



**Fraud, Waste, and Abuse
Hotline Report
For the Year Ended
December 31, 2012**

MARTIN MATSON

City Comptroller

AYCHA SIRVanci

Audit Manager

City of Milwaukee, Wisconsin

February 2013

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Office of the Comptroller
February 1, 2013

To the Honorable
The Common Council
City Hall, Room 205
Milwaukee, WI 53202

Dear Council Members:

The Comptroller's Office Audit Division has operated the City of Milwaukee Fraud, Waste, and Abuse Hotline (Hotline) since June 2004. Hotline was established by Common Council Resolution 040063 authorizing the creation of a City website to provide the public, City employees, and contractors with a confidential means to report suspected fraud, waste, abuse, and other improper activity within City government. The Hotline ensures integrity, accountability and public trust through timely investigative and resolution activities.

The enclosed report summarizes Hotline operations for the year ended December 31, 2012, with results from calendar year 2011 provided for comparative purposes, and includes a description of the Hotline reporting process.

For the 2012 calendar year, 107 complaints were received by Hotline. Each complaint was reviewed to determine whether it could be best addressed by staff in City agencies, an independent review by Audit Division staff, or referred to an external organization. The majority of these complaints involved suspected employee misconduct or fraud, waste, and abuse. Fifty percent of all Hotline complaints in 2012 were made via email and the web based form.

Appreciation is expressed for the cooperation extended to the Audit Division by the various City departments that worked to resolve hotline complaints or address common allegations.

I encourage you to review this report and contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Aycha Sirvanci".

Aycha Sirvanci
Audit Manager

AS:ssm

I Introduction

This is the annual report for the City of Milwaukee's Fraud, Waste, and Abuse Hotline (Hotline) activity. The reporting period is the calendar year ending December 31, 2012. For comparative purposes, information for calendar year 2011 is also provided in the tables.

Hotline received 107 complaints in 2012 and 123 complaints in 2011 (Table 1). Details about 2012 Hotline complaints are provided below in the Hotline Activity section.

This year's Hotline report is the first to be based on a calendar year. Current year information is for January through December 2012, and 2011 information was updated to reflect a calendar year basis. Previous Hotline reports were based on a 12-month period from August 18 through August 17 the following year. Because the reporting period has changed, information from previous Hotline reports does not directly correspond to the information contained in this report.

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 so that the public, city employees, and contractors could report suspected fraud, waste, and abuse in City government. The Audit Division of the Comptroller's Office administers the City's Hotline. Complainants are not required to identify themselves and may remain anonymous. As indicated on the Hotline web page, reports may be made using the secure on-line form, email, mail, telephone, fax, or by arranging to meet with Comptroller staff in-person.

The Audit Division is planning several enhancements to the Hotline such as developing and documenting formal policies and procedures. This will ensure efficient and consistent administration of the program. The Audit Division is also exploring various channels to market the Hotline to employees to increase awareness of the program as a tool to report suspected wrongdoing when other channels may not be available. Other planned enhancements include redesigning the web page and exploring methods to determine and report cost recovery or cost savings as a result of a substantiated fraud tip and the subsequent investigation. Lastly, the Audit Division will track developing trends that may initiate a formal audit.

III Hotline Activity

A. Method of Contact

As Table 1 below identifies, 54 of the 107 Hotline complaints received in 2012 (50 percent) were generated through the on-line submission form or direct email, and 51 (48 percent) were generated through the City Hotline phone-in line where a caller can speak directly with Hotline staff. Finally, two (2 percent) of the complaints were sent by mail or dropped off in person.

