

**2010 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

February 2011

Committee on Finance and Audit

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Department of Audit

Milwaukee County

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February 25, 2011

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

We have completed an annual report concerning operation of the Department of Audit Hotline and other related audit activities undertaken by the Department of Audit during 2010.

The attached report includes a statistical summary of these activities, as well as a brief narrative describing the nature of various categories of cases resolved during the year. In addition, some of the more interesting cases closed during 2010 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 2010 totaled \$144,675. In addition, we experienced continued success from our proactive procedures to reduce the number of unauthorized electronic banking transactions perpetrated on County accounts.

You will note from the 2010 case highlights that the nature of alleged improprieties presented to the Department of Audit for investigation has remained complex and continue to involve inter-agency cooperation with numerous governmental entities. As the Department of Audit begins its 18th year of operating the Hotline, the experience gained from working cooperatively with County departments, the District Attorney's Office, the Sheriff's Office 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 the department's activities in this regard.

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

Jerome J. Heer
Director of Audits

JJH/DCJ/cah

Attachment

cc: Milwaukee County Board of Supervisors
Marvin Pratt, Interim Milwaukee County Executive
Terrance Cooley, Chief of Staff, Milwaukee County Board
John Ruggini, Interim Director, Department of Administrative Services
Stephen Cady, Fiscal and Budget Analyst, County Board Staff
Carol Mueller, Chief Committee Clerk, County Board Staff

**2010 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 Department of Audit to submit annual reports on Hotline activities to the Committee on Finance and Audit. This report provides a statistical summary of Hotline and other audit activity during the past year, a description of various categories of resolved cases, as well as details of selected cases closed during 2010. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2010 totaled \$144,675.

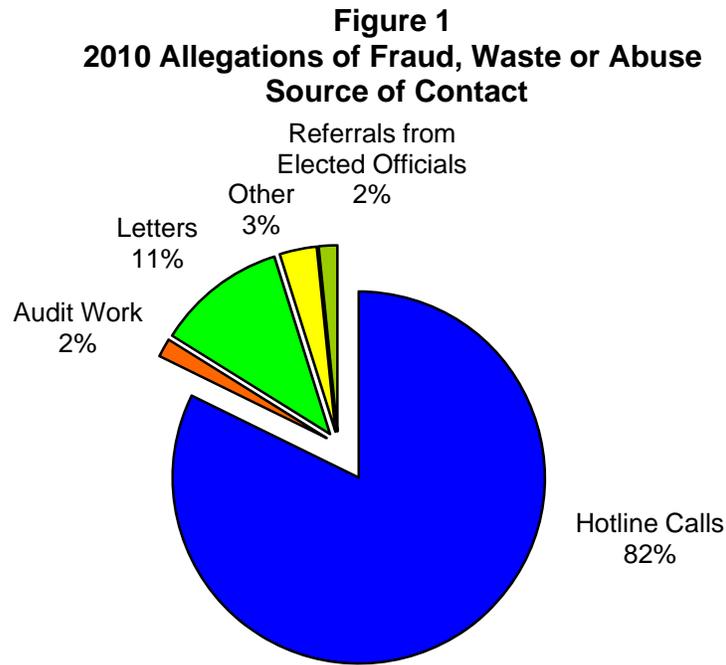
Statistical Summary

The Department of Audit received 62 contacts concerning allegations of fraud, waste or abuse in 2010. These contacts are categorized by source in **Table 1**.

**Table 1
2010 Allegations of Fraud, Waste or Abuse
Source of Contact**

Hotline Calls	51
Letters	7
Referrals from Elected Officials	1
Leads from Audit Work	1
Other	2
Total	62

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



Cases Opened

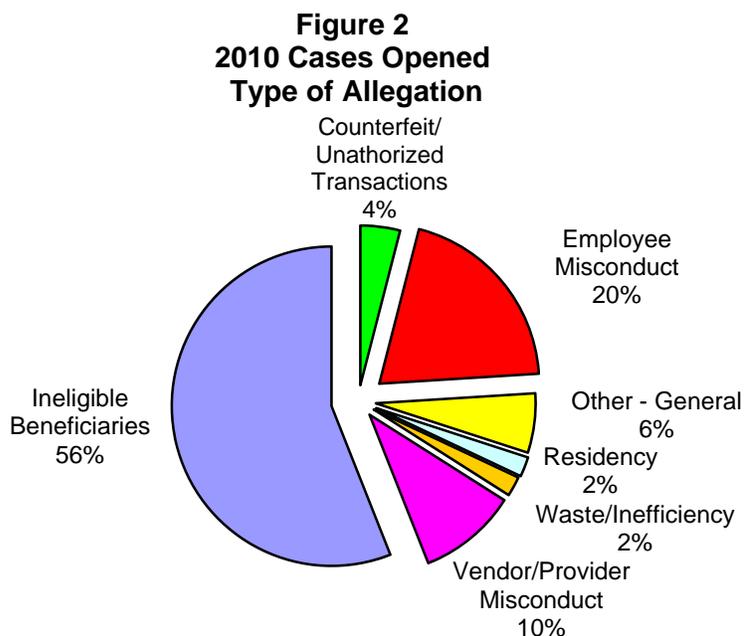
Cases opened in 2010 concerned allegations of individuals receiving benefits to which they were not entitled, employee fraud or misconduct, and counterfeit or unauthorized transactions, among others. When allegations involve issues beyond the jurisdiction of County government, they are referred to appropriate 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 complaint type, Hotline cases opened in 2010.

