

**2017 Annual Report
Fraud, Waste and
Abuse Investigations**

February 2018

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

**Scott B. Manske
Milwaukee County Comptroller**



**Jerome J. Heer, Director of Audits
Jennifer Folliard, Deputy Director of Audits**

**Audit Forensic Manager:
Matthew Hart, MBA, CFE**

**Administrative Support Team:
Cheryl Hosp**



Office of the Comptroller
Audit Services Division

Milwaukee County

Jerome J. Heer
Jennifer L. Folliard

• Director of Audits
• Deputy Director of Audits

February 16, 2018

To the Honorable Chairman
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 2017.

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 2017 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 25th year of operating the Hotline, the experience gained from working cooperatively with County departments and offices, the District Attorney'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 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.

The Audit Services Division (ASD) is authorized by Wisconsin state statute § 59.225(i)² and Milwaukee County ordinance § 34.095 to investigate allegations of fraud, waste and abuse.

In April 2015, following the approval of both the County Executive and the County Board of Supervisors, ordinance § 34.095 took effect. 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 website³ 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.

In 2017, ASD received authorization and appropriated funds to initiate a lawsuit against the Milwaukee County Sheriff's Office (MCSO) regarding a dispute over ASD's authority to interview MCSO personnel. The filing of the lawsuit is pending while ASD and MCSO try to resolve the dispute.

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

² The comptroller shall perform all audit functions related to county government. The comptroller shall also have the duties and all the powers and responsibilities conferred upon the clerk as auditor under s. [59.47 \(1\)](#), and shall perform any additional duties and shall have any additional powers as are imposed and conferred upon him or her from time to time by resolution adopted by the board. Audit functions under this paragraph shall be performed in accordance with governmental auditing standards issued by the comptroller general of the United States and generally accepted auditing standards.

³ <http://county.milwaukee.gov/Audit/Fraud-Reporting-Form.htm>

Summary of 2017 Investigative Activity

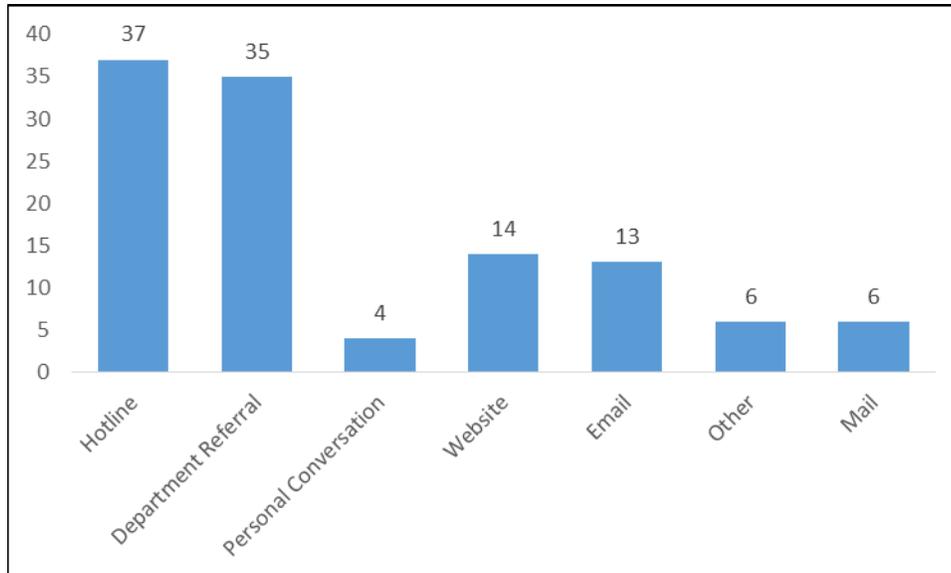
Tips

ASD received 115 complaints (tips) concerning allegations of fraud, waste or abuse in 2017. In 2016, ASD received 124 complaints; in 2015, 78 complaints. The 2017 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	37
Department Referral	35
Website	14
Email	13
Other	6
Mail	6
Personal Conversation	4
Total	115

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



The received complaints were assigned to a category. **Table 2** shows the complaints received in 2017 by category.

**Table 2
Allegation Categories**

Personnel Misconduct ⁴	53
Other Fraud	20
Public Assistance Fraud	18
Vendor/Provider Fraud	13
Waste	5
Operational Inefficiencies	3
Unfair Hiring Practices	2
Non-County	1
Total	115

Cases Opened

ASD opened 9 cases in 2017. For the remaining 2017 complaints, ASD either 1) referred the information 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. **Table 3** breaks down the disposition of all recorded complaints in 2017 as whole numbers and a percentage⁵.

**Table 3
Disposition**

Declined/No Action Required	36	31%
Case Opened ⁶	27	23%
Referred	22	19%
Other/Provided Information	20	18%
Pending (as of 12/31/2017)	10	9%
Total	115	100%

A complaint 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 4** identifies only the cases opened in 2017 by complaint category.

