

**2002 Annual Report
Audit Hotline and Audit Activity
Addressing Potential Fraud,
Waste or Abuse**

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Committee on Finance and Audit

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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 instances of fraud, waste or abuse in County government. Callers are not required to identify themselves. If they do, identification is kept confidential, to the fullest extent provided by law.

A County Board Resolution (File No. 95-210) directed 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 2002. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste or abuse in 2002 totaled \$123,962. It should be noted that timely identification of fraudulent activity prevents future losses over and above identified savings.

Statistical Summary

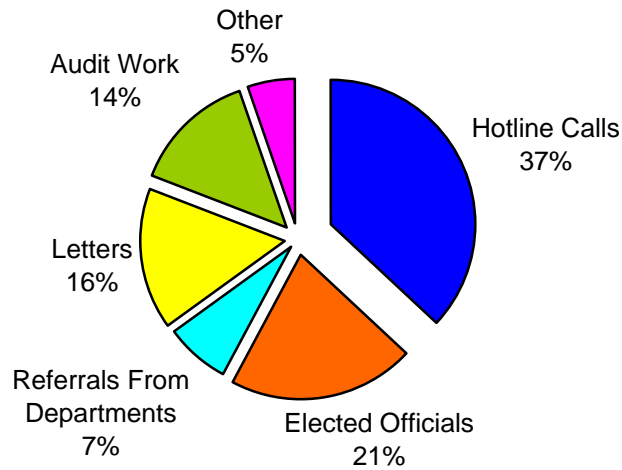
The Department of Audit received 57 contacts concerning allegations of fraud, waste or abuse in 2002. These contacts are categorized by source in **Table 1**.

**Table 1
2002 Allegations of Fraud, Waste or Abuse
Source of Contact**

Hotline Calls	21
Referrals from Departments	4
Letters	9
Audit Work	8
Elected Officials	12
Other	3
Total	57

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

Figure 1
2002 Allegations of Fraud, Waste or Abuse
Source of Contact



Cases Opened

Cases opened included allegations of employee fraud or misconduct, waste or inefficiencies, and vendor misconduct, among others. When allegations involve issues beyond the jurisdiction of County government, they are referred to appropriate non-County agencies.

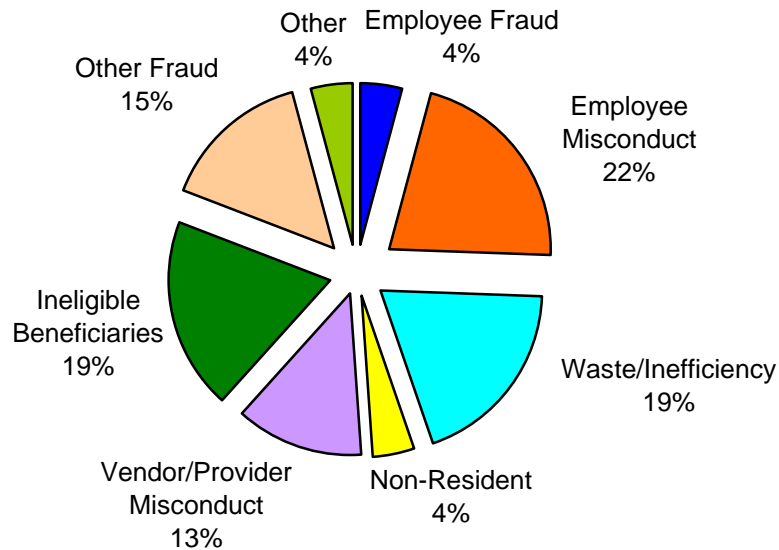
Table 2 identifies, by complaint type, the total number of cases opened in 2002.

Table 2
2002 Cases Opened
Type of Allegation

Employee Fraud	2
Employee Misconduct	10
Vendor/Provider Misconduct	6
Waste/Inefficiencies	9
Counterfeit/Unauthorized Transactions	7
Other	2
Non-Resident	2
Ineligible Beneficiaries	9
Total	47

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

Figure 2
2002 Cases Opened
Type of Allegation



Cases Closed

During 2002, 60 cases were closed for a variety of reasons. Of these, six cases were opened in 2000, 13 were opened during 2001 and 41 were opened in 2002. As of year-end 2002, seven cases remained active.

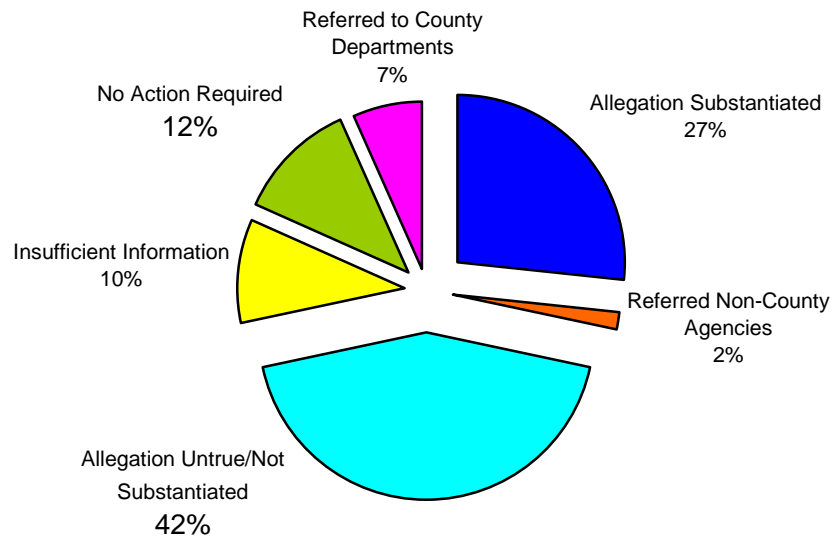
Table 3 categorizes the 60 cases closed in 2002. Sixteen cases were closed because the allegations were determined to be either correct or substantially correct, and corrective measures were either implemented or in the process of being implemented. Twenty-six cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Six cases were closed due to insufficient information. Of the remaining 12 cases closed in 2002, four were referred to a County department, one was referred to a non-county agency and in seven cases, no action was required.

