

**2011 Annual Report
Audit Hotline and Audit Activity
Related to Fraud, Waste and Abuse**

April 2012

Committee on Finance and Audit

Milwaukee County Department of Audit



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Department of Audit

Milwaukee County

Jerome J. Heer
Douglas C. Jenkins

• Director of Audits
• Deputy Director of Audits

April 16, 2012

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 2011.

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 2011 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 2011 totaled \$245,765.

During 2011, the Department of Audit invested substantial staff hours in Hotline cases that are pending final resolution and are therefore not included in the data contained in the attached report. However, those efforts reflect the department's continued commitment to pursue all allegations of fraud, waste and abuse in County government and are expected to result in case highlights in next year's annual report. Department of Audit Hotline investigations continue, to involve inter-agency cooperation with numerous governmental entities. As the Department of Audit begins its 19th 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
Chris Abele Milwaukee County Executive
Terrance Cooley, Chief of Staff, Milwaukee County Board
Patrick Farley Director, Department of Administrative Services
Stephen Cady, Fiscal and Budget Analyst, County Board Staff
Carol Mueller, Chief Committee Clerk, County Board Staff

**2011 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 2011. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2011 totaled \$245,765.

Statistical Summary

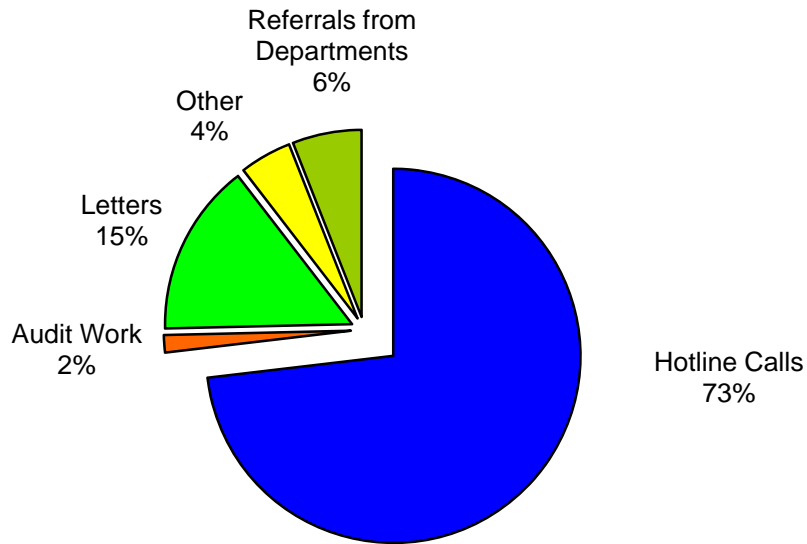
The Department of Audit received 67 contacts concerning allegations of fraud, waste or abuse in 2011. These contacts are categorized by source in **Table 1**.

**Table 1
2011 Allegations of Fraud, Waste or Abuse
Source of Contact**

Hotline Calls	49
Letters	10
Referrals from Departments	4
Leads from Audit Work	1
Other	3
Total	67

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

2011 Allegations of Fraud, Waste or Abuse Source of Contact



Cases Opened

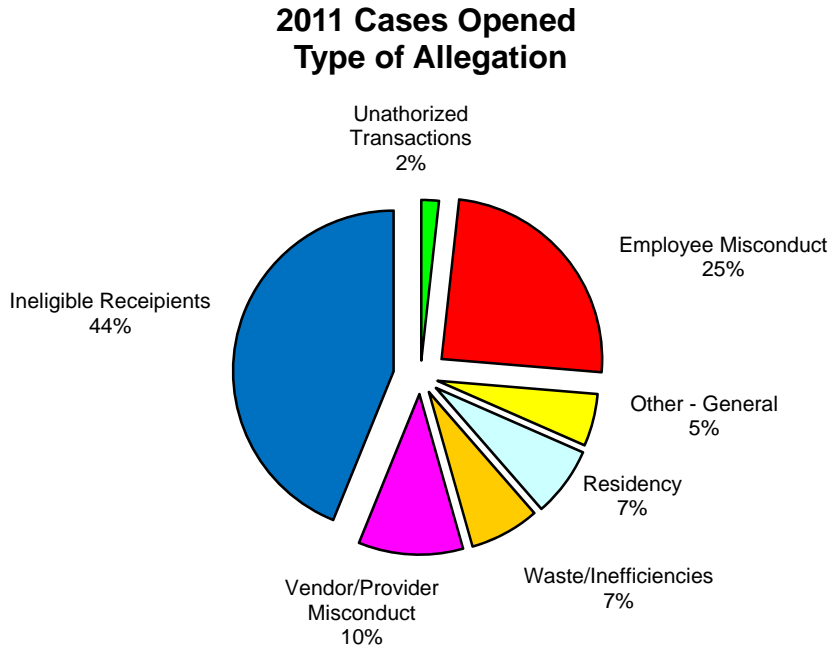
Cases opened in 2011 concerned allegations of individuals receiving benefits to which they were not entitled, employee fraud or misconduct, and counterfeit or unauthorized transactions, among others. When allegations involve issues beyond the jurisdiction of County government, they are referred to appropriate 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 2011.

