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**Fraud, Waste, and Abuse  
Hotline Report  
For the Year Ended  
December 31, 2014**

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January 2015

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**Office of the Comptroller**  
January 14, 2015

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

Dear Mayor Barrett and Council Members:

Section 350-247 of the code of ordinances authorizes the Fraud Hotline to be managed by Internal Audit and also requires the release of an annual report of Hotline statistics and activity for the year. Internal Audit has operated the City of Milwaukee Fraud, Waste, and Abuse Hotline (Hotline) since its inception in 2004. The enclosed report summarizes Hotline operations for the year ended December 31, 2014, with results from calendar year 2013 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 2014 calendar year, 75 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](http://www.city.milwaukee.gov)).

In addition to the 2014 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, 2014. For comparative purposes, information for calendar year 2013 is also provided in the tables.

The Hotline received 75 new complaints in 2014 and 120 new complaints in 2013 (Table 1). Details about 2014 Hotline complaints are provided below under Hotline Activity.

Starting in 2012, Hotline statistics were converted to a calendar year basis. Prior to 2012, Hotline Annual Reports were based on a 12-month period from August 18<sup>th</sup> through August 17<sup>th</sup> of the following year.

## **II. Overview**

In November 2014, the Common Council adopted 350-247 in the Code of Ordinances, which codified Internal Audit's management of the Fraud Hotline. The ordinance established management and reporting requirements of Internal Audit. It also aided in the establishment that complainants are not required to identify themselves and, if they wish, may remain anonymous. Possible fraud, waste and/or abuse may be reported to the "Hotline" using the on-line form, email, mail, telephone, fax, or by arranging to meet in-person.

Throughout 2013 and continuing into 2014, 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 continued in 2014, as the effort was initiated in the fall of 2013. Earlier in 2014, with the help of the Fire Department, a video was recorded of the Fraud Hotline presentation. The video was made originally in order to be readily available to train the entire Fire Department. This video has been posted to the Fraud Hotline webpage on the City’s website for easy viewing access.

Finally, the Hotline had submitted an official request to the City Attorney to draft a whistleblower ordinance. This ordinance (as mentioned above) was officially codified through Common Council in November 2014 with coordinated efforts of the City Attorney and the Department of Employee Relations. Besides codifying the Hotline, this ordinance establishes policies for employees who have filed fraud complaints that may have a potential impact on the City. This ordinance encourages employees to file complaints with substance without fear of retaliation or a threat of losing employment with the City. Whistleblower protection is a best practice and will aid with the execution of the Hotline and keeping the City operating as intended.

### **III. Hotline Activity**

#### **A. Method of Contact**

As Table 1 below identifies, 19 of the 75 Hotline complaints received in 2014 (25 percent) were generated through the on-line submission form or direct email, and 53 (71 percent) were generated through the City Hotline phone-in line where a caller can speak directly with Hotline staff. Finally, three (4 percent) of the complaints were sent by mail or dropped off in person.

**Table 1 – Method of Contact by Year**

	<b>2014</b>		<b>2013</b>	
<b>Web Page/ Email</b>	19	25%	49	41%
<b>Mail</b>	2	3%	4	3%
<b>Phone</b>	53	71%	66	55%
<b>In Person</b>	1	1%	1	1%
<b>Total</b>	<b>75</b>	<b>100%</b>	<b>120</b>	<b>100%</b>

