

**2016 Annual Report
Fraud, Waste and
Abuse Investigations**

February 2017

**Milwaukee County Office of the Comptroller
Audit Services Division**

**Scott B. Manske
Milwaukee County Comptroller**



**Jerome J. Heer, Director of Audits
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Office of the Comptroller
Audit Services Division

Milwaukee County

Jerome J. Heer
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• Director of Audits
• Deputy Director of Audits

February 20, 2017

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

We have completed an annual report concerning operation of the Audit Hotline and other related audit activities undertaken by the Office of the Comptroller's Audit Services Division during 2016.

The attached report includes a statistical summary of these activities, as well as a brief narrative that describes the nature of various categories of cases resolved during the year. In addition, some of the more interesting cases investigated during 2016 are presented in greater detail.

The nature of alleged improprieties presented to the Audit Services Division for investigation is often complex and continues to involve inter-agency cooperation with numerous governmental entities. As the Audit Services Division begins its 24th year of operating the Hotline, the experience gained from working cooperatively with County departments, the District Attorney's Office, the Office of the Sheriff 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 those efforts.

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

Jerome J. Heer
Director of Audits

JJH/MH/cah

Attachment

cc: Scott B. Manske, CPA, Milwaukee County Comptroller
Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Raisa Koltun, Chief of Staff, County Executive's Office
Kelly Bablitch, Chief of Staff, Milwaukee County Board
Teig Whaley-Smith, Director, Department of Administrative Services
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Chief Committee Coordinator, Office of the County Clerk

Background

The Milwaukee County Board of Supervisors approved the establishment of a hotline within the Audit department on September 23, 1993. The hotline was created for concerned citizens and other interested individuals to report allegations of fraud, waste or abuse in County government. Callers are not required to identify themselves and may remain anonymous.

According to the Association of Certified Fraud Examiners,¹ tips are the most common fraud detection method and account for more than 40% of cases. Tips from employees account for nearly 50% of discovered fraud. Organizations that operate hotlines are more likely to catch fraud by a tip, detect fraud 50% more quickly and experience fraud that is 41% less costly than an organization without a hotline.

In 2015, the Audit Services Division (ASD) stepped up its efforts to promote and strengthen the division's role in investigating fraud, waste and abuse in County government.

In April 2015, following the approval of both the County Executive and the County Board of Supervisors, county ordinance 34.095 took effect. This ordinance codifies ASD's authority and abilities to investigate allegations of fraud, waste and abuse. Under the ordinance, county employees, officials, contractors, vendors and program clients are required to cooperate in an investigation, ASD has increased access to records and premises, retaliation against people who cooperate with an investigation is prohibited and allegations or known instances of fraud, waste and abuse are to be reported to ASD.

ASD added an online form to its website² which can be used to report fraud, waste and abuse. The new employee orientation sessions include a segment on fraud, waste and abuse and the ways that an employee can make a report.

ASD and the County Ethics Board formed a relationship in which ASD personnel can act as agents of the Ethics Board when ASD opens an investigation into an alleged violation of the ethics code. This relationship allows ASD personnel limited and specific access to Ethics Board records which would otherwise be unavailable or require notification of disclosure to the filer.

ASD increased its promotion of the fraud hotline and its investigative function. In December 2015, ASD began advertising inside of county buses. Advertising on bus shelters occurred for a limited period in early 2016.

¹ *Report to the Nations on Occupational Fraud and Abuse*. Austin: Association of Certified Fraud Examiners, 2014.

