

**2015 Annual Report
Fraud, Waste and
Abuse Investigations**

February 2016

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

**Scott B. Manske
Milwaukee County Comptroller**



Jerome J. Heer, Director of Audits

**Audit Forensic Manager
Matthew Hart, MBA, CFE**

**Administrative Support
Cheryl Hosp**



Office of the Comptroller
Audit Services Division

Milwaukee County

Jerome J. Heer

• Director of Audits

February 19, 2016

To the Honorable Chairman
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 2015.

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 2015 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 23rd 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 of those efforts.

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

Jerome J. Heer
Director of Audits

JJH/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
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Chief Committee Clerk, Office of the County Clerk

2015 Annual Report Audit Hotline and Audit Activity Related to Fraud, Waste and Abuse

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,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.

Fraud Program Improvements

In 2015, the Audit Services Division (ASD) stepped up its efforts to promote and strengthen the division's role in investigating fraud, waste and abuse in County government.

In April, following the approval of both the County Executive and the County Board of Supervisors, County Ordinance 34.095 took effect. This ordinance codifies ASD's authority and abilities to investigate allegations of fraud, waste and abuse. 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. A copy of the ordinance is included as an appendix at the end of this report.

ASD added an online form to its website² which can be used to report fraud, waste and abuse. The new employee orientation sessions include a segment on fraud, waste and abuse and the ways that an employee can report a concern via the hotline.

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.

ASD increased its promotion of the fraud hotline and its investigative function by meeting with management from County departments and the Milwaukee County Transit System (MCTS) and by posting flyers throughout the County Courthouse. In December, ASD began advertising inside of County buses. Advertising on bus shelters will begin in early 2016. The bus advertisement follows:

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

² <http://county.milwaukee.gov/Audit/Fraud-Reporting-Form.htm>



Summary of 2015 Investigative Activity

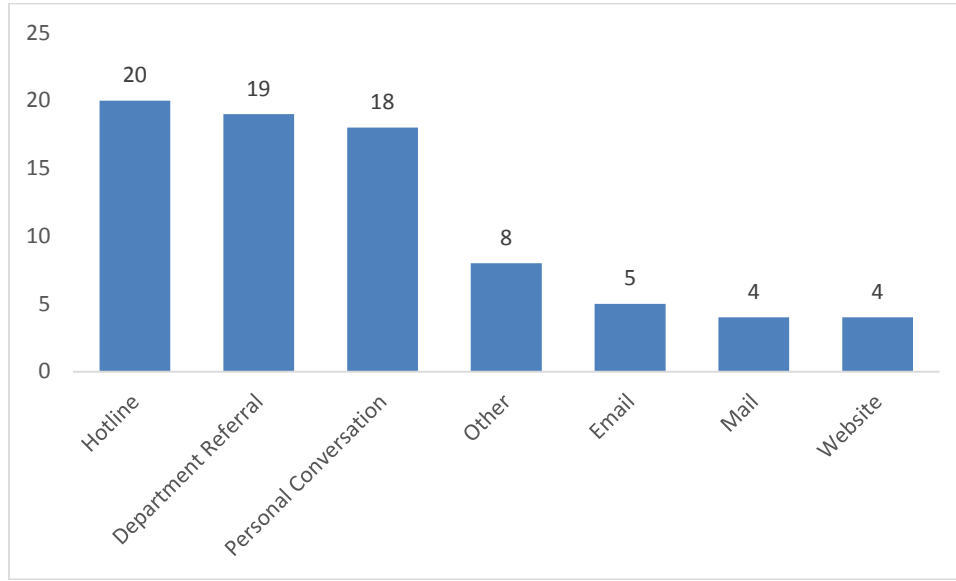
Tips (Complaints)

ASD received 78 complaints (tips) concerning allegations of fraud, waste or abuse in 2015. In 2014, ASD received 63 complaints; in 2013, 42 complaints. The 2015 figure does not include contacts with ASD where personnel referred the complainant to a more appropriate agency before a complaint record was created. These complaints are categorized by source in **Table 1**.

