

**2008 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

February 2009

Committee on Finance and Audit

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Milwaukee County

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• Director of Audits

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February 23, 2008

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 2008.

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 2008 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 2008 totaled \$1,070,650.

You will note from the 2008 case highlights that the nature of alleged improprieties presented to the Department of Audit for investigation has, as in recent years, remained complex. Of particular note is the technical assistance we provided the District Attorney's Office in identifying and documenting \$860,000 in fraudulent child care payments. In addition, we experienced continued success from our proactive procedures to reduce the number of unauthorized electronic banking transactions perpetrated on County accounts. As the Department of Audit begins its 16th year of operating the Hotline, the experience gained from working cooperatively with County departments, the District Attorney's Office, the Sheriff's Department 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
Scott Walker, Milwaukee County Executive
Terrance Cooley, Chief of Staff, Milwaukee County Board
Cynthia Archer, Director, Department of Administrative Services
Steve Cady, Fiscal and Budget Analyst, County Board Staff
Delores Hervey, Chief Committee Clerk, County Board Staff

**2008 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 2008. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2008 totaled \$1,070,650.

Statistical Summary

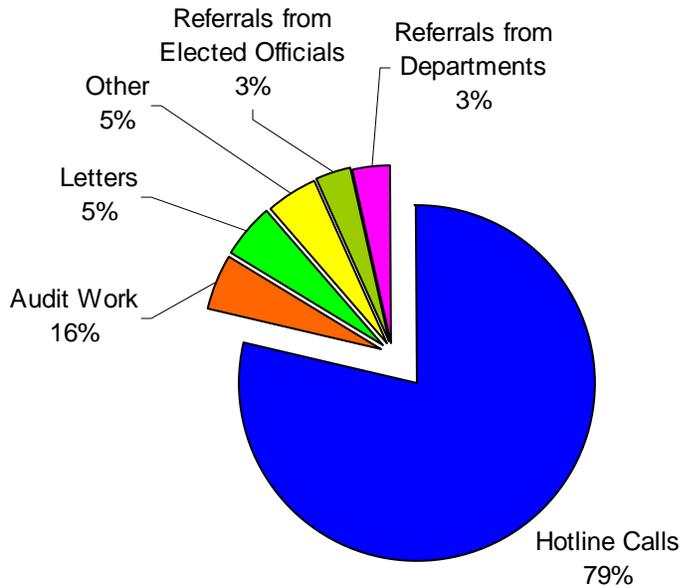
The Department of Audit received 62 contacts concerning allegations of fraud, waste or abuse in 2008. These contacts are categorized by source in **Table 1**.

**Table 1
2008 Allegations of Fraud, Waste or Abuse
Source of Contact**

Hotline Calls	48
Audit Work	3
Letters	3
Referrals from Departments	3
Referrals from Elected Officials	2
Other	3
Total	62

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

**2008 Allegations of Fraud, Waste or Abuse
Source of Contact**



Cases Opened

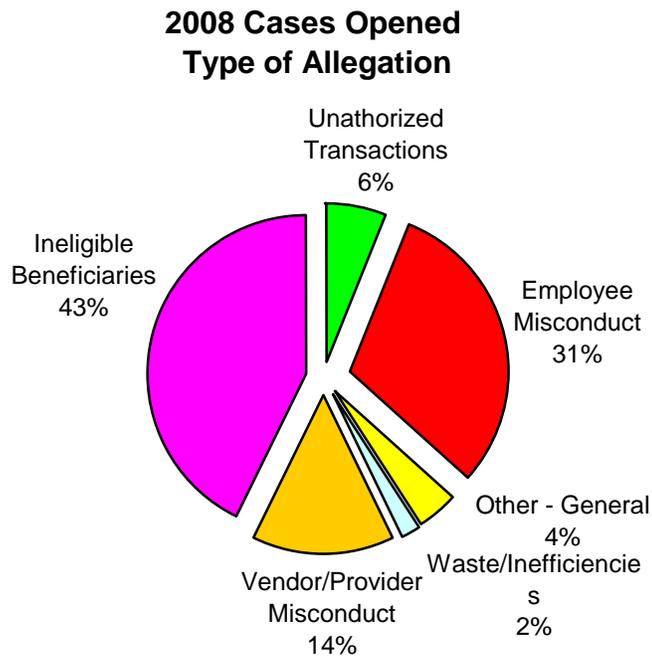
Cases opened in 2008 concerned allegations of individuals receiving benefits to which they were not entitled, employee fraud or misconduct, and counterfeit or unauthorized transactions, among others. When allegations involve issues beyond the jurisdiction of County government, they are referred to appropriate non-County agencies. All allegations of Wisconsin Works (W-2) fraud are referred to the County Department of Health and Human Services' Fraud Hotline to avoid duplication.

