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**Fraud, Waste and Abuse  
Hotline Report  
for the Year Ending  
December 31, 2017**

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**MARTIN MATSON**  
City Comptroller

**ADAM FIGON**  
Audit Manager

City of Milwaukee, Wisconsin

February 2018

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**Office of the Comptroller**

February 5, 2018

Honorable Tom Barrett, Mayor  
The Members of the Common Council  
City of Milwaukee  
Milwaukee, WI 53202

Dear Mayor and Council Members:

Section 350-247 of the Code of Ordinances authorizes Internal Audit to manage the City of Milwaukee Fraud Hotline (Hotline) and requires the release of an annual report of Hotline activity each calendar year. The enclosed report summarizes Hotline operations for the year ending December 31, 2017.

Internal Audit has operated the City of Milwaukee Fraud, Waste, and Abuse Hotline since its inception in 2004. The Hotline continues to benefit the citizens of Milwaukee and City employees, by providing a confidential means to report potential fraud, waste, and abuse within City government. Hotline follow-up procedures have been developed to ensure a timely and appropriate response to complaints.

For the 2017 calendar year, 72 complaints were received by the Hotline. The most common types of complaints received were non-City issues, service requests, and cases of potential fraud, waste, or abuse. Most often, complaints were received via secure voicemail, email, or electronically through the City's Fraud Hotline webpage. In 2018, Internal Audit will continue its efforts to educate City of Milwaukee residents and employees about the Fraud Hotline through the use of informative brochures, website content, and the City's Fraud Hotline video presentation.

Appreciation is expressed for the cooperation extended to Internal Audit's Hotline personnel by City Management.

Sincerely,

A handwritten signature in blue ink that reads "Adam Figon".

Adam Figon, MBA, CRMA  
Audit Manager

AF:kp/ib

## **Introduction**

This annual report of the City of Milwaukee's Fraud, Waste, and Abuse Hotline is for the Hotline activity occurring from January 1, 2017 through December 31, 2017. The scope of the City's Fraud Hotline activity applies to complaints related to the City of Milwaukee's legal assets and resources only. Complaints received beyond this scope are referred to the appropriate entities. For comparative purposes, information for calendar year 2016 is provided in the tables within this report. Appendix A presents a three-year comparison of the types of allegations or complaints received by the Hotline.

The Hotline received 72 complaints in 2017, compared to 71 complaints received in 2016. Details regarding the allegations and complaints received in 2017 are provided below (see Hotline Activity – 2017).

This report does not delineate actual or potential dollar amounts related to fraud, waste, or abuse; and therefore, is not intended to be used for that purpose. Thus, no fiscal analysis is provided for reported issues. Rather, this report provides information about how the Hotline is being utilized.

## **Overview**

In November 2014, the Common Council adopted 350-247 of the Code of Ordinances, which codified Internal Audit's management role over the Fraud Hotline and established formal reporting requirements. Potential fraud, waste, and/or abuse may be reported to the Hotline via telephone, the online form, email, mail, fax, or by arranging to meet directly with Hotline personnel. The ordinance also established the right of anonymity for complainants that do not wish to identify themselves.

In addition to codifying the Hotline, 350-247 created a "safe harbor" provision for City employees who file a fraud complaint. The ordinance encourages City employees to file complaints of merit without fear of retaliation or loss of employment. This type of whistleblower protection is a governmental best practice that encourages use of the Hotline.

Internal Audit has engaged in efforts to encourage the use of the Hotline as a reporting tool, both internally and externally. Internal Audit continually works to develop relationships with management in various City departments to expedite the efficient and timely resolution of complaints, when applicable. Additionally, an informational brochure that promotes the Hotline, its mission and purpose, and explains what types of complaints the Hotline reviews is readily available throughout the City and is on the City’s website. The Fraud Hotline information page on the City’s website offers an instructional video that details the appropriate steps to report suspected occurrences of fraud, waste, or abuse in the City’s operations or involving City resources.

### **Hotline Activity – 2017**

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

In 2017, the Fraud Hotline received 72 complaints. The method of contact in which these complaints were received is detailed below in Table 1. Forty-five of the 72 complaints (63%) were received through the City Hotline phone line where a caller may speak directly with Hotline staff; 13 (18%) were received directly via email; 12 (16%) were generated through the online submission form; and two complaints (three percent) were delivered by the United States Postal Service (USPS).

