

**2009 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

February 2010

Committee on Finance and Audit

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Milwaukee County

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• Director of Audits

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February 26, 2010

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 2009.

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 2009 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 2009 totaled \$75,840. 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 2009 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 17th 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
Scott Walker, Milwaukee County Executive
Terrance Cooley, Chief of Staff, Milwaukee County Board
Cynthia Archer, Director, Department of Administrative Services
Stephen Cady, Fiscal and Budget Analyst, County Board Staff
Delores Hervey, Chief Committee Clerk, County Board Staff

**2009 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 2009. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2009 totaled \$75,840.

Statistical Summary

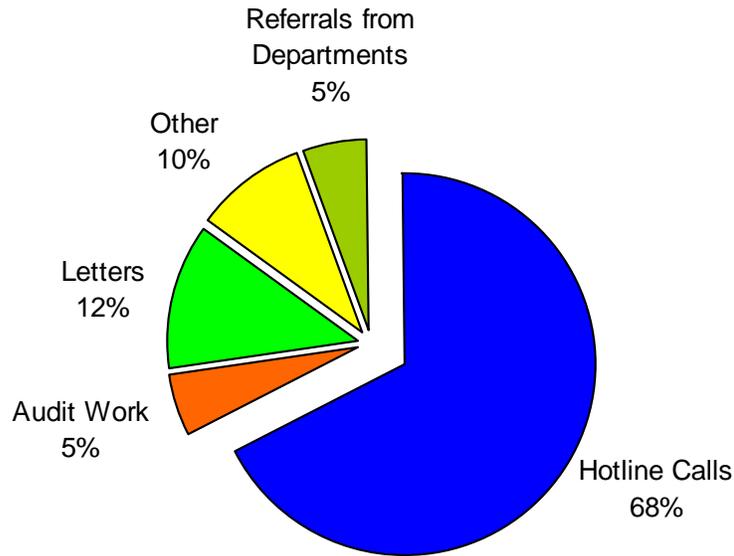
The Department of Audit received 73 contacts concerning allegations of fraud, waste or abuse in 2009. These contacts are categorized by source in **Table 1**.

**Table 1
2009 Allegations of Fraud, Waste or Abuse
Source of Contact**

Hotline Calls	49
Letters	9
Referrals from Departments	4
Leads from Audit Work	4
Other	7
Total	73

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

**2009 Allegations of Fraud, Waste or Abuse
Source of Contact**



Cases Opened

Cases opened in 2009 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.

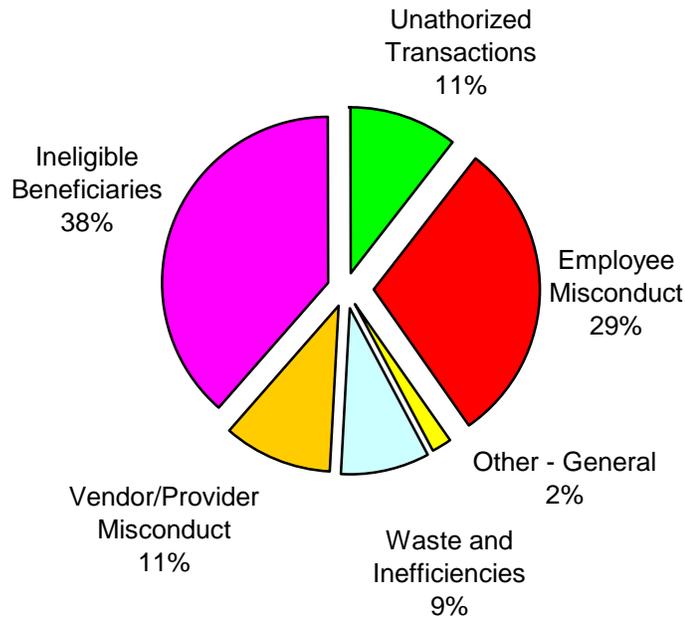
Table 2 identifies, by complaint type, 57 cases opened in 2009.