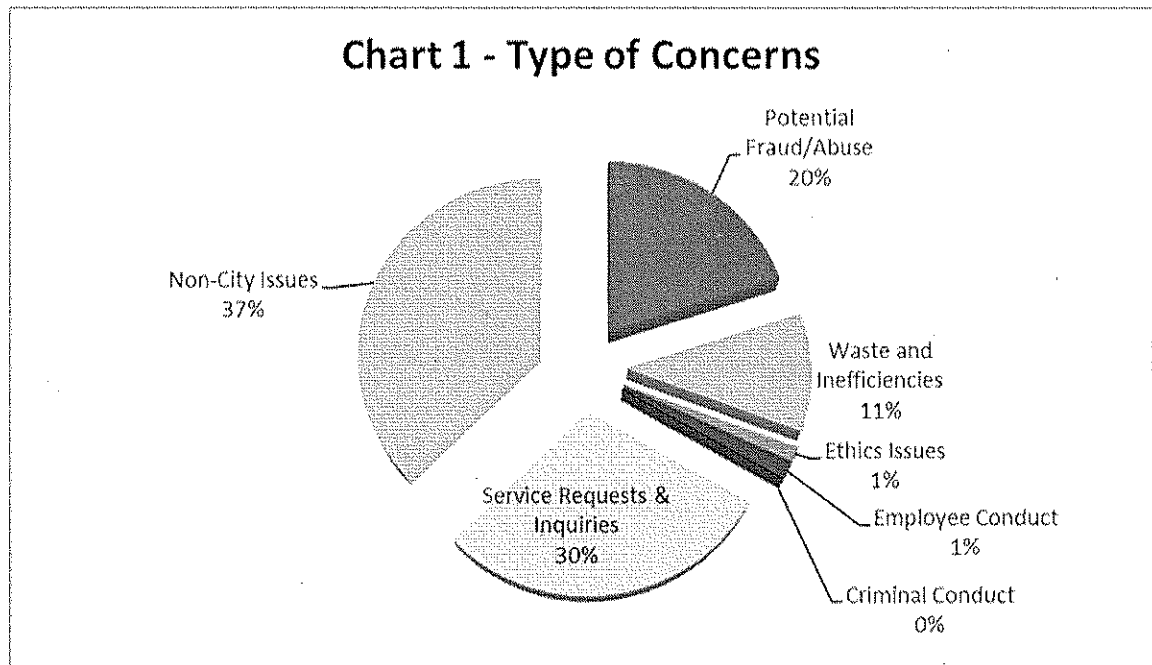
## B. Source of Complaints

Of the 75 complaints received in 2014, 55 (73 percent) were made by citizens. City employees generated 12 (16 percent) of the new Hotline complaints. The remaining 8 complaints (11 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 2014, 37 percent, was Non-City issues. The next largest category is service requests at 30 percent. Then, at

20 percent, is potential fraud and abuse. This category includes reports of employee misappropriation, procurement abuse, acceptance of bribes or kickbacks, and other various forms of fraud. The category of Waste and Inefficiencies accounted for 11 percent of complaints in 2014. 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; some are later found to be invalid or a misunderstanding of the facts and circumstances.

The largest amount of complaints turned out to be Non-City issues for 2014. Most of the Non-City issues, however, do involve a fraud allegation that needed to be directed towards another level of government. Examples are Milwaukee County or the State of Wisconsin. The next largest amount was service requests. 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. In 2014, even though both of these categories accounted for a larger percentage of the complaints, in total numbers actually declined.

Complaints regarding City Employee Conduct accounted for 1 percent of complaints in 2014, 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. Finally in 2014, there were no criminal conduct allegations.

#### **D. Actions Taken**

Of the 25 Hotline complaints (not counting service requests and non-city issues) received in 2014, 16 complaints (64 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. Seven complaints (28 percent) were investigated by Internal Audit. The Hotline did not refer complaints that provided insufficient information or were without merit; 2 were deemed to be without merit after initial investigation by Internal Audit.

Service requests are generally referred to the City Call Center or, if appropriate, sent to

the proper City department. Additionally, the Hotline, if appropriate, sends Non-City issues to other agencies or refers the caller to the other agency. Thus, Non-City and service requests were not included in actions taken since they are not actual complaints against the City.

Table 2 below provides a schedule of actions taken in 2014, with comparative data provided for 2013. No service requests or non-city issues are included in this comparison.

**Table 2 – Actions Taken**

	2014		2013	
<b>Department Referral</b>	16	64%	37	70%
<b>Internal Audit</b>	7	28%	13	24%
<b>Criminal Referral</b>	0	0%	0	0%
<b>Investigated, No Further Action</b>	2	8%	1	2%
<b>No Action</b>	0	0%	2	4%
<b>Total</b>	<b>25</b>	<b>100%</b>	<b>53</b>	<b>100%</b>

Hotline complaints referred to City departments in 2014 show that the Department of Public Works received the largest share with 14 referrals. Other departments receiving referrals in 2014 included the Department of Neighborhood Services with one referral and the Call Center with one referral. Internal Audit investigated nine complaints. It was determined two of the nine complaints were insufficient or inaccurate.

#### **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. With the increased outreach, the number of complaints may have decreased; however, the types of complaints have had more validity in 2014. In the current year, Internal Audit will continue outreach efforts to various departments and employees. In addition to City employees, with the help of the Public Information Division, advertisements of the Hotline have been added to aldermanic newsletters to inform and engage citizens. 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](mailto: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.