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

Method of Contact	2017		2016	
	Number of Contacts	Percent of Total	Number of Contacts	Percent of Total
Phone	45	63%	39	55%
Email	13	18%	15	21%
Online – Web Page	12	16%	13	18%
Mail – USPS	2	3%	4	6%
In Person	0	0%	0	0%
<b>TOTAL</b>	<b>72</b>	<b>100%</b>	<b>71</b>	<b>100%</b>

## B. Source of Complaints

Of the 72 complaints received in 2017, 52 (72%) were made by citizens, while City employees generated nine (13%) of the Hotline complaints. The remaining 11 complaints (15%) were referrals from other agencies, sources external to the City of Milwaukee, or from an unidentified source.

Additionally, complainants may contact the Hotline anonymously. Of the 72 complaints received in 2017, 20 (28%) were made anonymously. For the remaining 52 reports (72%), the complainant provided contact or identifying information (see Table 2).

**Table 2 – Source of Contact (Anonymous Reports)**

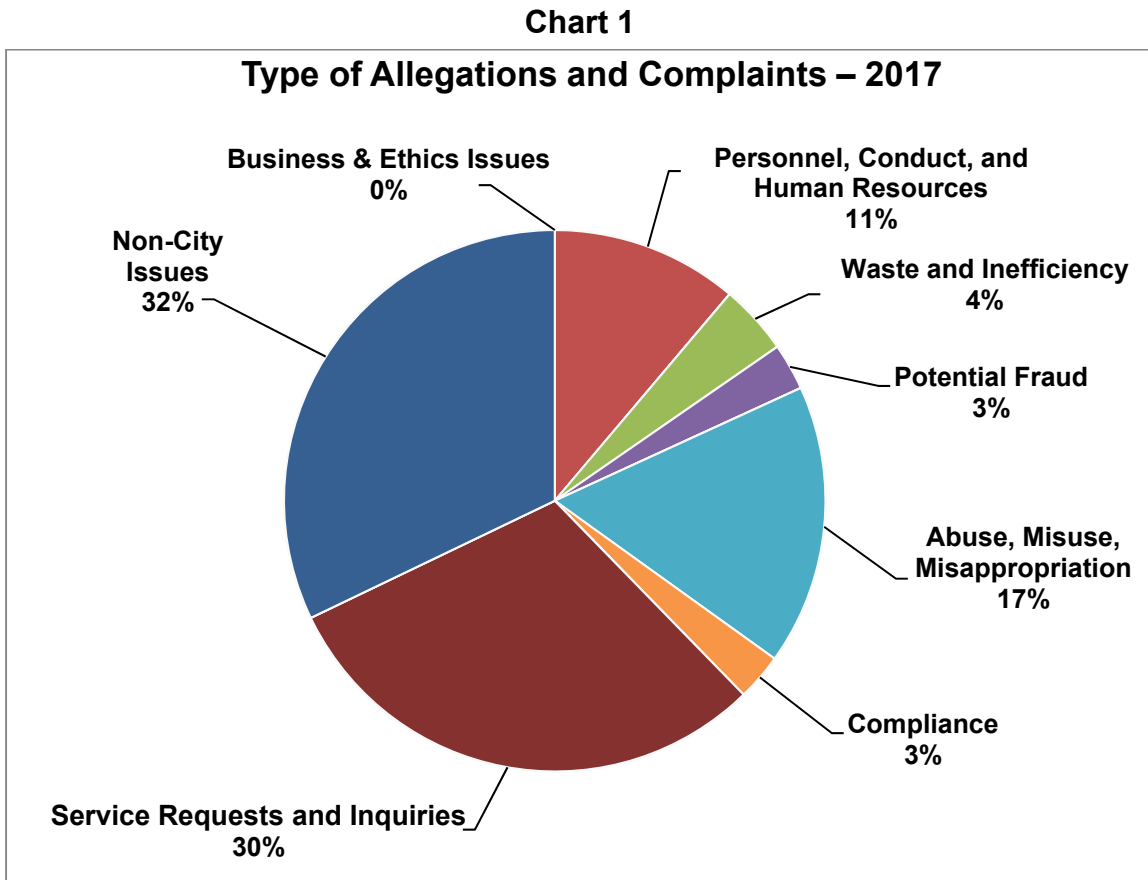
Source of Contact (Anonymity)	2017		2016	
	Number of Contacts	Percent of Total	Number of Contacts	Percent of Total
Identity Provided	52	72%	58	82%
Anonymous	20	28%	13	18%
<b>TOTAL</b>	<b>72</b>	<b>100%</b>	<b>71</b>	<b>100%</b>