² <http://county.milwaukee.gov/Audit/Fraud-Reporting-Form.htm>

Summary of 2016 Investigative Activity

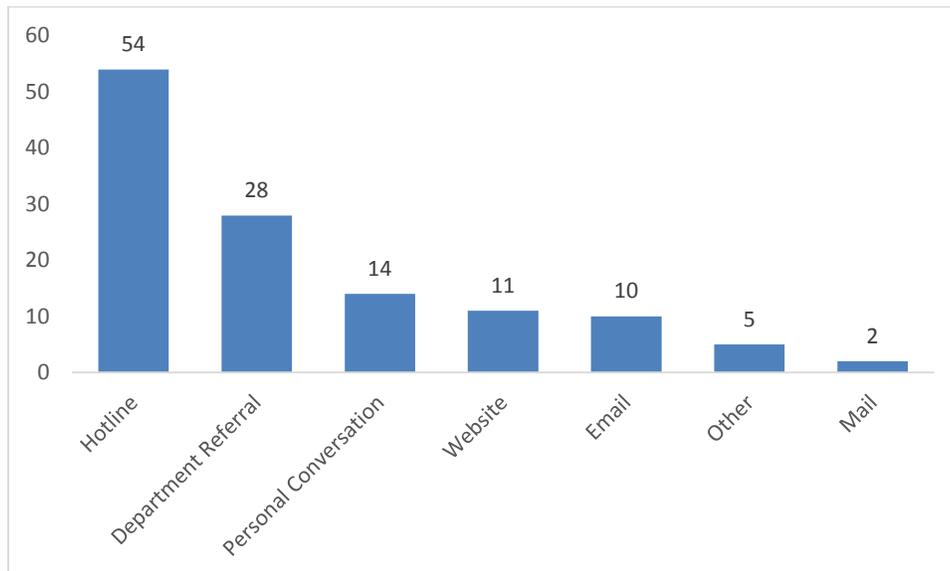
Tips

ASD received 124 complaints (tips) concerning allegations of fraud, waste or abuse in 2016. In 2015, ASD received 78 complaints; in 2014, 63 complaints. The 2016 figure does not include contacts with ASD where personnel directed the complainant to a more appropriate agency before a complaint record was created. These complaints are categorized by source in **Table 1**.

Table 1
Allegations of Fraud, Waste or Abuse
Contact Origin

Hotline	54
Department Referral	28
Personal Conversation	14
Other	5
Email	10
Mail	2
Website	11
Total	124

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



The received complaints were assigned to a category. The complaints received in 2016 by category were:

Public Assistance Fraud	29
Other Fraud	28
Employee Misconduct	27
Vendor/Provider Fraud	20
Non-County	8
Waste	6
Operational Inefficiencies	5
Unfair Hiring Practices	1
Total	124

Cases Opened

ASD opened 12 cases in 2016. For the remaining 2016 tips, ASD either 1) referred the tip to a more appropriate agency or department for action, 2) declined additional action, 3) determined that no action was required or 4) other appropriate action as dictated by the received information. A tip may be declined because the matter does not involve county government, there is insufficient information to take action, investigating the matter would be a duplication of efforts or ASD does not have the resources available to sufficiently address the allegation. **Table 2** identifies only the cases opened in 2016 by complaint category.

**Table 2
Cases Opened**

Employee Misconduct	8
Vendor/Provider Fraud	3
Public Assistance	1
Total	12

Cases Closed

ASD closed 15 cases in 2016. Seven of the 15 cases were opened in 2015 and finished in 2016. The remaining closed cases were opened and concluded in 2016.

Generally, a case is closed substantiated when the evidence reasonably proves that a known actor committed misconduct. Likewise, when the evidence cannot support a finding that misconduct occurred, the case is closed unsubstantiated. An “unsubstantiated” finding does not mean that the reported misconduct did not occur, but that ASD determined the available evidence does not support administrative or legal action. A case may also be closed when the alleged subject leaves County employment or affiliation, the alleged issue is corrected by

a department or office or ASD determined that further action is unnecessary.

As of year-end 2016, six cases remain active investigations. These cases remain open due to complexity, need to work with other agencies or overall demand of resources.

Table 3 categorizes the 15 cases closed in 2016.

Substantiated	5
Unsubstantiated	8
No Action	2
Total	15

Case Highlights

The following are descriptions of some of the cases closed during 2016. These cases are an example of the kinds of allegations which are reported to ASD. These cases also represent the value the County receives from devoting resources to combating fraud, waste and abuse.

Unless referenced by name, investigation subjects will be referred to by masculine pronouns.

Update to Case #14001

In January 2014, a County employee left a message on the Hotline that the former County Interim Risk Manager was receiving kickbacks from an area restoration company. Contemporaneously, the DA's office received a similar allegation. ASD provided support and information to the DA investigators during their investigation. In August 2014, the DA's office charged the former employee, Dennis Dietscher, with six counts of criminal misconduct in Milwaukee County case number 2014CF3620.

On June 28, 2016, Dietscher entered guilty pleas to two amended counts of misconduct in public office. In October 2016, Dietscher was sentenced to 18 months of imprisonment and 24 months of extended supervision. Dietscher began serving his sentence in January 2017.