Table 1 – Method of Contact by Year

	2012			2011	
Web Page/ Email	54	50%		65	53%
Mail	1	1%		0	0%
Phone	51	48%		57	46%
In Person	1	1%		1	1%
Total	107	100%		123	100%

B. Source of Complaints

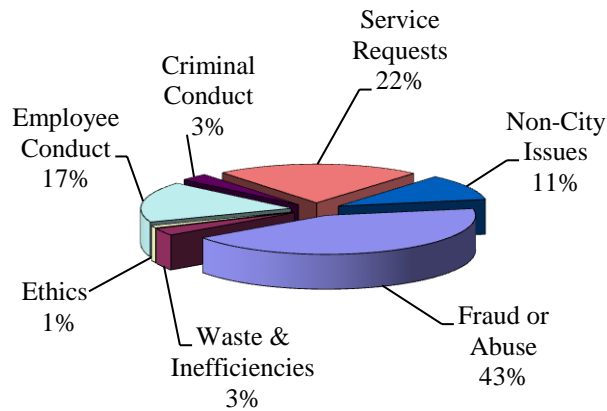
Of the 107 complaints received in 2012, 95 (89 percent) were made by citizens. City employees generated 6 (6 percent) of the new Hotline complaints. The remaining 6 complaints (6 percent) were referrals from the Milwaukee County Hotline or other agencies. Of all new Hotline complaints in 2012, 65 (61 percent) complaints were made by parties requesting confidentiality. Sources of complaints and the number of complaints requesting confidentiality for 2012 and 2011 are provided in Attachment I.

C. Type of Concerns

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

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

Chart 1 – Type of Concerns



The chart above indicates the largest category of Hotline complaints in 2012, 43 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 3 percent of complaints in 2012. Waste and 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 and Waste and Inefficiency complaints are allegations only; many are found to be invalid and unsubstantiated due to misunderstanding of the facts and circumstances.

Service Requests accounted for 22 percent of complaints received in 2012. These included requests for sanitation collection, reports of disrepair on neighboring properties, and inquiries regarding City ordinances and building code enforcement. Hotline forwarded most service requests to the Call Center.

Complaints regarding City Employee Conduct accounted for 17 percent of complaints in 2012, including reports of misuse of City vehicles and work time, 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 11 percent of 2012 complaints; these included issues referred to Milwaukee Public Schools (MPS), Milwaukee County, and the State of Wisconsin, including 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 3 percent of complaints in 2012, including

allegations of drug offenses, domestic violence, and theft. These allegations were referred to law enforcement agencies for investigation, including the Milwaukee Police, UW-Milwaukee Police, and the Federal Bureau of Investigation. Finally, in 2012, possible Ethical Issues accounted for 1 percent of complaints. Attachment II provides further detail on type of concern by department.

D. Actions Taken

Of the 107 Hotline complaints received in 2012, 40 complaints (37 percent) were referred to City departments for investigation and follow-up. Each complaint about employee conduct was investigated, and, if the complaint was substantiated, the employee was counseled and in some cases disciplined. Service requests were referred to the City Call Center or sent to the appropriate 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. Seven complaints (7 percent) were investigated by the Audit Division in the Office of the Comptroller. Except for service requests sent to the Call Center, investigating departments provided Hotline with the results of their investigations.

Hotline did not request disposition information for Criminal Referrals to law enforcement (1 allegation or 1 percent of total), or for referrals to Non-City agencies (45 complaints or 42 percent of total) since these complaints are outside Hotline's authority or jurisdiction. Finally, Hotline did not refer complaints that provided insufficient information or were without merit; 6 were deemed to be without merit, and 8 complaints did not have sufficient information for investigation with no contact information to obtain additional details.

Table 2 below provides a schedule of actions taken in 2012, with comparative data provided for 2011.

Table 2 – Actions Taken

	2012			2011	
Department Referral	40	37%		68	55%
Audit Division	7	7%		2	2%
Criminal Referral	1	1%		4	3%
Non-City	45	42%		38	31%
Investigated, No Further Action	6	6%		5	4%
No Action	8	7%		6	5%
Total	107	100%		123	100%

Referrals to City departments in 2012 (see Attachment III) show the Call Center received the largest share with 11 service requests. Other departments receiving referrals in 2012 include the Departments of Public Works with 8 referrals, and the Department of Neighborhood Services and the Housing Authority (HACM) with 7 referrals each. Seven departments received 1 referral each – the City Attorney, the Department of Community Development, Department of Employee Relations, Employees' Retirement System, Information Technology Management, the Health Department, and the Municipal Court.