## C. Types of Allegations and Complaints

To ensure reports received by the Hotline can be properly recorded, investigated, monitored and reported, all complaints and allegations are assigned to a complaint category. As announced in 2017 via the Standard Criteria Update Memo, complaint categories were revised to reflect industry best practices. These enhancements and updates were implemented to increase the efficiency of the Hotline process and improve the accuracy and relevancy of complaint tracking and reporting. All contacts received by the Hotline are now categorized as one of the following:

- Non-City Issues
- Abuse, Misuse, or Misappropriation of City Assets
- Service Requests and Inquiries
- Personnel, Conduct, and Human Resources
- Potential Fraud
- Waste and Inefficiency
- Compliance
- Business and Ethics

Chart 1, below, illustrates the breakdown of reported complaints and allegations received by the Hotline in 2017 by category type.



- As Chart 1 indicates, **Non-City Issues** was the largest category of Hotline complaints in 2017, representing 32% of reports received. The Hotline received 23 Non-City reports in 2017. Most complaints in this category involve a fraud allegation that requires referral to a different level of government or to an external agency, such as the State of Wisconsin or the Internal Revenue Service.
- The second largest category of complaints was **Service Requests and Inquiries**, representing 30% of reports. The Hotline received 22 Service Requests and Inquiries in 2017. This category includes requests for information or services such as sanitation collection, snow removal, reports of properties in disrepair, and requests for law enforcement non-emergency contact information. Service requests are forwarded to the

City's Unified Call Center (UCC) or contact information for the applicable City agency is provided directly to the requester.

- The next largest category of complaints was **Abuse, Misuse, and Misappropriation**, representing 17% of reports received. The Hotline received 12 Abuse, Misuse, and Misappropriation reports in 2017. This category includes allegations of improper use or misappropriation of City resources, such as procurement or time clock abuse.
- The category of **Personnel, Conduct, and Human Resources** accounted for 11% of complaints received in 2017. The Hotline received eight Personnel, Conduct, and Human Resources reports in 2017. This category includes allegations involving employee conduct related to City and departmental policies and employee interactions with the public.
- The category of **Waste and Inefficiency** accounted for four percent (4%) of complaints received in 2017. The Hotline received three Waste and Inefficiency reports in 2017. This category may include reports of unnecessary or extravagant expenditures of funds or wasteful use of City resources.
- **Potential Fraud** reports accounted for three percent (3%) of complaints received in 2017. The Hotline received two Potential Fraud reports in 2017. This category includes allegations of accounting, misreporting, or financial misconduct by a City employee.
- Finally, in 2017, the category of **Compliance**, which encompasses allegations of regulatory violations, accounted for three percent (3%) of complaints. The Hotline received two Compliance reports in 2017.
- There were no complaints in the category of **Business and Ethics Issues**, which generally includes reported conflicts of interest, non-competitive procurement practices, or bribery.



## D. Actions Taken

Complaints within the following six categories represent “actionable” complaints, for which research, investigation, and follow-up by Hotline staff and/or applicable department management is required.

- Potential Fraud
- Compliance
- Waste and Inefficiency
- Personnel, Conduct, and Human Resources
- Abuse, Misuse, Misappropriation of City Assets
- Business and Ethics

Twenty-seven complaints (38% of those received in 2017) fell into these six categories. For those complaints regarding employee behavior, department management ultimately determines the appropriate action to be taken in resolving substantiated reports. For example, management may determine that procedural changes, counseling, or disciplinary action is appropriate.

Table 3, below, provides a breakdown of actions taken by the Hotline in 2017, with comparative data provided for 2016. Note that service requests and non-City issues are not included in this comparison, as they do not constitute complaints against the City.