Table 2
2011 Cases Opened
Type of Allegation

Ineligible Recipients	25
Employee Misconduct	18
Vendor/Provider Misconduct	6
Waste/Inefficiencies	4
Residency	4
Counterfeit/Unauthorized Transactions	1
Other	3
Total	57

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



Cases Closed

During 2011, 60 cases were closed for a variety of reasons. Of these, six cases were opened in 2010, while the remaining 54 were opened during 2011. As of year-end 2011, three cases remained active.

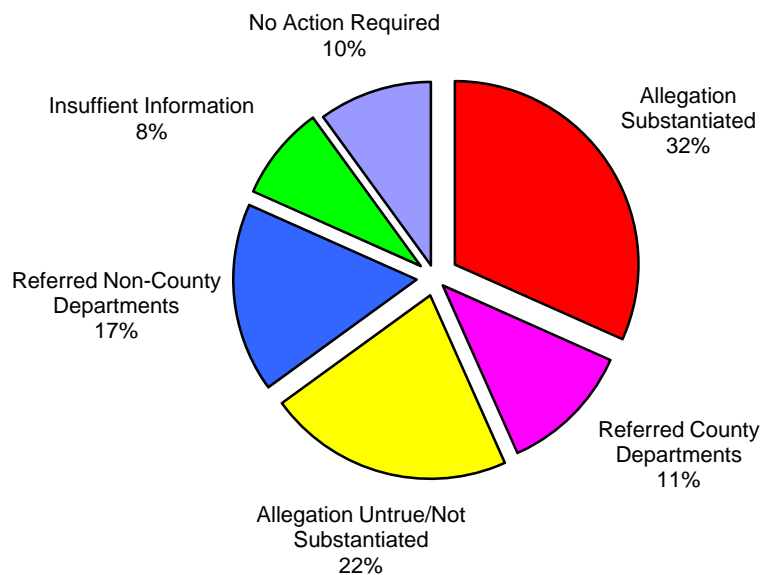
Table 3 categorizes the 60 cases closed in 2011. Nineteen cases were closed because the allegations were determined to be either correct or substantially correct, and corrective measures were either implemented or in the process of being implemented. Eighteen cases were determined to be either incorrect allegations or we were unable to substantiate the allegation. Of the remaining 23 cases closed in 2011, 10 were referred to a non-County agency; there was no action required in six cases; and seven cases were referred to a County department for additional review and action.

Table 3
2011 Cases Closed
Reason for Closing

Allegation Substantiated	19
Allegation Untrue/Not Substantiated	13
Referred to Non-County Agency	10
Referred to County Department	7
No Action Required	6
Insufficient Information	5
Total	60

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

2011 Cases Closed Reason for Closing



Case Highlights

Following are descriptions of some of the more interesting cases closed during 2011. The diverse nature of these cases demonstrates the value Countywide of maintaining the Audit Hotline.

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 2011, a total of 28 tips received (42% of the total) related to Rent Assistance. Ten 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 2011 consist primarily of allegations that participants have not reported all of their income, or that they have not disclosed a change in the household makeup (other individuals are now residing in the residence).

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

- We received six tips that program participants did not report changes in their household makeup as required by program policy. Based on the names provided, we were able to identify multiple court records and obtain written documentation from the State of Wisconsin Department of Corrections and the State of Wisconsin Department of Motor Vehicles records that demonstrated the individuals resided at the addresses in question. In four instances the individuals who moved into the residence were convicted drug felons (a program violation).

This information was submitted to the Rent Assistance program management. In three cases, the program participants were terminated from the program after an administrative hearing was held to determine whether program policies were violated. We estimate the future savings to the program from the termination of the three participants is \$132,210. Two of the program participants were terminated from the program but have appealed the decision and are awaiting administrative hearings to plead their cases. If the terminations are upheld, we estimate the savings to the program to be \$88,075. The last program participant decided to move to another jurisdiction.

- Another tip indicated that a program participant had vandalized the door to the unit next door to the program participant's residence. We located a City of Milwaukee citation for vandalism and obtained a copy of the municipal court records. The records disclosed that the program participant smashed the front door window with a baseball bat after the neighbor entered her residence to escape the fight that broke out between the two families. We provided the documentation to the Rent Assistance program staff and the program participant was terminated from the program as the program participant was convicted of criminal activity that threatened the health, safety or right to peaceful enjoyment of other residents and persons residing in the immediate vicinity of the premises. We estimate the future savings to the program is \$42,500.
- We received two tips regarding tenant and landlord relationships. In one case, it was alleged that a program participant was renting from her mother which is a violation of program rules. We were able to obtain conclusive proof from birth certificate records that the landlord was indeed the mother of the program participant. We provided the information to the Rent Assistance program management and the tenant was terminated from the program with an estimated savings of \$68,055.