**Table 2
2009 Cases Opened
Type of Allegation**

Ineligible Beneficiaries	22
Employee Misconduct	17
Vendor/Provider Misconduct	6
Counterfeit/Unauthorized Transactions	6
Waste and Inefficiencies	5
Other	1
Total	57

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

**2009 Cases Opened
Type of Allegation**



Cases Closed

During 2009, 57 cases were closed for a variety of reasons. Of these, four cases were opened in 2008, while the remaining 53 were opened during 2009. As of year-end 2009, four cases remained active.

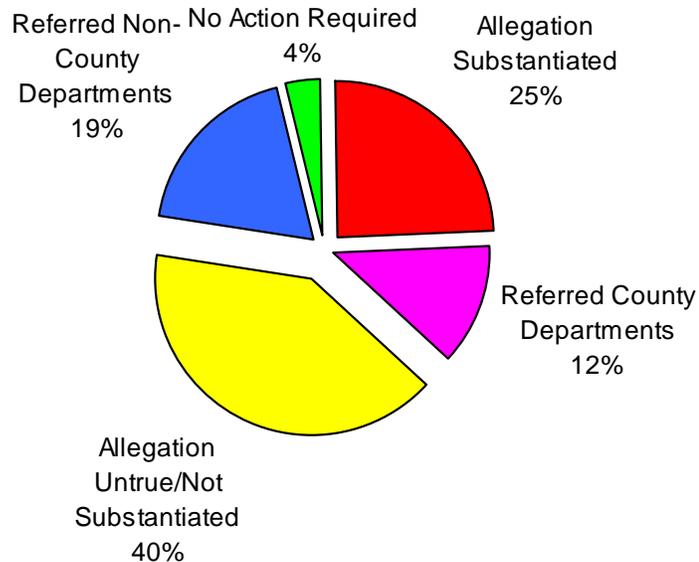
Table 3 categorizes the 57 cases closed in 2009. Fourteen cases were closed because the allegations were determined to be either correct or substantially correct, and corrective measures were either implemented or in the process of being implemented. Twenty-three cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Of the remaining 20 cases closed in 2009, 11 were referred to a non-County agency; there was no action required in two cases; and seven cases were referred to a County department for additional review and action.

**Table 3
2009 Cases Closed
Reason for Closing**

Allegation Untrue/Not Substantiated	23
Allegation Substantiated	14
Referred to Non-County Agency	11
Referred to County Department	7
No Action Required	2
Total	57

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

**2009 Cases Closed
Reason for Closing**



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2009. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

Update of Child Care Fraud Case

As reported in last year's report, the Milwaukee County 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.

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 documentation. Ultimately, 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. In addition, a DHHS employee suspected of participating in the fraud was suspended without pay in September 2007.

As of this writing, the mother plead guilty to three counts of Theft—False Representation greater than \$10,000 and was sentenced to a total of five years in the Wisconsin State Prison System with four years of extended supervision. The owner of the child care center plead guilty to Computer Crime—Disclosure of Data and received a sentence of one year of probation with 30 days in the House of Correction. The District Attorney is considering various charging options for the former DHHS employee.

Wiser Choice Program—Alcohol and Other Drug Abuse

In 2009, the 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 wanted the program participant to provide controlled substances such as morphine and oxycodone.

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

- Compiled a list of 2008 and 2009 checks issued to the vendor and provided the list and copies of the checks.
- 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 in which they did not attend counseling sessions. Based on their 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. Total fraudulent billings and payments identified equaled \$4,823.

The counselor pleaded guilty to the charges and will be sentenced in May 2010.

Rent Assistance

As reported in last year's report, tips relating to the federal Section 8 Housing Choice Voucher Program (Rent Assistance) have increased substantially in recent years. A total of 21 tips were received in 2009 as compared to 22 in 2008; however, five were referred to the City of Milwaukee's Fraud Hotline and one allegation was referred to the West Allis Rent Assistance Program, 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 2009 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 three of the allegations received. The program violations included the following:

- A program participant reported that the landlord was receiving rent subsidy checks that included the cost of the utilities. However the landlord had convinced the tenant that the Rent Assistance Program no longer provided utility assistance. As a result, the tenant paid for the utilities while the landlord continued to receive rent subsidy checks that included utility assistance. We investigated the matter and determined that the landlord had received \$1,322 over and above what was legitimately due to him from the Rent Assistance Program. The results of investigation were referred to the Sheriff for further action.
- A tip alleged that multiple individuals resided at a residence and that the police had made arrests on the premises for marijuana. We were able to identify a Milwaukee Municipal Court date for the Rent Assistance Program participant and obtain a copy of the citation. The citation narrative stated the residents were holding a house party and charging admission. There was a strong smell of marijuana. Up to 50 people were in the basement. Sixteen baggies of a green leafy substance was found in the house which tested positive for marijuana. The program participant was present and told the police officer that the party was for her daughter's birthday.

This information was submitted to the Rent Assistance Program staff and the participant was terminated from the program after an administrative hearing. We estimate the future savings to the program at \$47,320.

- Another tip indicated that a program participant no longer resided at the address provided and approved by the Rent Assistance Program. Using our access to W-2 documentation, we were able to establish that the program participant had moved to a different address. We again provided the documentation to the Rent Assistance Program and the individual was terminated from the program.

Because of the volume of tips the Audit Hotline has received over the last two years, we initiated an audit of the Milwaukee County Rent Assistance Program that will be concluded this year.

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 2009, we identified six unauthorized transactions (\$924) posted to Milwaukee County bank accounts. Bank officials were contacted immediately to report the unauthorized transactions and to obtain reimbursement. The small dollar amount of these unauthorized transactions 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 organizations 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 2009 activity

- **Milwaukee County Hotline Savings (1994—2009)**
 - Total Direct = \$4,405,332
 - Total Direct/Indirect = \$8,8410,664

- **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 17th 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 2009.

Table 4
Milwaukee County Department of Audit Fraud Hotline
Savings Identified 1994—2009

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
Direct Savings	\$4,405,332
Estimated Total Savings	\$8,810,664

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—2009
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
2009	49	9	4	4	0	7	73
Total	1,044	117	63	62	28	54	1,368
% of Total	76.4%	8.6%	4.6%	4.5%	2.0%	3.9%	100.0%
Average	65.3	7.3	3.9	3.9	1.8	3.4	85.5
1996—2009 Total	485	89	63	62	28	41	768
1996—2009 Average	34.6	6.4	4.5	4.4	2.0	2.9	54.9
1996—2009 Average %	63.2%	11.6%	8.2%	8.1%	3.6%	5.3%	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—2009
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
2009	17	22	5	6	6	0	1	57
Total	277	465	122	97	50	81	155	1,247
% of Total	22.2%	37.3%	9.8%	7.8%	4.0%	6.5%	12.4%	100.0%
Average	17.3	29.1	7.6	6.1	3.1	5.1	9.7	77.9
1996—2009 Total	201	181	91	82	50	28	49	682
1996—2009 Average	14.4	12.9	6.5	5.9	3.6	2.0	3.5	48.7
1996—2009 Average %	29.6%	26.5%	13.3%	12.0%	7.3%	4.1%	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—2009
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
2009	14	23	11	0	7	2	0	57
Total	321	423	138	61	189	60	42	1,234
% of Total	26.0%	34.3%	11.2%	4.9%	15.3%	4.9%	3.4%	100.0%
Average	20.1	26.4	8.6	3.8	11.8	3.8	2.6	77.1
1996—2009 Total	202	234	79	33	73	50	4	675
1996—2009 Average	14.4	16.7	5.6	2.4	5.2	3.6	0.3	48.2
1996—2009 Average %	29.9%	34.7%	11.7%	4.9%	10.8%	7.4%	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 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**

**Sheriff's Department –
Community Against Pushers 414-273-2020
(Anonymous Drug Reporting)
Guns Hotline 414-278-4867**

**City of Milwaukee:
Fraud Hotline 414-286-3440**

**State of Wisconsin:
Child Abuse or Neglect Referrals 414-220-7233
FoodShare, Medical, Child Care Fraud 414-289-5799
Wisconsin Shares Fraud Hotline 877-302-3728**

**Federal:
Medicare Fraud 1-800-447-8477
Stimulus Package Fraud **NEW!** 1-800-424-5454**