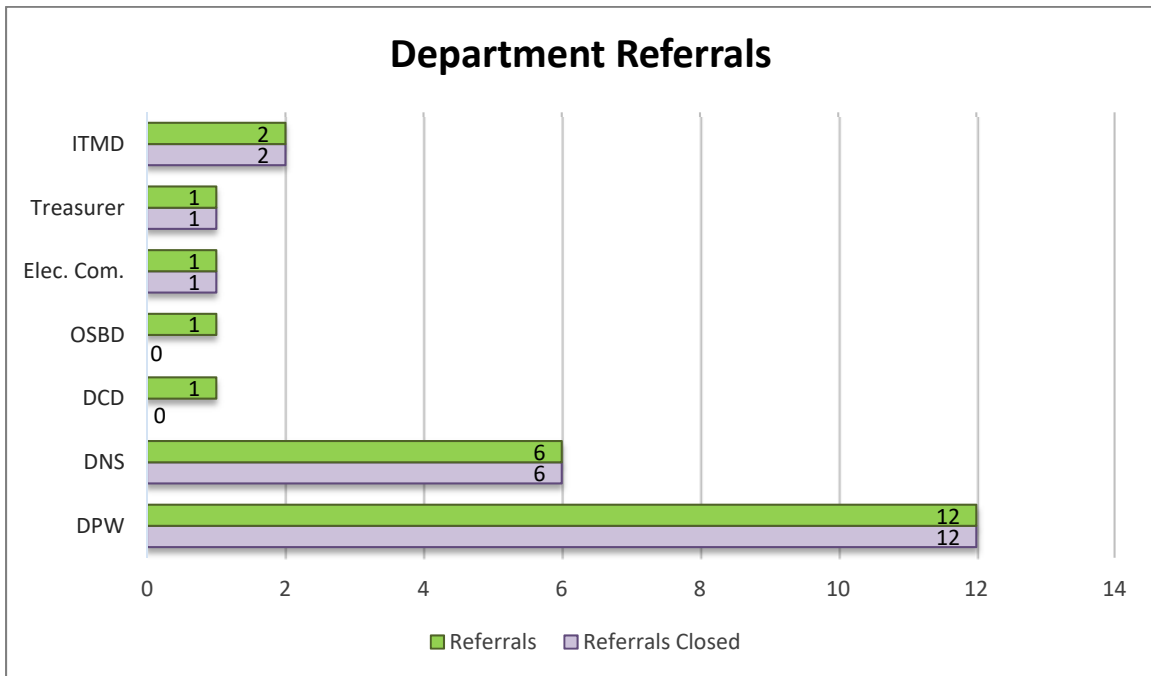
**Table 3 – Actions Taken<sup>1</sup>**

Actions Taken	2017		2016	
	Number of Complaints	Percent of Total	Number of Complaints	Percent of Total
Department Referral	16	59%	7	42%
Investigated, and Dept. Referral	7	26%	6	35%
Internal Audit Performed	1	4%	1	6%
Criminal Referral	0	0%	0	0%
Investigated, No Further Action	3	11%	1	6%
No Action	0	0%	2	12%
<b>TOTAL</b>	<b>27</b>	<b>100%</b>	<b>17</b>	<b>100%</b>

<sup>1</sup> See Appendix B for Key Terms and Definitions, including Actions Taken.

Sixteen complaints (59%) from the actionable categories alleged plausible facts and were directly referred to the applicable departments. Seven complaints (26%) alleged facts that were investigated and confirmed as viable by Internal Audit before a department referral was made. One complaint (4%) prompted the initiation of a formal audit to be performed by Internal Audit. For three complaints (11%), Internal Audit performed preliminary investigations and determined that the complaint lacked merit – no further action was taken. Chart 2, below, details which City departments received Hotline referrals in 2017; as well as the number of referrals received and closed.