IV Benefits

The City Hotline has proven to be a benefit by providing citizens and City employees with the means to report fraud, waste, and abuse in City government. The established process to investigate and resolve 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 City Hotline. While there have not been a significant number of Hotline complaints from City Employees, the Audit Division is developing plans to market the Hotline internally as a Whistleblower tool, which is an effective Internal Control mechanism 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 if it can be quantified at that time.

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 and concerns and allegations can also be reported by mail, fax, in person, by using the secure web-based form (<http://city.milwaukee.gov/ReportFraudWasteandA7297.htm>), 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.

Audit Division staff assess each Hotline complaint to determine whether the reported complaint provided sufficient information to be investigated or verified, 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 the complaint is both credible and contains sufficient information, it is investigated by the Audit Division or referred to the appropriate department or agency. In other instances, callers may be provided with alternative contacts for reporting their concerns. Complainants who ask to be informed of the result of the investigation are notified when this information is determined or received by Hotline.

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 Milwaukee Police Department or to the applicable Federal, State or municipal law enforcement agency.

Investigated by Comptroller's Audit Division: Some Hotline complaints are held by the Audit Division of the Office of the Comptroller to investigate or a formal audit is initiated.

Audit Hotline Statistics for 2012 and 2011 Calendar Years

	2012		2011		Total	
Method of Contacts						
Web Page/Email	54	50%	65	53%	119	51%
Mail or Interoffice Mail	1	1%	0	0%	1	1%
Phone	51	48%	57	46%	108	47%
In Person	1	1%	1	1%	2	1%
Total	107	100%	123	100%	230	100%
Source of Contacts						
Employee	6	6%	12	10%	18	8%
Vendor	0	0%	0	0%	0	0%
Citizen	95	89%	97	79%	192	83%
Unknown	1	1%	1	1%	2	1%
City Departments	0	0%	0	0%	0	0%
Other Agencies	5	5%	13	10%	18	8%
Total	107	100%	123	100%	230	100%
Requested Confidentiality	65	61%	77	63%	142	62%
Type of Concerns						
Potential Fraud/Abuse	46	43%	45	36%	91	40%
Waste & Inefficiencies	3	3%	16	13%	19	8%
Ethics Issues	1	1%	1	1%	2	1%
Employee Conduct	18	17%	17	14%	35	15%
Criminal Conduct	3	3%	6	5%	9	4%
Subtotal	71	67%	85	69%	156	68%
Service Requests	24	22%	23	19%	47	20%
Non-City Issues	12	11%	15	12%	27	12%
Total	107	100%	123	100%	230	100%
Actions Taken						
Departmental Referrals	40	37%	68	55%	108	48%
Audit Division Investigation	7	7%	2	2%	9	3%
Criminal Referrals	1	1%	4	3%	5	2%
Non-City Referral	45	42%	38	31%	83	36%
Investigated NFA	6	6%	5	4%	11	5%
No Action	8	7%	6	5%	14	6%
Total	107	100%	123	100%	230	100%

Audit Hotline - Statistics
Types of Concerns by Department
For 2012 and 2011 Calendar Years

Department Referrals																				
2012 Type of Concern	Def																			
	Totals	Call Ctr	C Att	Comp	DCD	Comp	DER	DNS	DPW	Election	ERS	FPC	HACM	ITMD	Library	MHD	MPD	Muni Ct	Non-City	
Potential F. & A.	46			5							1		5							35
Waste & Ineff.	3								2											1
Ethics	1				1															
Emp. Cond.	18	1		7				2	6				1	1						
Criminal Cond.	3			1									1				1			
Service Req.	24	10	1	5			1	5								1			1	
Non-City	12			2																10
Total	107	11	1	20	1	0	1	7	8	0	1	0	7	1	0	1	1	1	1	46

