



**Fraud, Waste, and Abuse Hotline
Report
For the Year Ended
December 31, 2013**

MARTIN MATSON
City Comptroller

AYCHA SIRVANCI
Audit Manager

City of Milwaukee, Wisconsin

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Martin Matson
Comptroller

John M. Egan, CPA
Deputy Comptroller



Glenn Steinbrecher, CPA
Special Deputy Comptroller

Toni Biscobing
Special Deputy Comptroller

Office of the Comptroller
February 6, 2014

Honorable Tom Barrett, Mayor
the Honorable
The Common Council
City of Milwaukee

Dear Mayor Barrett and Council Members:

On June 15, 2004, the Common Council adopted Resolution 040063 authorizing the creation of a City website to report potential fraud, waste and abuse within City government. Internal Audit has operated the City of Milwaukee Fraud, Waste, and Abuse Hotline (Hotline) since inception. The enclosed report summarizes Hotline operations for the year ended December 31, 2013, with results from calendar year 2012 provided for comparative purposes.

The Hotline has proven to be a benefit by providing citizens and employees with the means to report fraud, waste and abuse within the City of Milwaukee government. The established process of follow-up on these complaints has provided positive results through timely and appropriate actions.

For the 2013 calendar year, 120 complaints were made to the Hotline. The majority of these complaints involved employee conduct or potential fraud, waste and abuse. Many Hotline complaints were filed electronically via email or through the Hotline Web Page, (www.city.milwaukee.gov).

In addition to the 2013 Hotline results, the attached report also describes the Hotline's city-wide initiatives and reporting process.

Appreciation is expressed to city management that has assisted Internal Audit with the execution of the Hotline. I encourage you to review this report and contact me with any questions or comments.

Sincerely,

Aycha Sirvanci, CPA
Audit Manager



I. Introduction

This is the annual report of the City of Milwaukee's Fraud, Waste and Abuse Hotline. The reporting period is the calendar year ending December 31, 2013. For comparative purposes, information for calendar year 2012 is also provided in the tables.

The Hotline received 120 new complaints in 2013 and 107 new complaints in 2012 (Table 1). Details about 2013 Hotline complaints are provided below under Hotline Activity.

Starting in 2012, Hotline statistics were converted to a calendar year basis. Current year numbers are compared to the 2012 converted information. Prior to 2012, Hotline Annual Reports were based on a 12-month period from August 18th through August 17th of the following year.

II. Overview

On June 15, 2004, the Common Council adopted Resolution 040063, which authorized and directed the Comptroller to establish an Internet accessible "Hotline" web page to report fraud, waste, or abuse within City government. Internal Audit of the City administers the City's Hotline. Complainants are not required to identify themselves and, if they wish, may remain anonymous. As indicated on the "Hotline" web page, possible fraud, waste and/or abuse may be reported using the on-line form, email, mail, telephone, fax, or by arranging to meet in-person.

Throughout 2013, Internal Audit has engaged in several efforts to further the development and usage of the Hotline both internally and externally. First, a concerted effort has been made to develop relationships with management in the various departments in order to identify key relevant contacts for complaints. This has been documented through updated policies and procedures of the Hotline to ensure succession planning internally.

Second, Internal Audit initiated a City-wide fraud hotline awareness effort. The City's Public Information Division assisted Internal Audit by designing an informative and attractive brochure to aid in advertising and informing the public and City employees

about the Hotline. Internal Audit team members worked with various departments to set up presentations to employees during their monthly staff meetings, in order to create awareness and inform employees about what constitutes fraud and how to file a complaint with the Hotline. These presentations at these various sites around the City still continues in 2014, as the effort was initiated in in the fall of 2013. We plan to continue and expand our efforts in 2014 and future years.

Third, the Hotline has also submitted an official request to the City Attorney to draft a whistleblower ordinance. This ordinance would provide protection to employees who filed fraud complaints that may have a potential impact on the City. A whistleblower ordinance would encourage employees to file complaints with substance without fear of retaliation or a threat of losing employment with the City. Whistleblower protection is a deemed best practice and will aid with the execution of the Hotline and keeping the City working as intended.

III. Hotline Activity

A. Method of Contact

As Table 1 below identifies, 49 of the 120 Hotline complaints received in 2013 (41 percent) were generated through the on-line submission form or direct email, and 66 (55 percent) were generated through the City Hotline phone-in line where a caller can speak directly with Hotline staff. Finally, four (4 percent) of the complaints were sent by mail or dropped off in person.