**Chart 2**



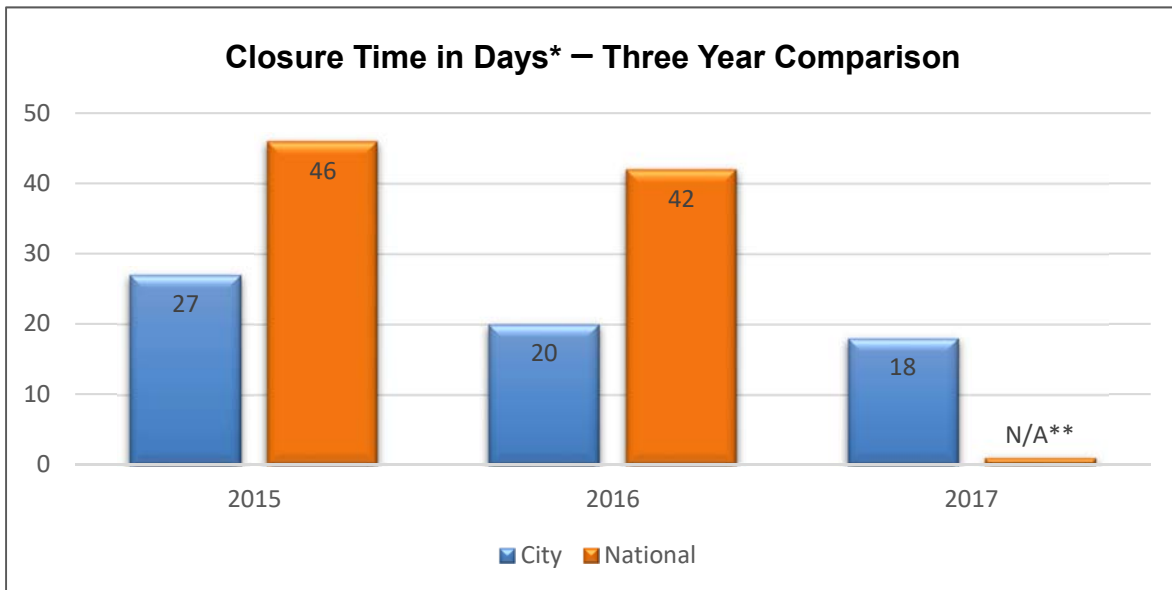
Once a report from one of the actionable categories has been investigated and closed, the report is deemed either substantiated or unsubstantiated. Unsubstantiated reports are generally found to be based on invalid facts or a misunderstanding of the circumstances identified and reported to the Hotline; while substantiated reports are based on confirmed facts. Table 4 details the number of substantiated versus unsubstantiated reports handled by the Hotline in 2017 in comparison to 2016.

**Table 4 – Final Allegation Status (Substantiated vs. Unsubstantiated)**

Final Allegation Status	2017		2016	
	Number of Actionable Reports	Percent of Total	Number of Actionable Reports	Percent of Total
Substantiated	4	15%	2	12%
Unsubstantiated	21	78%	14	82%
Open case – pending	2	7%	1	6%
<b>TOTAL</b>	<b>27</b>	<b>100%</b>	<b>17</b>	<b>100%</b>

Industry best practice recommends that hotline cases be closed in 30 days or less. The City’s Fraud Hotline has consistently done so. Chart 3, below, provides a three-year comparison of Hotline case closure times versus national closure times.

**Chart 3**



\* City closure time in average days vs. national closure time in median days. Source Penman, Carrie and O’Mara, Edwin, NAVEX Global –The Ethics and Compliance Experts 2016 Ethics & Compliance Hotline Benchmark Report, p. 40.

\*\* 2017 National data not yet available

## **Hotline Benefits**

The Fraud Hotline has proven to be a benefit to the City by providing both citizens and City employees with the means to report fraud, waste, and abuse within City government. The Hotline ensures integrity, accountability, and public trust through timely investigation and resolution of reported concerns. Hotline activities are reinforced by City management's initiation of remedial and preventive measures in response to allegations received, as necessary.

Based on the varied nature of the complaints received, it is clear that the public is utilizing the Hotline. A significant number of complaints have also been received from City employees, indicating that the Hotline is being used as a whistleblower tool – which is part of an important internal control mechanism used to mitigate the risk of theft and abuse. In the current year, Internal Audit will continue outreach efforts to various departments, management, employees, and citizens.

## **Hotline Process**

The Hotline receives calls through a designated telephone number (414-286-3440) that is staffed during normal business hours, which are from 8:00 a.m. to 4:45 p.m. Monday through Friday. The option for a caller to leave a secured voicemail is available 24 hours a day, seven days a week. If the complainant speaks a language other than English, with advanced notice, the Office of the Comptroller will arrange translation or interpretive services.

Allegations and complaints can also be reported by email ([hotline@milwaukee.gov](mailto:hotline@milwaukee.gov)), mail delivery (USPS), by fax, in person or through the City's online web-based form, which is located at <http://city.milwaukee.gov/ReportFraudWasteandAbuseofCityResources>.

To assist complainants in determining when to direct their concerns to the Hotline, the Fraud Hotline website and brochure include a list of the activities reviewed by Hotline versus those that are referred to an appropriate City department or outside agency. These items can be referenced in Appendix C.

Internal Audit Hotline staff assesses each Hotline complaint to determine whether the reported issue includes sufficient information to be investigated or verified, as well as whether additional information is needed from the complainant (if the complainant provided valid contact information).

