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Office of the Comptroller

November 2, 2005

To the Honorable
the Common Council
City of Milwaukee

Re: Fraud, Waste and Abuse Hotline

Dear Council Members:

On June 15, 2004 the Common Council adopted Resolution 040063 authorizing and directing the Comptroller to establish a Fraud, Waste and Abuse Hotline. The attached report summarizes the results of first year of Hotline operations through August 16, 2005.

The Hotline has proven to be a benefit by providing citizens with the means to report fraud, waste and abuse in City of Milwaukee government and by establishing a process to follow-up on these contacts.

We would be pleased to discuss the Hotline with you at your convenience. Please contact me with any questions or comments.

Sincerely,

W. MARTIN MORICS
Comptroller

WMM: jtm
Ref:2005HotlineReportTransmittal

**Office of the Comptroller
Fraud Hotline Report
August 2004 to August 2005**

Background

This is a report of the first year of operation of the City of Milwaukee Fraud, Waste and Abuse Hotline, from August 17, 2004 through August 16, 2005.

On June 15, 2004, the Common Council passed Resolution 040063, authorizing and directing the Comptroller to establish an Internet accessible web page on the City's web site to report fraud, waste, or abuse in City government. The web page was developed with the assistance of the Information and Technology Management Division in the Department of Administration. On August 17, 2004 the Hotline web page was available for public use. On December 15, 2004 a Hotline telephone number was also added. Citizens can now report fraud waste and abuse using the web page, email, postal mail, telephone, fax, or in-person.

The Hotline Process

Hotline Web Page

The City web site at www.milwaukee.gov provides a link to the Hotline web page labeled "Report Fraud, Waste and Abuse of City Resources". The department web page for the Office of the Comptroller also contains this link. When a person enters and submits information through the Hotline web page, the information is converted to an email message and sent to an email account. Access to the Hotline email account is restricted to three auditors in the Office of the Comptroller, two Lead Auditors and the Audit Division Manager. These emails indicate that they are sent from an anonymous sender unless the sender voluntarily provides an email address on the web page form. Parties submitting information to the Hotline web page cannot be identified unless they choose to provide contact information.

Direct Email

The public can bypass the Hotline web page and send messages directly to the Hotline email account at hotline@milwaukee.gov. The sender's email address is automatically included on these direct emails, so this type of contact is not anonymous.

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Postal Mail

Letters on Hotline issues can be sent anonymously or with contact information to the address below.

Office of the Comptroller
Attention: Audit Hotline
200 E. Wells Street, Room 404
Milwaukee, WI 53202

Phone and Fax

The public can contact Hotline staff by phone at (414) 286-3440 or send a fax to the Hotline at (414) 286-3281. Hotline staff can often obtain more complete information through interactive phone contacts. A caller wanting to remain anonymous is given a Hotline case number so they can call again to learn how the matter was handled. A fax lists the sender's fax number and therefore may not be anonymous.

In-Person

Hotline matters can be discussed in-person by visiting the Office of the Comptroller during business hours. Hotline staff will meet with the party to discuss the matter, or schedule an appointment to do so at a later time, as schedules permit.

All Hotline contacts have been in English, but if any are received in another language the Office of the Comptroller will strive to obtain translation or interpreter services.

Hotline Follow-up

Each Hotline contact is given a unique case number and a form is completed for each case indicating its disposition. An initial assessment is done to determine whether the case has merit and how it should be handled. Hotline cases are referred to appropriate parties for follow-up action.

- Referrals to City departments: Complaints about City employee conduct, such as excessive break time or misuse of City equipment are referred to City departments. Sometimes the Hotline receives routine service requests for sanitation pick-ups or infrastructure repairs, which are also referred to the appropriate department. Responses are received from departments indicating actions taken on the Hotline referrals.

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- Referrals to non-City agencies: Sometimes complaints are received that do not pertain to City government. For example, a complaint about Food-Stamp Program abuse would be referred to the U.S. Department of Agriculture.
- Referrals to law enforcement agencies: Complaints about illegal activity would be referred to the Milwaukee Police Department or the appropriate Federal or State law enforcement agency.
- Referrals to Internal Audit: Hotline cases are referred to audit staff in the Office of the Comptroller for additional investigation or formal audit.

Parties providing contact information are notified about the disposition of their Hotline cases.

First Year Hotline Activity

Hotline staff received 118 contacts from August 17, 2004 through August 16, 2005 (See Attachment 1). Of these, 82 percent or 97 contacts have been closed. The remaining 18 percent or 21 contacts are awaiting departmental responses or are under-investigation.

Method of Contact

Hotline staff received 77 percent or 91 of the 118 contacts through web page generated email or direct email. In addition, 20 percent or 23 Hotline contacts were by postal mail or phone. The remaining 3 percent or 4 contacts were from in-person walk-ins. There were no contacts via fax during the first year.

Source of Contact

Citizen complaints generated the most Hotline activity, accounting for 46 percent or 54 of the 118 contacts. The source of the complaint could not be determined for 24 percent or 29 contacts. City employees generated 24 percent or 28 Hotline contacts. Of the remaining 6 percent of contacts, Milwaukee County Hotline staff referred 5 contacts and 2 contacts were from vendors.

In this first year of operation, 60 percent or 71 Hotline contacts were made anonymously or by identified parties requesting confidentiality.