Table 2 identifies, by complaint type, 49 cases opened in 2008.

Table 2
2008 Cases Opened
Type of Allegation

Ineligible Beneficiaries	21
Employee Misconduct	15
Vendor/Provider Misconduct	7
Counterfeit/Unauthorized Transactions	3
Waste/Inefficiencies	1
Other	2
Total	49

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



Cases Closed

During 2008, 50 cases were closed for a variety of reasons. Of these, five cases were opened in 2007, while the remaining 45 were opened during 2008. As of year-end 2008, four cases remained active.

Table 3 categorizes the 50 cases closed in 2008. Fifteen cases were closed because the allegations were determined to be either correct or substantially correct, and

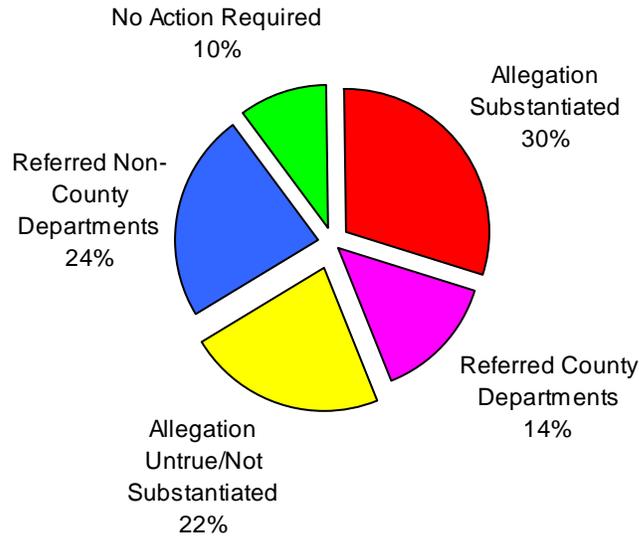
corrective measures were either implemented or in the process of being implemented. Eleven cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Of the remaining 24 cases closed in 2008, 12 were referred to a non-County agency; there was no action required in five cases; and seven cases were referred to a County department for additional review and action.

Table 3
2008 Cases Closed
Reason for Closing

Allegation Substantiated	15
Referred to Non-County Agency	12
Allegation Untrue/Not Substantiated	11
Referred to County Department	7
No Action Required	5
Total	50

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

2008 Cases Closed
Reason for Closing



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2008. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

Child Care Fraud

In 2008, the Department of Health and Human Services (DHHS) and the District Attorney's Office contacted the Department of Audit to obtain assistance related to a child care fraud case under active investigation. The investigative team also included detectives from the City of Milwaukee Police Department and the Milwaukee County Sheriff's Office. We agreed to provide assistance in reviewing thousands of transactions related to six bank accounts maintained by a licensed child care center and the individuals under investigation.

Our review of the bank account transactions resulted in compiling the following information that, along with other evidence, was of critical importance in developing the District Attorney's Office fraud case.

- Identification of payments received from the City of Milwaukee Rent Assistance program.
- Identification of various lending institutions that received mortgage payments from the child care center.
- Identification of payments made to various family members of the individuals under investigation.
- Identification of payments to various child care center employees.
- Identification of the source of funds deposited into the various bank accounts.

In October 2008, the District Attorney charged the owner of the child care center and her mother with three counts of theft by fraud (value greater than \$10,000)--party to a crime. According to the criminal complaint, the two defendants recruited women to enroll their children at the child care center. One of the defendants would supply the women with documentation, falsely indicating that they were employed at the child care center. This helped establish their eligibility for W-2 child care benefits. The defendants would then report the children as attending the child care center, whether they attended or not.

The defendants also purchased a large number of rental properties. As part of the recruitment scheme, women were often offered housing. One of the defendants provided false employment verification information to help establish rent assistance eligibility with the City of Milwaukee. The women were not, in fact, charged any rent beyond the subsidy received from the City of Milwaukee.

It is suspected that the defendants obtained the assistance of a DHHS employee, who provided child care authorizations for the families involved and placed the children at the child care center.

For the period September 2006 through September 2007, DHHS determined that more than \$860,000 in state/federal payments to the child care center were not supported by required daily sign-in sheets. There were multiple instances in which there were no sign-in forms, multiple instances where children were not listed on the sign-in forms and multiple instances in which children were listed as absent but were listed as in attendance on invoices submitted to the State of Wisconsin.

As of this writing, one defendant is scheduled to plead guilty in March 2009, while the other defendant is scheduled for a status hearing. The DHHS employee suspected in the fraud was suspended without pay in September 2007 and the District Attorney's Office is still investigating the employee's role in the fraud.

Rent Assistance

The number of tips relating to rent assistance increased substantially in 2008. A total of 22 tips were received; however, 10 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 12 Hotline tips relating to the program in 2008 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 five of the allegations received. The program violations included the following.

