

**2018 Annual Report
Fraud, Waste and
Abuse Investigations**

February 2019

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

**Scott B. Manske
Milwaukee County Comptroller**



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

February 8, 2019

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 2018.

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 2018 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 26th 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 of those efforts.

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

Jennifer L. Folliard
Director of Audits

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, Milwaukee County Department of Administrative Services
Steve Cady, Research & Policy Director, Office of the Comptroller
Janelle Jensen, Legislative Services Division Manager, Office of the Milwaukee 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. Tips account for 40% of initial fraud detection. Tips from employees account for 53% of discovered fraud. Organizations that operate hotlines are more likely to catch fraud by a tip and experience fraud that is 50% smaller 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 December 2018, the Audit Forensic Manager authored an article on Milwaukee County's fraud prevention efforts. The article was published in the winter issue of the Association of Local Government Auditors (ALGA) Quarterly. The issue focused on fraud. The article may be read at <https://algaonline.org/index.aspx?NID=767>.

¹ *Report to the Nations 2018 Global Study on Occupational Fraud and Abuse*. Austin: Association of Certified Fraud Examiners, 2018.

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 <https://county.milwaukee.gov/EN/Comptroller/Fraud-Waste-Abuse>

Summary of 2018 Investigative Activity

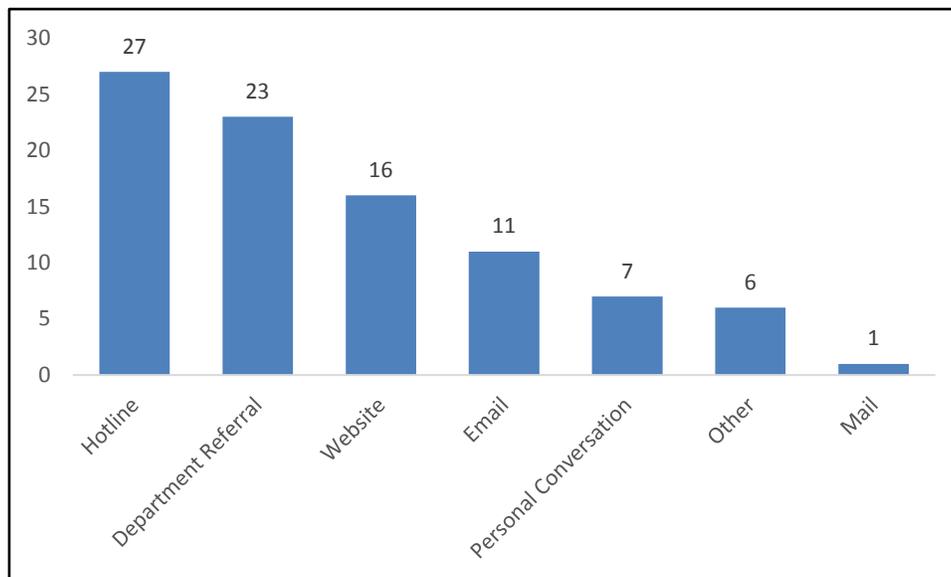
Tips

ASD received 91 complaints (tips) concerning allegations of fraud, waste or abuse in 2018. In 2017, ASD received 115 complaints; in 2016, 124 complaints. The 2018 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	27
Department Referral	23
Website	16
Email	11
Personal Conversation	7
Other	6
Mail	1
Total	91

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



The received complaints were assigned to a category. **Table 2** shows the complaints received in 2018 by category.

**Table 2
Allegation Categories**

Other Fraud (Plus Counterfeit Checks)	24
Non-County	21
Personnel Misconduct	19
Public Assistance Fraud	14
Vendor/Provider Fraud	9
Waste	3
Operational Inefficiencies	1
Total	91

Cases Opened

ASD opened 12 cases in 2018. For the remaining 2018 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 2018 as whole numbers and a percentage⁴.

**Table 3
Disposition**

Declined/No Action Required	27	30%
Case Opened ⁵	9	10%
Referred	28	31%
Other/Provided Information	22	24%
Pending (as of 12/31/2018)	5	5%
Total	91	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 2018 by complaint category.

**Table 4
Cases Opened**

Personnel Misconduct	8
Vendor/Provider Fraud	2
Public Assistance Fraud	2
Total	12

⁴ Percentages are rounded to whole numbers.

⁵ 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 13 cases in 2018. One of the cases concluded in 2018 was from 2016; five cases concluded in 2018 were from 2017. The remaining closed cases were opened and concluded in 2018.

Generally, a case is closed substantiated when the evidence reasonably proves that a known actor committed misconduct. ASD submits the substantiated case file, which includes reports, evidence collected during the investigation and ASD's analysis and determination, to the actor's department, the Department of Human Resources and the Office of Corporation Counsel. These departments review ASD's investigation and determine the appropriate response. 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.

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.

As of year-end 2018, seven 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 2018.

**Table 5
Cases Closed
Finding**

Substantiated	5
Unsubstantiated	2
No Action	6
Total	13

Case Highlights

The following are descriptions of some of the cases closed during 2018. 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 # 16012

In December 2016, ASD received an allegation that a construction company working on a capital project subject to a 50% county resident labor participation goal supplied false addresses for some of the project workers to the County. ASD received the complaint after the project was substantially completed. According to the submitted certified payroll reports,

three employees, with different surnames and no apparent familial relationship, resided together in an apartment on the south side of Milwaukee, Wisconsin. The company received credit for 52% resident labor participation on the project. In total, the County paid the company \$198,750 for the project.

