraudulent or counterfeit County checks. The counterfeit check complaints peaked in the summer with 125 check-related complaints received from June through August 2021. Because of existing check protection controls, the County was not responsible for any funds paid out in response to the fraudulent checks. The County's bank refunded any distributed funds.

For comparison, in 2021 ASD received 118 tips for other matters. In 2020, ASD received 113 complaints; in 2019, 111 complaints. **Figure 1** displays the number of complaints received annually from 2016 to 2021.

**Figure 1**



The 2021 figure, as well as prior years' figures, do not include contacts with ASD where personnel directed the complainant to a more appropriate agency before a complaint record was created. For example, when a person calls and speaks to ASD personnel about an alleged fraud involving a state Department of Health Services (DHS) program, ASD personnel will provide the person with the telephone number for the DHS Office of Inspector General (OIG) and not make a record of the contact.<sup>4</sup>

These complaints are categorized by source in **Table 1** and presented graphically in **Figure 2**. The counterfeit check notifications came to ASD from the Milwaukee County Office of the Treasurer and are therefore categorized as "Department Referral."

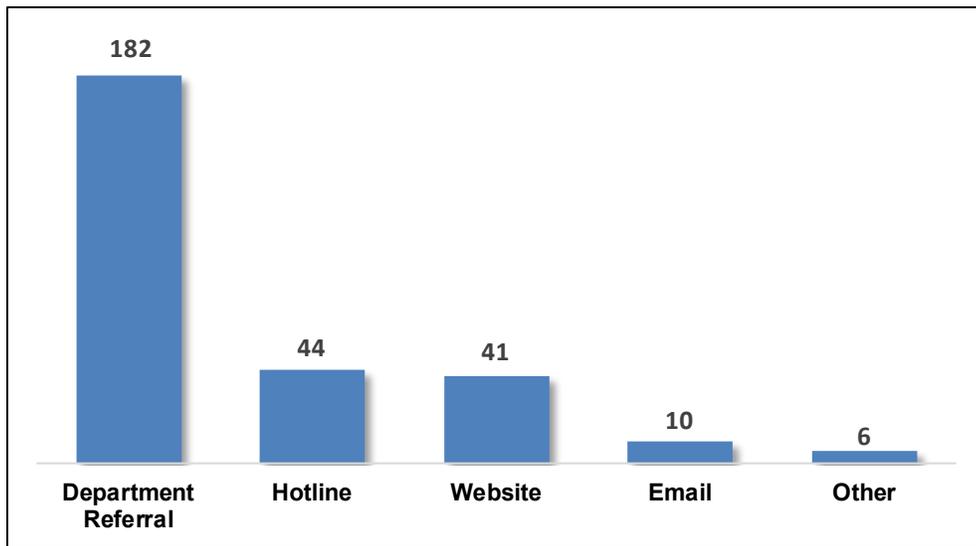
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<sup>4</sup> ASD personnel will record allegations when the County is involved in the administration of a state program or serves as a pass-through agency for state funding.

**Table 1**  
**Allegations of Fraud, Waste or Abuse Contact Origin**

Department Referral	182
Hotline	44
Website	41
Email	10
Other	6
<b>Total</b>	<b>283</b>

**Figure 2**



The received complaints were assigned to a category based upon the nature of the alleged misconduct. **Table 2** shows the complaints received in 2021 by category.

**Table 2**  
**Allegation Categories**

Counterfeit Checks	165
Non-County	53
Public Assistance Fraud	25
Personnel Misconduct	16
Vendor/Provider Fraud	9
Waste	8
Other Fraud	7
<b>Total</b>	<b>283</b>

## Cases Opened

ASD opened four cases in 2021. Two complaints received in 2021 were related to the same allegation and collectively were the predication for one case. For the remaining 2021 complaints, ASD either 1) referred the information to a more appropriate agency or department for action, 2) declined additional action, 3) determined that no action was required or 4) other appropriate action as dictated by the received information. **Table 3** breaks down the disposition of all recorded complaints in 2021 as whole numbers and a percentage.

**Table 3  
Disposition**

Declined	192	67.84%
Referred	54	19.08%
Other/Provided Information	27	9.54%
Pending	5	1.77%
Case Opened	5	1.77%
<b>Total</b>	<b>283</b>	<b>100.00%</b>

A complaint may be declined because the matter does not involve county government, there is insufficient information to begin an investigation, investigating the matter would be a duplication of efforts or ASD does not have the resources available to sufficiently address the allegation. The vast majority of the 165 counterfeit check complaints were listed as declined because the County was not responsible for the fraudulent check amounts and because investigation was impractical due to the nature of check fraud. When possible, ASD provided available information related to the fraudulent checks to the Office of the Treasurer and our bank's fraud investigation team to assist in identifying the responsible individuals.