- One participant was not paying utility bills with the subsidy checks received. The checks were instead cashed for personal use.
- One participant did not report that three of the children living with her had been removed from the home more than two years ago.
- One participant was working at a tavern but did not report the income.
- One program participant was charged with possession of cocaine and her children were removed from the home.
- One participant did not report child support payments received.

In the first four cases, the participants were terminated from the program. Based on the average duration of rent assistance subsidies, we estimate the savings realized from these terminations total approximately \$209,000. In the fifth case, the participant reimbursed the program \$1,620.

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 2008, we identified only one counterfeit check (\$250) posted to Milwaukee County bank accounts. Bank officials were contacted immediately to report the unauthorized transaction and to obtain reimbursement. The small dollar amount of this lone instance of an unauthorized transaction represents a substantial reduction in the County's exposure to this type of activity compared to prior years. 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 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 2008 activity

- **Milwaukee County Hotline Savings (1994—2008)**
 - Total Direct = \$4,329,492
 - Total Direct/Indirect = \$8,658,984

- **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.

As the Milwaukee County Department of Audit proceeds with its 16th 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 2008.

Table 4
Milwaukee County Department of Audit Fraud Hotline
Savings Identified 1994–2008

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
Direct Savings	\$4,329,492
Estimated Total Savings	\$8,658,984

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--2008
Sources of Contacts

	<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
Total	995	108	59	58	28	47	1,295
% of Total	76.8%	8.3%	4.6%	4.5%	2.2%	3.6%	100.0%
Average	66.3	7.2	3.9	3.9	1.9	3.1	86.3
1996--2008 Total	436	80	59	58	28	34	695
1996--2008 Average	33.5	6.2	4.5	4.5	2.2	2.6	53.5
1996--2008 Average %	62.7%	11.5%	8.5%	8.3%	4.0%	4.9%	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--2008
Types of Allegations

	<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
Total	260	443	117	91	44	81	154	1,190
% of Total	21.8%	37.2%	9.8%	7.6%	3.7%	6.8%	12.9%	100.0%
Average	17.3	29.5	7.8	6.1	2.9	5.4	10.3	79.3
1996--2008 Total	184	159	86	76	44	28	48	625
1996--2008 Average	14.2	12.2	6.6	5.8	3.4	2.2	3.7	48.1
1996--2008 Average %	29.4%	25.4%	13.8%	12.2%	7.0%	4.5%	7.7%	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--2008
Reasons for Case Closings

	<u>Allegation Substantiated</u>	<u>Allegation Untrue/ Unsubstantiated</u>	<u>Referred to Non-County Agency</u>	<u>Insufficient Information</u>	<u>Referred to County Department</u>	<u>No Further Action Required</u>	<u>Other</u>	<u>Total</u>
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
Total	307	400	127	61	182	58	42	1,177
% of Total	26.1%	34.0%	10.8%	5.2%	15.5%	4.9%	3.6%	100.0%
Average	20.5	26.7	8.5	4.1	12.1	3.9	2.8	78.5
1996--2008 Total	188	211	68	33	66	48	4	618
1996--2008 Average	14.5	16.2	5.2	2.5	5.1	3.7	0.3	47.5
1996--2008 Average %	30.4%	34.1%	11.0%	5.3%	10.7%	7.8%	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.



MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

**Ph: (414) 93-FRAUD – Fax: (414) 223-1895
(933-7283)**

**Write: Department of Audit Hotline- 2711 W. Wells St., 9th Floor, Milwaukee, WI 53208
Website: my.execpc.com/~milcoaud**

A service of the Milwaukee County Department of Audit

For Reporting:

- **Concerns over inefficient Milwaukee County government operations**
- **Incidents of fraud or waste in County government**
- **Ideas for improving efficiency and/or effectiveness of services**

CALLERS NOT REQUIRED TO IDENTIFY THEMSELVES

Other Numbers

Milwaukee County:

Aging - Elder Abuse Helpline 289-6874

**Child Support - TIPS Hotline
(Turn in Parents for Support) 278-5222**

**District Attorney -
Consumer Fraud Unit 278-4585
Public Integrity Unit 278-4645**

**Mental Health -
Crisis Hotline 257-7222
Crisis Hotline (TTY/TDD) 257-6300**

Sheriff's Department -

**Community Against Pushers 273-2020
(Anonymous Drug Reporting)**

**Guns Hotline 278-4867
W-2 Fraud 289-5799**

City of Milwaukee:

Fraud Hotline 286-3440

State of Wisconsin:

**Child Abuse or Neglect Referrals 220-7233
Foodshare Recipient Hotline 1-800-362-3002**

Federal:

Medicare Fraud 1-800-447-8477