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

Hotline	20
Department Referral	19
Personal Conversation	18
Other	8
Email	5
Mail	4
Website	4
Total	78

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



The received complaints were assigned to a category. The complaints received in 2015 by category were:

Vendor/Provider Fraud	21
Employee Misconduct	20
Public Assistance Fraud	12
Other Fraud	8
Operational Inefficiencies	7
Unfair Hiring Practices	4
Waste	3
Non-County	2
Counterfeit Transaction	1
Total	78

Cases Opened

ASD opened 18 cases in 2015. The remaining tips were referred to a more appropriate agency or department for action, declined or no action was required. A tip can be declined because the matter does not involve county government, there is insufficient information to take action, investigating the matter would be a duplication of efforts or ASD does not have the resources available. **Table 2** identifies the cases opened in 2015 by complaint category.

**Table 2
Cases Opened**

Employee Misconduct	11
Unfair/Improper Hiring	2
Operational Inefficiencies	1
Other Fraud	1
Public Assistance	1
Vendor/Provider Fraud	1
Waste	1
Total	18

Cases Closed

ASD closed 12 cases in 2015. Four of the 12 cases were opened in 2014 and finished in 2015. The remaining closed cases were opened and concluded in 2015. As of year-end 2015, the balance of the cases opened in 2015 remained open due to complexity, cooperation with other agencies or overall demand of resources.

Table 3 categorizes the 12 cases closed in 2015.

**Table 3
Cases Closed
Finding**

Substantiated	7
Unsubstantiated	2
Referred	2
No Action Required	1
Total	12

Case Highlights

The following are descriptions of some of the cases closed during 2015. 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.

Case # 14013

In August 2014, ASD opened an investigation after receiving an allegation that a MCTS employee (Employee A) was stealing bus parts by loading a bus scheduled for auction with valuable bus parts and then bidding on the loaded bus. ASD received additional information that another MCTS employee (Employee B) was stealing company property for personal use.

ASD investigated these matters with the assistance of District Attorney's Office investigators. Ultimately, the District Attorney's Office decided not to pursue criminal charges against either employee.

Employee A retired after being interviewed about the allegations. The investigation of Employee B established that the employee used company property and equipment for non-work purposes in violation of company policy. MCTS management agreed with the conclusion and suspended Employee B for 30 days.

Case # 14017

In November 2014, the Department of Administrative Services (DAS) received information that a subcontractor company to a County land development agreement was not paying its workers the required prevailing wage. After some initial fact finding, DAS contacted ASD about the allegations. ASD brought this matter to the District Attorney's Office. The District Attorney's Office ultimately decided not to pursue criminal charges.

The investigation established that the company did not pay the required prevailing wage for a portion of the work performed and did not report hours worked on the weekend which would have been subject to overtime rates. The investigation established that the company submitted false payroll information to the county in an effort to appear in compliance with the required project standards.

The Corporation Counsel's Office agreed with the investigation findings. On August 12, 2015, the Corporation Counsel's Office notified the company that it would be deemed not qualified to bid or participate on (debarred from) county public works contracts for three years.

Case # 15003

An investigation into 2014 Countywide purchasing card (p-card) transactions established that the policies and procedures which governed p-card use and record keeping were not being consistently followed by cardholder employees and the supervisors in several departments. Some of the identified issues included cardholders and approving supervisors not signing the required documents, cardholders submitted copies of receipts as opposed to the originals and prohibited p-card use such as chaining.

ASD shared its findings with DAS Procurement Division, the county's p-card authority. ASD and the Procurement Division worked together to update and revise the p-card policies and procedures. The Procurement Division also created an online training which all cardholders will be required to complete annually.

Case # 15007

In March 2015, ASD received information that a DAS employee who was responsible for selling surplus County real property wanted to sell a property to a known associate. The sale did not occur. The property was later sold through a competitive process for substantially more than the associate would have paid.

The investigation established that the employee did not follow the County ordinance-mandated procedures for advertising and disposing of surplus real property, that the employee made false statements orally and in writing, and that the employee violated the County Code of Ethics by attempting to use their public position to gain an unlawful benefit, advantage or privilege for another.

ASD submitted the investigation findings to DAS and the Ethics Board. DAS attributed any mistakes to system failures rather than individual action. DAS developed a new procedure for the disposal of surplus real property, hired new staff and trained all necessary staff on the new procedure.