Table 3
2002 Cases Closed
Reason for Closing

Allegation Substantiated	16
Allegation Untrue/Not Substantiated	26
Referred to County Department	4
No Action Required	7
Insufficient Information	6
Referred to Non-County Agency	1
Total	60

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

Figure 3
2002 Cases Closed
Reason for Closing



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2002. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

Human Services Vendors

Separate audits issued by the County Department of Audit and the State Office of Program Review and Audit in 2001 identified significant problems with the monitoring of private agencies providing services for the former Child Welfare Division of the County Department of Health and Human Services (DHHS) as well as the Wraparound Program administered by the Behavioral Health Division. Collectively, the audits identified a number of vendors within the DHHS Integrated Provider Network that had been paid for services that were either unallowable or were not supported by agency records. Based on the audit findings, several vendors were suspended from the network. At the request of DHHS, we reviewed additional documentation provided by those vendors who challenged the original audit findings. One of our follow-up reviews was concluded in 2002 because it included coordinated efforts with the State of Wisconsin Department of Justice and Milwaukee Public Schools.

We reviewed documentation provided by a transportation vendor for \$288,455. Of this amount, we recommended DHS recoup \$59,517 (21%). The primary reasons for the disallowed payments included:

- Lack of documentation relating to the transportation services invoiced.
- Rates for transports were applied in excess of the agreed rate.
- The vendor charged for each 'no show,' which is not allowed.

At the time of the initial review, the County did not require transportation providers to maintain logs of the trips provided. Since then, additional procedures have been implemented related to documenting transportation services provided. Currently, transportation vendors are required by the County to maintain a transportation log for all transports. The logs must contain dates of service, pick-up and drop-off locations and times, as well as the signatures of a responsible adult.

At this time, the vendor remains suspended from the network.

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 and unauthorized electronic account activity against Milwaukee County bank accounts. This fraudulent activity is primarily associated with a

DHHS payment account and the House of Correction's (HOC) Inmate Trust Account. The Inmate Trust Account is used by HOC to 'zero out' inmate accounts (used to purchase sundry items while incarcerated) upon discharge from the facility. During 2002, the Forensic Auditor, who is both a Certified Public Accountant and a Certified Fraud Examiner, assisted in holding Milwaukee County harmless for approximately \$64,500 in unauthorized banking transactions.

In one case, Bank Reconciliation staff noted that a check for \$1,400 was returned because no account was found. Ultimately, it was determined that the check was counterfeit. It was made out to an inmate who was being held on forgery charges until bail could be posted. The counterfeit check was recorded in the inmate's account and subsequently \$250 was used to post the inmates bail with the remaining balance issued to the released inmate in the form of cash and a check. We recommended that the Sheriff's Department revise its procedures so that checks deposited to inmate accounts are verified prior to posting an amount to an inmate's account. The Sheriff has implemented this change. The released inmate did not show for the scheduled court date and a bench warrant was issued for her arrest.

In another case, an individual attempted to deposit five counterfeit checks totaling \$60,650. The checks were made out to a transportation company and appeared to be payment for services provided to Milwaukee County. In working with the Brookfield Police Department and the Milwaukee Police Department, the perpetrator was identified as the same individual who cashed five checks totaling \$37,500 in 2001.

At this time, the case has been referred to the Milwaukee County District Attorney's Office for its review and it is anticipated charges will be issued shortly.

As we noted in a May 1, 2001 memo to the Finance and Audit Committee of the Milwaukee County Board, theft by unauthorized electronic fund transfer and counterfeit checks is on the rise nationally. The advent of sophisticated computer graphics printing capabilities as well as an increase in electronic fund transfers is at the root of this increase in 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. Continued cooperation from departments is the timely submission of monthly account

documentation to the Department of Audit's Bank Reconciliation section is critical to the success of these efforts.

Related Fraud Detection Activity

In September 2002, 14 individuals were indicted for defrauding the Wisconsin Medicaid program. The individuals were employed by a company that provided home health care services to several clients of the County Department on Aging. In cooperation with the Internal Revenue Service, Federal Bureau of Investigation and the U.S. Attorney's Office, we obtained and provided documentation that was used to help indict several of the individuals. As of the date of this report, we are awaiting the final disposition of these cases.

Another individual, who also worked for the same company, was indicted in 2001 and pleaded guilty to defrauding the Medicaid program. This individual was ordered to pay restitution of \$13,784, was fined \$10,000 and was placed on probation for four years. The Department of Audit also obtained and provided the documentation used to obtain the conviction in that case.

Contact the Fraud Hotline at our web site:

www.milwaukeecounty.org