Table 1 – Method of Contact by Year

	2013		2012	
Web Page/ Email	49	41%	54	50%
Mail	4	3%	1	1%
Phone	66	55%	51	48%
In Person	1	1%	1	1%
Total	120	100%	107	100%

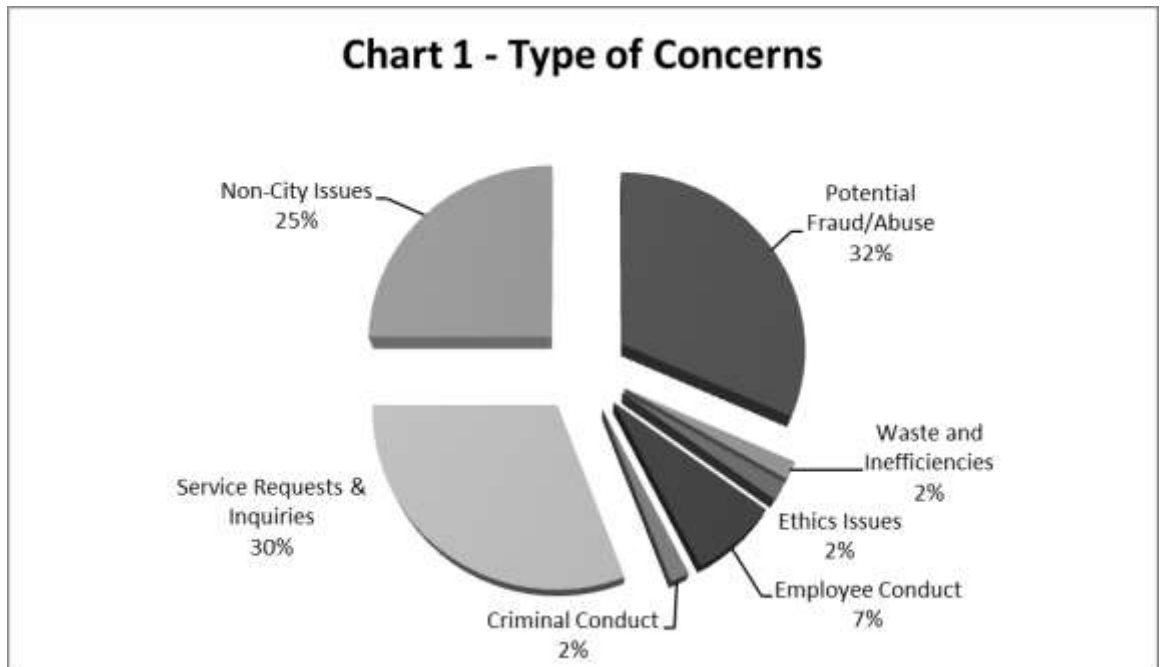
B. Source of Complaints

Of the 120 complaints received in 2013, 94 (78 percent) were made by citizens. City employees generated 17 (14 percent) of the new Hotline complaints. The remaining 9 complaints (8 percent) were referrals from the Milwaukee County Hotline, other agencies, or were unknown.

C. Type of Concerns

All Hotline complaints are categorized as one of the following seven types of allegations or complaints:

1. Potential Fraud/Abuse
2. Waste & Inefficiencies
3. Ethics Issues
4. Employee Conduct
5. Criminal Conduct
6. Service Requests
7. Non-City Issues



The chart above indicates the largest category of Hotline complaints in 2013, 32 percent, was Potential Fraud or Abuse. This category includes reports of employee residency

violations, misappropriation, procurement abuse, and rent assistance abuse. The category of Waste and Inefficiencies accounted for 2 percent of complaints in 2013. Waste & Inefficiencies complaints included the number of workers on a street repair, the quality of street repairs, and alleged misuse of City time by City employees. Fraud or Abuse complaints or Waste and Inefficiency complaints are allegations only; many are later found to be invalid or a misunderstanding of the facts and circumstances.

Service Requests and general inquiries accounted for 30 percent of complaints received in 2013. These included requests for sanitation collection, reports of disrepair on neighboring properties, and inquiries regarding City ordinances and building code enforcement. The Hotline forwarded most service requests to the Call Center.

Complaints regarding City Employee Conduct accounted for 7 percent of complaints in 2013, including reports of misuse of City vehicles and unsafe driving. As with possible fraud or waste, reported misconduct must be verified and may be a misunderstanding of activity. Non-City Issues were 25 percent of 2013 complaints; these included issues referred to Milwaukee Public Schools (MPS), Milwaukee County, and the State, which included alleged abuse of MPS residency requirements, County rent assistance, the Wisconsin Food Share program (food stamps), income tax fraud, and identity theft.

Criminal Conduct allegations accounted for 2 percent of complaints in 2013, including allegations of drug offenses, domestic violence, and theft. These allegations were referred to law enforcement agencies for investigation, including the Milwaukee Police Department (MPD), UW-Milwaukee Police Department, and the Federal Bureau of Investigation (FBI). Finally, in 2013, possible Ethical Issues accounted for 2 percent of complaints.

D. Actions Taken

Of the 120 Hotline complaints received in 2013, 64 complaints (53 percent) were referred to City departments for investigation and follow-up. Each complaint about employee conduct was investigated, and, if the complaint was found to be valid, the employee was counseled and in some cases disciplined. Service requests were referred to the City Call Center or, if appropriate, sent to the proper City department. For service requests sent directly to a Department, the Departments responded when requested services were

scheduled or provided. The Housing Authority investigated all complaints alleging abuse of the Rent Assistance Program, and took action on concerns that could be verified. Sixteen complaints (13 percent) were investigated by Internal Audit within the Office of City Comptroller. Except for service requests sent to the Call Center, investigating Departments provided Hotline with the results of their investigation.