Following Dietscher's convictions, Milwaukee County notified two contractors directly related to Dietscher's misconduct in office that, effective October 7, 2016, they were barred from bidding on or participating in County public works projects for three years.

Case # 15010

In July 2015, ASD received an allegation that a DAS employee was falsifying his time by arriving to work late and leaving early and working on non-County projects while on County time. In April 2016, ASD received additional information that the employee was using both

his personal laptop and his County-issued computer for non-County online shopping during working hours.

ASD reviewed the employee's County computer internet history. ASD determined that during the reviewed time period the employee spent 15% of his work time engaged in personal, non-County activities such as viewing Craigslist and outdoor recreation websites. ASD believes that this figure underrepresented the falsification due to the use of a personal computer during working hours as well.

DAS filed charges to have the employee terminated from County employment. The employee resigned prior to a Personnel Review Board hearing.

Case # 15017

In December 2015, ASD received an allegation that a public assistance program recipient provided false information on his yearly applications for assistance. The assistance was from a state program administered by the County DHHS. The assistance received was subject to household and income guidelines; the subject allegedly did not report true and accurate household and income information. The subject received approximately \$7,000 in assistance over three years.

ASD determined that the subject's spouse lived with the applicant during the periods he received assistance but the subject did not report the spouse's residency or income. The subject passed away in the course of the investigation.

ASD provided DHHS with its findings. DHHS reported that the normal course of action is to recoup overpayments from the next year's assistance. The subject's death prevented such recoupment. The spouse's name was added to the subject's record. If the spouse applied for assistance, the application will trigger a recoupment. The state department chose not to pursue the subject's estate for reimbursement.

Case # 16004

In March 2016, ASD received a complaint related to a former DAS employee who was brought in as a County contractor within 12 months of leaving County employment. ASD determined that the former-employee-then-contractor began working as a contractor prior to there being a fully executed contract. Per County ordinance, the contract administrator is responsible for compliance. This includes ensuring that a contractor shall not perform any work prior to an executed written contract.³ ASD reported this finding to the contract administrator's department. The employee received counseling.

The investigation yielded evidence which may constitute a violation of the County Code of Ethics. ASD referred this information to the Ethics Board, the County authority for interpreting and applying the Code of Ethics, for appropriate action.

The Ethics Board determination is still pending as of the time of this report.

³ MCGO § 56.30(9)

Case # 16011

In November 2016, ASD received a complaint that a DHHS housing assistance program client was living out of state and had been for six months. ASD determined that the client moved out of state in June 2016 and established residency in another state in violation of program guidelines. The client returned to Milwaukee County in December 2016. The client admitted to program officials that he moved out of state. DHHS terminated the subject from the program and ordered repayment of \$3,676. The client did not appeal the termination.

Milwaukee County Hotline Savings/Recovery (1994—2016)

These are the accumulated savings and recoveries for the program since 1994.

- Total Direct = \$4,940,581
- Total Direct/Indirect = \$9,881,162

Audit Services Division Mission Statement

Through independent, objective and timely analysis of information, the Milwaukee County Audit Services Division 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.



MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

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

**Write: Audit Hotline- 633 W. Wisconsin Avenue, Suite 904, Milwaukee, WI 53203
Email: “Website: county.milwaukee.gov/FraudHotline7880.htm”**

A service of the Milwaukee County Comptroller’s Office

For Reporting:

- **Incidents of fraud, waste or abuse in County government**
- **Concerns over inefficient Milwaukee County government operations**

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
Minimum Wage Ordinance	414-278-4206
Employee Relations	414-278-2000

Sheriff’s Department –

Community Against Pushers	414-273-2020
(Anonymous Drug Reporting)	
Guns Hotline	414-278-4867

State of Wisconsin:

Child Abuse or Neglect Referrals	414-220-7233
DOJ Consumer Protection Unit	1-800-998-0700
Wisconsin W-2 Fraud Hotline	1-877-865-3432
Wisconsin Child Care Fraud	1-877-302-3728
Legislative Audit Bureau Hotline	1-877-372-8317

Federal:

Medicare Fraud	1-800-447-8477
Social Security Fraud	1-800-269-0271
Federal Funds Fraud (FraudNet)	1-800-424-5454

City of Milwaukee:

Fraud Hotline	414-286-3440
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