**Table 4
Cases Opened**

Personnel Misconduct	7
Vendor/Provider Fraud	1
Public Assistance Fraud	1
Total	9

⁴ Personnel refers to County employees, elected officials and appointed positions.

⁵ Percentages are rounded to whole numbers.

⁶ A case can be predicated on more than one tip if ASD receives multiple tips which are materially similar, for example, refer to the same incident or individual's alleged actions.

Cases Closed

ASD closed 7 cases in 2017. Three of the cases were opened in 2016 and finished in 2017. The remaining closed cases were opened and concluded in 2017.

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 2017, nine cases remain active investigations. These cases remain open due to complexity, need to work with other agencies or overall demand of resources.

Table 5 categorizes the seven cases closed in 2017.

**Table 5
Cases Closed
Finding**

Substantiated	3
Unsubstantiated	3
No Action	1
Total	7

Case Highlights

The following are descriptions of some of the cases closed during 2017. 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.

Case # 16007

In August 2016, ASD received an allegation that a general contractor working on a project subject to a County development agreement was not paying the required and project-appropriate prevailing wage rate. The contractor argued that the paid prevailing wage rate, which was less than the alleged correct rate, was appropriate for the project and had been approved by Milwaukee County personnel. The wage difference resulted in a shortage of approximately \$500,000 paid to the project workers. The investigation could not find any evidence that a County employee or representative gave the general contractor approval to pay the lesser prevailing wage rate.

In August 2017, an independent mediator agreed with the County's position as to the correct prevailing wage. Due to a lack of action by the necessary parties to correct the workers' pay, in January 2018, Milwaukee County filed a civil suit against the general contractor and others.

Case # 16009

In November 2016, ASD investigated allegations of procurement violations by Department of Transportation (DOT) Airport Division personnel. ASD learned that airport personnel arranged for a potential bidder on a professional services contract to tour an airport property, which was the focus of the pending professional services contract, prior to the bid publication. The subject airport personnel had prior working relationships with some of the bidder's employees. The company ultimately won the bid. ASD submitted the investigative material to the Ethics Board for a possible violation of the Milwaukee County Code of Ethics. The Ethics Board determination is still pending. ASD recommended that the Airport Division receive training on conducting contract procurements and implement internal controls related to appropriate and inappropriate contact prior to bid publication and conflicts of interest. DOT fired one of the subject Airport Division employees.

Case # 17005

In April 2017, ASD received an allegation concerning questionable entries on a County employee's travel expense reports. The employee also served on a County advisory board. The questionable expenses related to the employee's responsibilities as a board member. ASD identified an instance when the employee traveled for an approved conference. The employee arrived at the hotel two days prior to the start of the conference for a personal stay. One of the personal nights was charged to the employee's personal charge card. The employee submitted and received reimbursement for the other personal night's hotel stay. Another time the employee received reimbursement for a glass of wine purchased with dinner. The board's policies in place at the time of the purchase and request for reimbursement excluded alcohol purchases from reimbursement. Despite the alcohol prohibition, board staff reviewed the employee's receipts and approved the reimbursement. ASD found that the employee's travel expense report issues were due to mistakes and lack of sufficient oversight rather than an intentional act to defraud. ASD recommended that the board seek recovery of the funds for the personal hotel stay, implement refresher trainings in policies and adopt the County-wide travel policy.

Case # 17006

In September 2017, ASD investigated an allegation of public assistance fraud by a housing assistance program client. The subject client allegedly had his spouse living in the unit without authorization. During the alleged period of fraud, the Department of Health & Human Services (DHHS) Housing Division paid approximately \$11,000 towards the subject's rent. ASD found ample documentary evidence, including the spouse's driver's license which listed the assisted unit as his address, postal records, police reports, and employment records which showed that the spouse was living at the unit and was earning unreported income during at least part of the time the spouse was living in the unit. The DHHS Housing Division terminated the client's assistance. The client did not appeal the termination decision.

Other Activity

In addition to receiving and investigating allegations of fraud, waste and abuse, ASD personnel:

- Consult on performance audit fraud risk assessments in accordance with Generally Accepted Government Auditing Standards.
- Assist other local, state and federal agencies in performing their duties related to investigating fraud, waste and abuse. For example, in 2017, ASD worked with the District Attorney's Office and the House of Corrections Internal Affairs on an investigation.
- By request, provide information for use by County departments and leadership to make better informed responses to issues of real or perceived instances of fraud, waste and abuse.

Milwaukee County Hotline Savings/Recovery (1994—2017)

These are the accumulated savings and recoveries for the program since 1994. Industry standards recognize \$1 of indirect savings for every \$1 of direct savings.

- 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: Fraud Hotline- 633 W. Wisconsin Avenue, Suite 904, Milwaukee, WI 53203
Email: hotline@4securemail.com 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 (Anonymous Drug Reporting)	414-273-2020
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
----------------------	---------------------