In the other case, the Rent Assistance program requested assistance with verifying whether a landlord was residing with a program participant. We contacted the City of Milwaukee Election Commission and verified that the landlord was registered to vote from the tenant's address and had voted on November 2, 2010. We also contacted the State of Wisconsin Department of Motor Vehicles and they confirmed that the landlord had registered her vehicle using the tenant's residence as the primary address. Finally, we were able to obtain a copy of the landlord's property tax bill and noted the mailing address on the property tax bill was identical to the tenant's address. We provided the documentation to the Rent Assistance program management and the tenant was informed that she had to move to another residence.

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, the Hotline 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 2011, we identified one unauthorized transaction (\$3,000) posted to a Milwaukee County bank account. Bank officials were contacted immediately to report the unauthorized transaction and to obtain reimbursement. This isolated 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 other 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 2011 activity

- **Milwaukee County Hotline Savings (1994—2011)**
 - Total Direct = \$4,795,772
 - Total Direct/Indirect = \$9,591,5444

- **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 2011.

Table 5
Milwaukee County Fraud Hotline Statistics 1994—2011
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
2011	49	10	4	1	0	3	67
Total	1,144	134	67	64	29	59	1,497
% of Total	76.4%	9.0%	4.5%	4.3%	1.9%	3.9%	100.0%
Average	67.3	7.9	3.9	3.8	1.7	3.5	88.1
1996—2011 Total	585	106	67	64	29	46	897
1996—2011 Average	36.6	6.6	4.2	4.0	1.8	2.9	56.1
1996—2011 Average %	65.3%	11.8%	7.5%	7.1%	3.2%	5.1%	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—2011
Types of Allegations

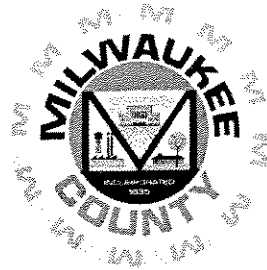
<u>Year</u>	<u>Employee Misconduct</u>	<u>Ineligible Recipients</u>	<u>Waste or Inefficiencies</u>	<u>Vendor or Provider Misconduct</u>	<u>Counterfeit or Unauthorized Transactions</u>	<u>Non- County Issues</u>	<u>Other</u>	<u>Total</u>
1994	59	213	22	12	0	38	80	424
1995	17	71	9	3	0	15	26	141
1996	9	22	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
2011	18	25	4	6	1	0	3	57
Total	305	518	127	108	53	81	162	1,354
% of Total	22.5%	38.2%	9.4%	8.0%	3.9%	6.0%	12.0%	100.0%
Average	16.9	28.8	7.1	6.0	2.9	4.5	9.0	75.2
1996—2011 Total	229	234	96	93	53	28	56	789
1996—2011 Average	14.3	14.6	6.0	5.8	3.3	1.8	3.5	49.3
1996—2011 Average %	29.0%	29.7%	12.2%	11.8%	6.7%	3.5%	7.1%	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—2011
Reasons for Case Closings**

<u>Year</u>	<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
2010	7	15	12	5	3	6	0	48
2011	19	13	10	5	7	6	0	60
Total	347	451	160	71	199	72	42	1,342
% of Total	25.9%	33.6%	11.9%	5.3%	14.8%	5.4%	3.1%	100.0%
Average	19.3	25.1	8.9	3.9	11.1	4.0	2.3	74.6
1996—2011 Total	228	262	101	43	83	62	4	783
1996—2011 Average	14.3	16.4	6.3	2.7	5.2	3.9	0.3	48.9
1996—2011 Average %	29.1%	33.5%	12.9%	5.5%	10.6%	7.9%	0.5%	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:		Sheriff's Department –	
Aging - Elder Abuse Helpline	414-289-6874	Community Against Pushers	414-273-2020
		(Anonymous Drug Reporting)	
		Guns Hotline	414-278-4867
Child Support - TIPS Hotline	414-278-5222	City of Milwaukee:	
(Turn in Parents for Support)		Fraud Hotline	414-286-3440
District Attorney –		State of Wisconsin:	
Consumer Fraud Unit	414-278-4585	Child Abuse or Neglect Referrals	414-220-7233
Public Integrity Unit	414-278-4645	Wisconsin W-2 Fraud Hotline	1-877-865-3432
		Wisconsin Child Care Fraud	1-877-302-3728
Mental Health		Federal:	
Crisis Hotline	414-257-7222	Medicare Fraud	1-800-447-8477
Crisis Hotline (TTY/TDD)	414-257-6300	Stimulus Package Fraud <i>NEW!</i>	1-800-424-5454