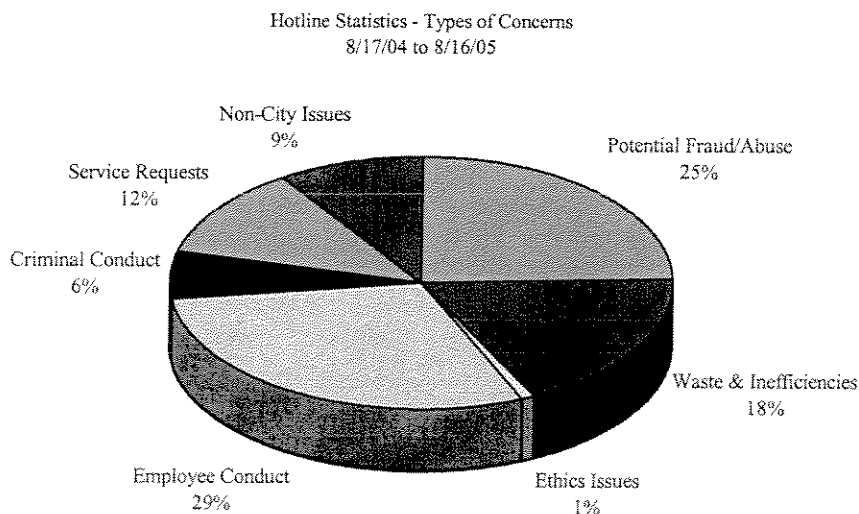
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Type of Contact

All Hotline contacts are categorized as one of the following seven types:

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

The pie chart below shows that the largest portion of complaints involved City employee conduct, accounting for 29 percent or 35 of the 118 contacts. Hotline contacts about City employee conduct included complaints about excessive employee parking on the streets around City Hall, unsafe driving, and misuse of City computers and telephones. The next largest category involved potential fraud and abuse with 25 percent or 29 contacts. These complaints included potential residency violations, parking ticket fixing, procurement abuse, and grant fund abuse. Contacts related to waste and inefficiency make up the third largest category with 18 percent or 21 contacts. Most of these issues were referred to various departments for disposition as managerial issues. Contacts that were requests for City services or that involved other levels of government accounted for 12 percent (14 contacts) and 9 percent (11 contacts), respectively. Finally, complaints related to criminal conduct and ethics issues made-up the remaining 7 percent or 8 contacts.



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Of the above seven complaint categories, the first five require at least some review and follow-up by audit staff. The remaining two categories for service requests and non-city issues result in referrals to City departments or other government agencies without audit staff involvement. Audit staff followed-up on 79 percent or 93 of the 118 contacts, and the remaining 21 percent or 25 contacts were referred to city departments or other government agencies.

Actions Taken

Of the 118 Hotline contacts 80 contacts were sent to City departments for follow-up action. Departments responded to 68 of these referrals and 12 remain under review by the departments. In response to complaints about employee conduct, departments indicated that affected employees were counseled and in some cases received disciplinary warnings. Departments also responded that requested services were provided, including tree and shrub trimming, trash removal and property inspection. The Housing Authority indicated that it investigated several complaints about Rent Assistance Program abuse and took appropriate action.

Five contacts were referred for criminal investigation. The Milwaukee Police Department indicated that a complaint about illegal drug activity and another about improper payments to a City employee were investigated and found to be without merit. Two complaints about identity theft were referred to the Federal Bureau of Investigation. Also, a complaint about Food Stamp abuse was referred to the U. S. Department of Agriculture.

Six contacts are under review by internal audit staff. A complaint related to a grant funded property rehabilitation project was incorporated into an audit of the project that will soon be issued. The other complaints about procurement practices are also being audited.

Nine contacts were referred to non-City agencies, with 7 referred to the Milwaukee County Hotline and 2 referred to State government. Milwaukee County Hotline staff responded that County departments are addressing their referrals.

The remaining 18 contacts were determined to be without merit after initial review by City Hotline staff.

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First Year Benefits

The City Hotline has proven to be a benefit by providing citizens with the means to report fraud, waste and abuse in City government and by establishing a process to follow-up on these contacts. Based on the diverse nature of the contacts that were received during the first year of operation, it is clear the public is utilizing the City Hotline. Although the Hotline has not yet resulted in a material cost recovery or cost avoidance for the City, the potential exists for a significant fiscal benefit. Any such savings will be included in future Hotline reports.

Ref: 2005HotlineReport

Hotline Statistics
August 17, 2004 through August 16, 2005

Number of Contacts	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total
Email	33	20	16	22	91
Mail	10	0	1	2	13
Phone	5	1	3	1	10
In Person	3	1	0	0	4
Fax	0	0	0	0	0
Total	51	22	20	25	118

Type of Contacts	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total
Employee	12	6	6	4	28
Vendor	1	0	0	1	2
Citizen	20	12	10	12	54
Unknown	16	1	4	8	29
City Departments	0	0	0	0	0
Other Agencies	2	3	0	0	5
Total	51	22	20	25	118

Requested Confidentiality	28	8	11	24	71
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Type of Concerns	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total
Potential Fraud/Abuse	16	8	4	1	29
Waste & Inefficiencies	11	0	6	4	21
Ethics Issues	1	0	0	0	1
Employee Conduct	9	8	7	11	35
Criminal Conduct	2	2	0	3	7
Subtotal	39	18	17	19	93
Service Requests	4	2	3	5	14
Non-City Issues	8	2	0	1	11
Total	51	22	20	25	118

Actions Taken	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total
Departmental Referrals	26	17	14	23	80
Internal Audit - Follow-up	4	0	2	0	6
Criminal Referrals	2	1	1	1	5
Non-City Referral	6	2	1	0	9
Investigated No Further Action	6	0	0	0	6
No Action	7	2	2	1	12
Total	51	22	20	25	118

Contacts	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total
Beginning Opened Contacts	0	22	16	31	N/A
New Contacts	51	22	20	25	118
Closed Contacts	29	28	5	35	97
Ending Open Contacts	22	16	31	21	21