Hotline did not request disposition information for referrals to Non-City agencies (30 complaints or 25 percent of total). Finally, Hotline did not refer complaints that provided insufficient information or were without merit; 3 were deemed to be without merit after initial investigation by Internal Audit, and 7 complaints had insufficient information resulting in no action.

Table 2 below provides a schedule of actions taken in 2013, with comparative data provided for 2012.

Table 2 – Actions Taken

	2013		2012	
Department Referral	64	53%	40	37%
Internal Audit	16	13%	7	7%
Criminal Referral	0	0%	1	1%
Non-City	30	25%	45	42%
Investigated, No Further Action	3	3%	6	6%
No Action	7	6%	8	7%
Total	120	100%	107	100%

Hotline complaints referred to City departments in 2013 show that the Department of Public Works received the largest share with 23 referrals. Other departments receiving referrals in 2013 included the Department of Neighborhood Services with 13 referrals, and the Call Center with 11 referrals. MPD, Fire and Police Commission and Municipal Court received three referrals each. Three departments received two referrals each including Health Department, Department of City Development and City Attorney. Lastly two departments received one referral each including Department of Employee Relations and the Housing Authority. Internal Audit investigated 26 complaints. It was determined 7 of the 26 complaints were insufficient or inaccurate. Finally, 30 complaints were forwarded to agencies outside the City.

IV. Benefits

The Hotline has proven to be a benefit by providing citizens and City employees with the means to report fraud, waste and abuse within City government. The established process of follow-up on valid complaints has provided positive results through timely and appropriate actions.

Based on the diverse nature of the complaints received, it is clear the public is utilizing the Hotline. There also have been a significant number of Hotline complaints from City employees, indicating it is used as a Whistleblower tool, an effective internal control tool to mitigate the risk of theft and abuse. Although the Hotline has not yet resulted in an easily quantifiable cost recovery or cost avoidance for the City, the potential exists for a significant fiscal benefit. Any such savings will be disclosed in future Hotline reports.

V. Hotline Process

The Hotline receives calls through a designated telephone number (286-3440) that is staffed during normal business hours. Voicemail is always available. Concerns and allegations can also be reported by mail, fax, in person, by using the secure web-based form (<http://city.milwaukee.gov/ReportFraudWasteandAbuseofCityResources>), or via email (hotline@milwaukee.gov). If the complainant speaks a language other than English, with advance notice, the Office of the Comptroller will arrange translation or interpreter services.

Internal Audit staff assesses each Hotline complaint to determine whether the reported complaint provided sufficient information to be investigated or verified, or to request additional information from the complainant if more information is needed (if the complainant provided a valid telephone number or email address).

Each Hotline complaint is given a unique case number, entered into the Hotline database, and tracked until a final disposition is received. An initial assessment determines

whether the complaint has merit and, if it does, how it should be handled. If a complaint is valid and provides sufficient information for investigation, it is referred to appropriate parties for follow-up action or, in some cases, investigated by Internal Audit. Complainants who ask to be notified of the result of the investigation are notified of the results when this information is received by the Hotline.

Presented below is a list of activities Hotline will investigate or refer to other City departments for investigation:

- Illegal acts, such as theft, fraud, kickbacks, price fixing, or conflict of interest by City employees and contractors;
- Misuse or abuse of City property, including City building, vehicles, equipment or City time by City employees;
- Gross misconduct such as reckless disregard for the safety of others or attempts to financially defraud the City, falsification of documents or other forms of misrepresentation, and inefficiency by City employees; and
- Other improper activity by or against the City of Milwaukee.

Callers with the following complaints will be provided with alternative contacts for reporting their concerns:

- Improper activities by or against County, State or Federal employees or entities;
- Improper activities by private parties not related to City government; or
- Non-fraud related complaints.

VI. Key Terms and Definitions

Fraud: A type of illegal act involving the obtaining of something of value through willful misrepresentation. Example: Falsifying financial records to cover up the theft of money or city property.

Waste: Mismanagement, inappropriate actions and/or inadequate safeguarding of resources. Example: The unnecessary spending of city funds to purchase items that have no business purpose.

Abuse: The intentional misuse or improper use of government resources. Example: The use of a city vehicle for non-city business and failure to complete a leaves slip when absent from work are examples of abuse occurring in a non-financial setting.

Referral to City Departments: Complaints about City employee conduct, such as excessive break time or misuse of City equipment are referred to the appropriate City department. Routine service requests for sanitation pick-ups or street potholes are referred to the City Call Center. Responses are received from departments (except the Call Center) indicating actions taken on the Hotline referrals.

Referral to Non-City Agencies: Complaints about programs that do not pertain to City Government are forwarded to the agency in charge of that program. For example, allegations of Food-Share (food stamp) abuse or Daycare fraud are referred to the State Department of Health Services and the Department of Children and Families, respectively.

Referral to Law Enforcement Agencies: Complaints about illegal activity are referred to the MPD or to the applicable Federal, State or municipal law enforcement agency.

Investigated by Internal Audit: Some Hotline complaints are held by Internal Audit to investigate or a formal audit is initiated.