Table 2
2010 Cases Opened
Type of Allegation

Ineligible Recipients	28
Employee Misconduct	10
Vendor/Provider Misconduct	5
Counterfeit/Unauthorized Transactions	2
Waste/Inefficiencies	1
Residency	1
Other	3
Total	50

This same information is presented graphically as **Figure 2**.



Cases Closed

During 2010, 48 cases were closed for a variety of reasons. Of these, four cases were opened in 2009, while the remaining 44 were opened during 2010. As of year-end 2010, six cases remained active.

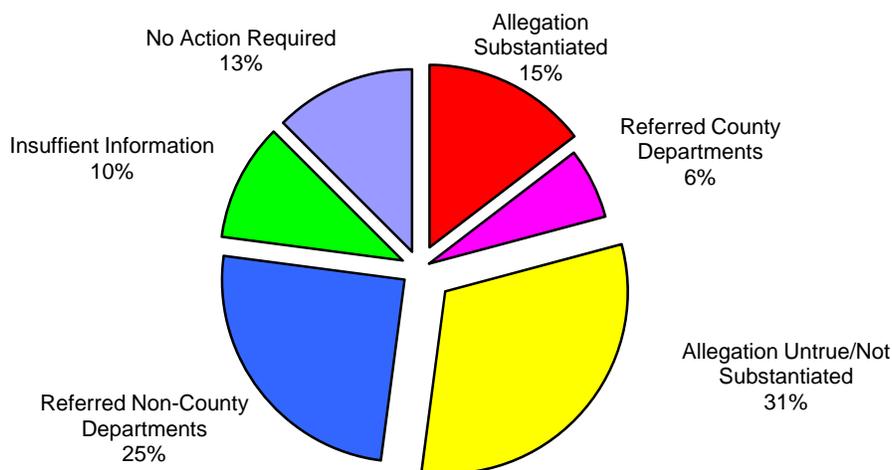
Table 3 categorizes the 48 cases closed in 2010. Seven cases were closed because the allegations were determined to be either correct or substantially correct, and corrective measures were either implemented or in the process of being implemented. Fifteen cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Of the remaining 33 cases closed in 2010, 12 were referred to non-County agencies; seven cases were substantiated; there was no action required in six cases; there was insufficient information to proceed in five cases and three cases were referred to a County department for additional review and action.

**Table 3
2010 Cases Closed
Reason for Closing**

Allegation Untrue/Not Substantiated	15
Referred to Non-County Agencies	12
Allegation Substantiated	7
No Action Required	6
Insufficient Information	5
Referred to County Department	3
Total	48

This same information is presented graphically as **Figure 3**.

**Figure 3
2010 Cases Closed
Reason for Closing**



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2010. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

Update on Wiser Choice Program—Alcohol and Other Drug Abuse

In 2009, the Milwaukee County District Attorney's Office contacted the Department of Audit to obtain assistance related to a service provider that was billing the Milwaukee County Behavioral Health Division's Wiser Choice Program for counseling sessions that did not take place. A Wiser Choice Program participant had informed the Greenfield Police Department that a substance abuse counselor had the participant pre-sign attendance sheets and billed the Wiser Choice program for counseling sessions that did not occur. In addition, the counselor solicited controlled substances such as morphine and oxycodone from the program participant.

To assist the District Attorney's Office with this investigation, we:

- Identified and made copies of all checks issued by the Behavioral Health Division to the service provider in 2008 and 2009.
- Obtained the names of the clients and the dates of service related to the checks issued and cross-referenced the checks to dates of service.
- Worked with the Greenfield Police Department to identify dates of service that did not occur. Greenfield police interviewed program participants that we identified as having been billed to the program. The participants reviewed the sign-in sheets and identified forged signatures. They also identified dates that they did not attend counseling sessions. Based on participants' statements, we identified the types of service and the corresponding dates that services were not provided.

We provided the compiled documentation to the District Attorney's Office and charges were issued in November 2009. Fraudulent billings and payments identified totaled \$4,823. We also requested that the staff of the Department of Health and Human Services, Contract Administration perform a complete review of all payments to the service provider from March 1, 2008 through August 31, 2009. An additional \$109,696 in payments was disallowed primarily because of missing or incomplete documentation.

The counselor pleaded guilty to the charges and was sentenced to six years of imprisonment. The court stayed the sentence and placed the counselor on probation for a period of three years with various conditions which included restitution of the \$4,823.

The counselor and his attorney are currently in the process of reviewing the additional \$109,696 in disallowed payments. Ultimately, the disallowed payments will be referred to Corporation Counsel to start the collection process.