Using various public records and social media, the investigation developed evidence which showed that the three individuals did not reside in Milwaukee, but rather in towns and villages around the construction company's main office.

ASD personnel demanded records from the construction company, including copies of the employees' driver's licenses, pay stubs and any rental or lease records for the allegedly fraudulent address. The provided driver's licenses showed addresses in the towns and villages around the main office. The construction company provided lease documents for apartments. The provided lease documents showed that the construction company rented an apartment and revised the lease to add and remove the worker "residents." The construction company's true county resident participation was approximately 7%.

The construction company worked on two additional capital projects for the County during the investigation. Those projects had residency goals of 25% and 50%. For those projects, ASD could not find evidence that the company submitted false worker addresses to the County. The company surpassed the 25% residency goal, primarily due to subcontracting, and failed to achieve the 50% goal.

ASD submitted this matter to the District Attorney's Office which declined to take action. The Department of Administrative Services barred the construction company from bidding on county projects for two years.

Case # 18001

In January 2018, ASD investigated allegations that a Department of Human Resources employee was fraudulently recording his time by punching in and out on non-County devices when the employee was not at work. The employee's timecard records included information which showed when the employee punched in and out using the county's network or using another network provider. ASD personnel reviewed secured card access records, courthouse security footage and email records. ASD found evidence that the employee punched in for work before arriving at the courthouse. The employee would also leave the courthouse, not return and then punch out, sometimes several hours later. When the employee was at work, the investigation found evidence that the employee engaged in personal activities like schoolwork and online shopping.

ASD personnel interviewed the employee. The employee was notified of his interview rights and the interview was audio recorded. The employee confessed to falsifying his time. The employee ultimately resigned from County employment.

Payroll withheld the identified falsification overpayment, \$1,279.66, from the employee's last paycheck. The employee was also told that he would have to repay tuition reimbursement that the employee had received.

Case # 18003

In January 2018, ASD received an allegation that a County rent assistance program client allowed an unauthorized person to live in the subsidized apartment in violation of the program rules. The unauthorized person had reportedly been living in the unit for years and was a nuisance. The investigation produced evidence that the unauthorized person listed the address to receive state aid, to vote and provided the address as his residence when he was arrested for drug possession.

The Department of Health and Human Services (DHHS) Housing Program terminated the client's assistance. The client requested a hearing. The hearing officer upheld the decision to terminate the client's assistance. DHHS Housing Program staff calculated that the program saved \$4,180, the amount remaining on the client's contract.

Case # 18004

In October 2017, ASD received an allegation that a Department of Transportation (MCDOT) supervisor was misusing a County vehicle and a County-issued cell phone. ASD reviewed the cell phone call records and observed that the employee made approximately \$300 worth of personal calls. ASD personnel noted that the employee called one number in particular. ASD personnel were able to associate the telephone number with a residence in Milwaukee, Wisconsin. During a surveillance of the residence, ASD personnel observed the employee arrive at the residence in a Milwaukee County vehicle. The residence was not near any County facilities or temporary work sites.

ASD personnel requested that MCDOT install a GPS unit on the employee-used truck. The GPS records showed that the truck was only active when the employee was at work and was not used when the employee was not at work. The GPS records showed that the employee drove to the residence, often staying parked in excess of the department allotted break times, several times during the time period that the GPS was active.

MCDOT and the Department of Human Resources decided to issue a last chance agreement in lieu of pursuing the employee's discharge.

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. In 2018, ASD assisted the District Attorney's Office on an investigation into an alleged fraudulent check scheme by a now former County employee. In December 2018, the District Attorney's Office charged the former employee with three counts of misconduct in public office and one count of theft.

- 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—2018)

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 = \$4,946,041
- Total Direct/Indirect = \$9,892,082

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
(9 3 3 - 7 2 8 3)

Email: hotline@4securemail.com Website: county.milwaukee.gov/EN/Comptroller/Fraud-Waste-Abuse
Write: Fraud Hotline- 633 W. Wisconsin Avenue, Suite 904, Milwaukee, WI 53203



Milwaukee County Comptroller’s Office Audit Services Division

For Reporting:

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

CALLERS NOT REQUIRED TO GIVE THEIR NAMES

----- Other Numbers -----

Milwaukee County:		Sheriff’s Office –	
Aging - Elder Abuse Helpline	414-289-6874	Community Against Pushers (Anonymous Drug Reporting)	414-273-2020
Child Support – Customer Service	414-615-2593	Guns Hotline	414-278-4867
District Attorney – Consumer Fraud Unit	414-278-4585	Internal Affairs	414-278-5399
Public Integrity Unit	414-278-4645	State of Wisconsin:	
Mental Health Crisis Hotline	414-257-7222	Child Abuse or Neglect Referrals	414-220-7233
Crisis Hotline (TTY/TDD)	414-257-6300	DOJ Consumer Protection Unit	1-800-998-0700
Minimum Wage Ordinance	414-278-4206	Wisconsin W-2 Fraud Hotline	1-877-865-3432
Employee Relations	414-278-2000	Wisconsin Child Care Fraud	1-877-302-3728
City of Milwaukee:		Legislative Audit Bureau Hotline	1-877-372-8317
Fraud Hotline	414-286-3440	Federal:	
		Medicare Fraud	1-800-447-8477
		Social Security Fraud	1-800-269-0271
		Federal Funds Fraud (FraudNet)	1-800-424-5454