Department Referrals																				
2011 Type of Concern	Def																			
	Totals	Call Ctr	C Att	Comp	DCD	Comp	DER	DNS	DPW	Election	ERS	FPC	HACM	ITMD	Library	MHD	MPD	Muni Ct	Non-City	
Potential F. & A.	45							4	1				11	1						28
Waste & Ineff.	16						1		12			3								
Ethics	1									1										
Emp. Cond.	17			2					12			2			1					
Criminal Cond.	6																4			2
Service Req.	23	6	1		2	1		8	4											1
Non-City	15																			15
Total	123	6	1	2	2	1	1	12	29	1	0	5	11	1	1	0	4	0	0	46

Type of Concern Legend	
Potential F & A	Potential Fraud & Abuse
Waste & Ineff.	Waste & Inefficiency
Ethics	Ethics Issue
Emp. Cond.	Employee Conduct
Criminal Cond.	Criminal Conduct
Service Req.	Service Request
Non-City	Non-City

Department Legend			
Call Ctr	Call Center	ERS	Employee Retirement System
C Att	City Attorney	FPC	Fire & Police Commission
Comp	Comptroller - Audit Division	HACM	Housing Authority
DCD	Dept. of City Development	ITMD	Information Technology
Def Comp	Deferred Compensation	Library	City Library
DER	Dept. of Employee Relations	MHD	Health Dept.
DNS	Dept. of Neighborhood Services	MPD	Milwaukee Police Dept.
DPW	Dept. of Public Works	Muni Ct	Municipal Court
Election	Election Commission	Non-City	Non-City

Audit Hotline - Statistics
Complaint Referrals by Department
For 2012 and 2011 Calendar Years

		Department Referrals																	
2012																			
Actions Taken	Totals	Call Ctr	C Att	Comp	DCD	Deferred Comp	DER	DNS	DPW	Election	ERS	FPC	HACM	ITMD	Library	MHD	MPD	Muni Ct	Non-City
Dept. Ref.	40	11	1		1		1	7	8		1		7	1		1		1	
Audit F/U	7			7															
Criminal Ref.	1																1		
Non-City	45																		45
Inv. NFA	6			5															1
No Action	8			8															
Total	107	11	1	20	1	0	1	7	8	0	1	0	7	1	0	1	1	1	46

		Department Referrals																	
2011																			
Actions Taken	Totals	Call Ctr	C Att	Comp	DCD	Deferred Comp	DER	DNS	DPW	Election	ERS	FPC	HACM	ITMD	Library	MHD	MPD	Muni Ct	Non-City
Dept. Ref.	68	6	1		2	1	1	11	28	1		4	11	1	1				
Audit F/U	2			2															
Criminal Ref.	4																2		2
Non-City	38																		38
Inv. NFA	5								1								1		3
No Action	6							1				1					1		3
Total	123	6	1	2	2	1	1	12	29	1	0	5	11	1	1	0	4	0	46

Actions Taken Legend	
Dept. Ref.	Referred to City Department
Audit F/U	Follow-Up by Comptroller's Audit Div.
Criminal Ref.	Criminal Referral
Non-City	Non-City
Inv. NFA	Investigated, No Further Action
No Action	No Action Taken

Department Legend			
Call Ctr	Call Center	ERS	Employee Retirement System
C Att	City Attorney	FPC	Fire & Police Commission
Comp	Comptroller - Audit Division	HACM	Housing Authority
DCD	Department of City Development	ITMD	Information Technology
Def Comp	Deferred Compensation	Library	City Library
DER	Department of Employee Relations	MHD	Health Department
DNS	Department of Neighborhood Services	MPD	Milwaukee Police Department
DPW	Department of Public Works	Muni Ct	Municipal Court
Election	Election Commission	Non-City	Non-City