**Table 4** identifies only the cases opened in 2020 by complaint category.

**Table 4  
Cases Opened**

Personnel Misconduct	3
Waste	1
<b>Total</b>	<b>4</b>

## Cases Closed

ASD closed four cases in 2020. The closed cases started in 2020 and 2021.

Generally, a case is closed substantiated when the evidence reasonably proves that a known actor committed misconduct. ASD submits the substantiated case file, which includes

reports, evidence collected during the investigation and ASD’s analysis and determination, to the actor’s department, the Department of Human Resources and the Office of Corporation Counsel. These departments review ASD’s investigation and determine the appropriate response. A case may also be closed when the alleged subject leaves County employment or affiliation, the alleged issue is corrected by a department or office or ASD determined that further action is unnecessary.

In 2021, ASD referred two case files to the relevant departments to conduct interviews of the alleged subjects. Due to the COVID pandemic, ASD determined that department management was able to conduct the subject interview. ASD provided the departments with the evidence, a list of proposed questions and assisted management in understanding the case evidence.

Likewise, when the evidence cannot support a finding that misconduct occurred, the case is closed unsubstantiated. An “unsubstantiated” finding does not mean that the reported misconduct did not occur, but that ASD determined the available evidence does not support administrative or legal action.

As of year-end 2021, three cases remain active investigations. These cases remain open due to complexity, need to work with other agencies or overall demand of resources.

**Table 5** categorizes the four cases closed in 2021.

**Table 5  
Cases Closed Findings**

Referred	2
Unsubstantiated	2
<b>Total</b>	<b>4</b>

### **Case Highlights**

The following are descriptions of some of the cases closed during 2021. These cases are an example of the kinds of allegations which are reported to ASD. These cases also represent the value the County receives from devoting resources to combating fraud, waste and abuse.

Unless referenced by name, investigation subjects will be referred to by masculine pronouns.

#### **Case # 20003**

In October 2020, ASD received a complaint of alleged employee theft. In summary, a Milwaukee County Department of Transportation (MCDOT) mechanic allegedly worked on a personal, non-County project at a County fleet facility. The employee allegedly used his County-issued purchasing card to buy materials for the personal project. The employee allegedly created a fake work order for an older, seasonal use vehicle to justify the parts purchase.

In November 2020, ASD opened this investigation. ASD contacted the vendor for the alleged personal parts purchase. The vendor provided records from the purchase, including a picture of damaged parts which the employee needed to replace and for which the employee used the County-issued purchasing card to buy. ASD personnel visually inspected the older vehicle with MCDOT management. The parts purchased by the employee did not appear on the vehicle. The visual inspection refuted the repairs stated in the work order.

Due to the ongoing pandemic, ASD personnel requested MCDOT management conduct the interview of the employee. In January 2021, ASD personnel provided MCDOT management with the investigative file and exhibits. In February 2021, MCDOT management reported that after interviewing the employee, management suspended him while preparing to discharge him.

In March 2021, the employee resigned from County employment prior to management filing charges for his dismissal.

#### **Case # 20004**

In September 2020, ASD received a complaint which alleged that an employee was using his position with Milwaukee County to promote a side business. The side business was identified in the complaint. The employee reportedly included information for his side business as the contact for a Milwaukee County sponsored event.

In November 2020, ASD opened this investigation. State corporate records show that the employee was an organizer for the identified business. In 2020, the employee's County department and the side business participated in events at County parks. The employee's side business was listed on event flyers as the contact information. There was no evidence that the employee or the side business had a contract with or received any money from Milwaukee County or another agency related to the events.

In February 2021, ASD personnel virtually interviewed the employee. In summary, the employee admitted to being part of the side business. The side business participated in events with the County. The side business did not receive any money or a contract from Milwaukee County or another agency. The employee stated that the side business did not receive any indirect benefits from participating in the events.

ASD personnel contacted the Milwaukee County Ethics Board for advice on the situation. Based upon the available evidence, the Ethics Board did not believe this substantiated a violation. Ethics Board personnel indicated that the Ethics Board would reiterate the importance of keeping a separation between personal and County business in the county-wide distributed ethics newsletter.

#### **Other Activity**

In addition to receiving and investigating allegations of fraud, waste and abuse, ASD personnel:

- Consult on performance audit fraud risk assessments in accordance with Generally Accepted Government Auditing Standards.

- Assist other local, state and federal agencies in performing their duties related to investigating fraud, waste and abuse.
- By request, provide information for use by County departments and leadership to make better informed responses to issues of real or perceived instances of fraud, waste and abuse.

**Milwaukee County Hotline Savings/Recovery (1994—2021)**

These are the accumulated savings and recoveries for the program since 1994. Industry standards recognize \$1 of indirect savings for every \$1 of direct savings.

- Total Direct = \$5,110,612
- Total Indirect = \$10,221,224

**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.*