Rent Assistance

Tips relating to the federal Section 8 Housing Choice Voucher Program (Rent Assistance) continue to account for a relatively high percentage of the allegations reported to the Hotline. For the three-year period 2008 through 2010, Rent Assistance tips accounted for 35.5% of all Hotline tips.

In 2010, a total of 27 tips received (43.5% of the total) related to Rent Assistance. Nine 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.

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 2010 consist primarily of allegations that participants have not reported all of their income, or that they have not disclosed other individuals with additional income that are living at the residence.

We were able to substantiate two of the allegations received. The program violations included the following:

- A tip alleged that multiple individuals resided at a residence and the program participant had not reported the additional residents as required by program policy. Based on the names provided, we were able to locate multiple court records related to two individuals who had provided the address in question as their residence.

This information was submitted to the Rent Assistance program staff and an administrative hearing was held to determine whether program policies were violated. The hearing officer ruled that the program had failed to meet its burden of proof. As a result, we obtained additional documentation from the State of Wisconsin Department of Transportation to initiate another administrative

hearing. One of the individuals was issued a Wisconsin identification card bearing the address of the program participant. The hearing is pending at the time of this report.

- Another tip indicated that a program participant was delinquent in paying the participant's portion of the rent for three months and was in the process of being evicted. We were able to verify the allegation through the Wisconsin Circuit Court Automation Program. We provided the documentation to the Rent Assistance program and the individual was terminated from the program. We estimate resulting savings to the program of \$34,905.

Due to the number of Hotline allegations related to the Rent Assistance program, in May 2010, the Department of Audit 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.

Counterfeit Checks

With assistance from the Department of Audit's Bank Reconciliation staff, our Forensic Auditor 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 2010, we identified one unauthorized transaction (\$74) posted to a Milwaukee County bank account. Bank officials were contacted immediately to report the unauthorized transaction and to obtain reimbursement. The small dollar amount of this unauthorized transaction represents a substantial reduction in the County's exposure to this type of activity compared to prior years. For instance, the 2001 Annual Hotline Report noted that the Department of Audit's Forensic Auditor assisted in the County being held harmless for \$108,000 in unauthorized bank transactions. 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 key 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 Department of Audit to identify questionable transactions on County bank accounts continue to pay dividends.

Ongoing Hotline Benefits

We frequently have been approached by *other audit organizations* audit shops at both the state and local levels for advice in 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 2010 activity.

- **Milwaukee County Hotline Savings (1994—2010)**
 - Total Direct = \$4,550,007
 - Total Direct/Indirect = \$9,100,014

- **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 Department of Audit proceeds with its 18th year of operating a Hotline, the benefits described above continue to play an important part in the department achieving its stated mission:

Department of Audit Mission Statement

Through independent, objective and timely analysis of information, the Milwaukee County Department of Audit 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 2010.

Table 4
Milwaukee County Department of Audit Fraud Hotline
Savings Identified 1994—2010

<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
Direct Savings	\$4,550,007

Estimated Total Saving \$9,100,014

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—2010
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
Total	1,095	124	63	63	29	56	1,430
% of Total	76.6%	8.7%	4.4%	4.4%	2.0%	3.9%	100.0%
Average	64.4	7.3	3.7	3.7	1.7	3.3	84.1
1996—2010 Total	536	96	63	63	29	43	830
1996—2010 Average	35.7	6.4	4.2	4.2	1.9	2.9	55.3
1996—2010 Average %	64.5%	11.6%	7.6%	7.6%	3.5%	5.2%	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.

Table 6
Milwaukee County Fraud Hotline Statistics 1994—2010
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
Total	287	493	123	102	52	81	159	1,297
% of Total	22.1%	38.0%	9.5%	7.9%	4.0%	6.2%	12.3%	100.0%
Average	16.9	29.0	7.2	6.0	3.1	4.8	9.4	76.3
1996—2010 Total	211	209	92	87	52	28	53	732
1996—2010 Average %	14.1	13.9	6.1	5.8	3.5	1.9	3.5	48.8
1996—2010 Average %	28.8%	28.5%	12.6%	11.9%	7.1%	3.8%	7.2%	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. 2005 and 2006 totals for Employee Misconduct includes 3 and 4 cases, respectively, classified in the Annual Reports as 'Non-Resident.'

Table 7
Milwaukee County Fraud Hotline Statistics 1994—2010
Reasons for Case Closings

Year	Allegation		Referred to Non-County Agency	Insufficient Information	Referred to County Department	No Further Action Required	Other	Total
	Substantiated	Untrue/ Unsubstantiated						
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
Total	328	438	150	66	192	66	42	1,282
% of Total	25.6%	34.2%	11.7%	5.1%	15.0%	5.1%	3.3%	100.0%
Average	19.3	25.8	8.8	3.9	11.3	3.9	2.5	75.4
1996—2010 Total	209	249	91	38	76	56	4	723
1996—2010 Average %	13.9	16.6	6.1	2.5	5.1	3.7	0.3	48.2
1996—2010 Average %	28.9%	34.4%	12.6%	5.3%	10.5%	7.7%	0.6%	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.