The Ethics Board determination is still pending as of the time of this report.

Recovery

In 2015, ASD investigations contributed to the recovery of \$4,231.16.

Case # 14014

ASD investigated alleged County Department of Health and Human Services (DHHS) employee misconduct. The case was closed unsubstantiated. The investigation did identify \$705.25 in recoverable funds from three DHHS service agencies for improper billing practices. The improper practices included overlapping service sessions and documents which contained false or misleading information. ASD sent its findings to DHHS. DHHS agreed with the findings and initiated the recoupment process.

Case #14016

In November 2014, ASD received information that a person who received rent assistance from DHHS did not report an income increase. The rent assistance program required notification of any income changes within a certain time. The investigation established that the subject did receive a pay increase which was not reported to DHHS. DHHS moved to terminate the subject from the program; however, the program termination was overturned at a hearing. The subject entered into a repayment agreement for \$3,525.91.

Milwaukee County Hotline Savings/Recovery (1994—2015)

- Total Direct = \$4,936,905
- Total Direct/Indirect = \$9,873,810

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.

Appendix

34.095 - Investigations concerning fraud, waste, and abuse.

The office of the comptroller—audit services division, having established a hotline for the purposes of receiving and investigating allegations of fraud, waste, and abuse in Milwaukee County government, the following shall apply:

- (a) The audit services division is authorized to investigate allegations of fraud, waste, or abuse. Powers of the audit services division include those described in section 34.09.
- (b) All county employees, officers, elected officials, vendors, contractors, subcontractors, and applicants, unless otherwise excluded, shall cooperate by providing complete, true, and honest records and testimony in any and all investigations conducted pursuant to this chapter.
- (c) All county departments', offices', contractors', and subcontractors' premises, personnel, equipment, records, documents, books, and papers, unless otherwise excluded, shall be made available to the director of audits, his agent or designee at any and all times with or without notice. For contractors and subcontractors, this provision shall be enforceable for three (3) years following the date of last payment.
- (d) Any and all county contracts and solicitations for contracts shall include a statement that the contractor and any subcontractors understand and will abide by the requirements of this chapter.
- (e) No county employee, officer, elected official, vendor, contractor, or subcontractor shall retaliate against any person who in good faith reports to, assists, cooperates with, provides information to, or contacts the audit services division regarding fraud, waste, or abuse.
- (f) No person shall willfully or otherwise knowingly interfere with or obstruct an investigation conducted by announced audit personnel pursuant to this chapter.
- (g) Investigation information, files, and records shall be confidential and shall not be disclosed except as required by law and except as needed to properly investigate allegations of fraud, waste, and abuse, including but not limited to, disclosure to law enforcement and regulatory agencies.
- (h) The audit services division shall submit to the county executive and the county board an annual report describing the activities related to fraud, waste, and abuse in Milwaukee County government in the preceding year.
- (i) All county employees, officers, elected officials, vendors, contractors, and subcontractors are required to report in a reasonable amount of time to the audit services division all known instances or allegations of fraud, waste, and abuse in Milwaukee County government.
- (j) No person shall knowingly make a materially false statement which the person does not believe to be true at the time of the statement to the audit services division concerning fraud, waste, and abuse.
- (k) Any person subject to the requirements of this chapter who willfully violates any provision of this chapter may be subject to disciplinary action, including but not limited to, discharge from employment, debarment from doing business with Milwaukee County, and/or a citation issued under section 63.09(2) of the ordinances carrying a cash deposit and maximum penalty of one hundred dollars (\$100.00) for each day that a violation occurs.
- (l) The provisions of this Code shall be deemed severable and it is expressly declared that the county board would have passed the other provisions of this Code irrespective of whether or not one (1) or more provisions may be declared invalid, and if any provision of this Code

or the application thereof to any person or circumstances is held invalid, the remainder of the Code and the application of such provisions to other persons or circumstances shall not be affected thereby.



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
Email: “Website: county.milwaukee.gov/FraudHotline7880.htm”**

A service of the Milwaukee County Comptroller’s Office

For Reporting:

- **Incidents of fraud, waste or abuse 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
Employee Relations	414-278-2000

City of Milwaukee:

Fraud Hotline 414-286-3440

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