Each Hotline complaint is given a unique case number, which is entered into the Hotline database, and tracked until final case disposition is reached. An initial assessment by Hotline staff determines whether the complaint has merit and how it should be handled. If a complaint is deemed viable and it contains sufficient information for investigation, it is referred to the appropriate parties for follow-up action or, in some cases, investigated by Internal Audit. Complainants who request notification of an investigation's outcome are notified when final resolution or disposition is reached.

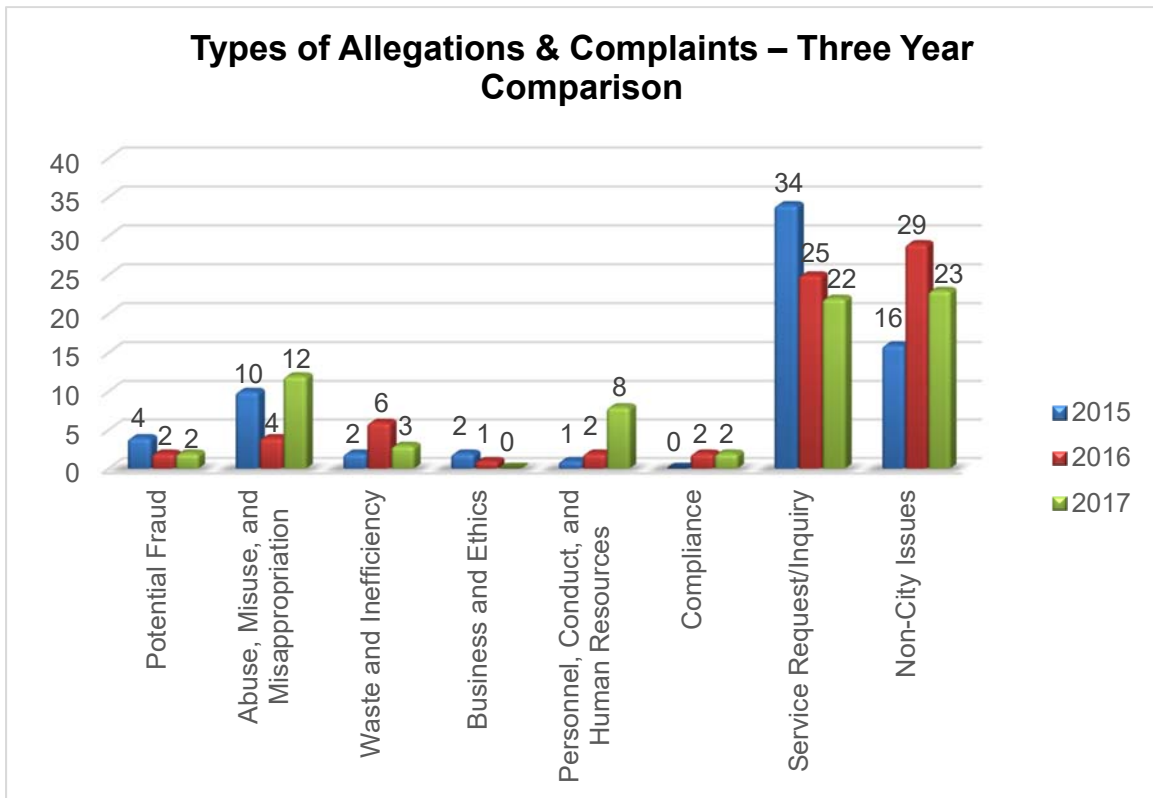
Lastly, quarterly Hotline follow-up with applicable City departments is performed on any open cases to ensure efficient case closure.

## Appendix A

### Types of Allegations & Complaints – Three-Year Comparison (2015 – 2017)

As announced in 2017, complaint categories were permanently revised to reflect industry best practices. These updates were implemented to increase the efficiency of the Hotline process and improve the accuracy of complaint tracking and reporting. Prior year Hotline reports were reviewed and re-categorized, using the new complaint types, to permit a multi-year comparison.

Types of Allegations & Complaints	Number of Allegations & Complaints		
	2015	2016	2017
Potential Fraud	4	2	2
Abuse, Misuse and Misappropriation	10	4	12
Waste and Inefficiency	2	6	3
Business and Ethics	2	1	0
Personnel, Conduct, and Human Resources	1	2	8
Compliance	0	2	2
Service Request/Inquiry	34	25	22
Non-City Issues	16	29	23
	<b>69</b>	<b>71</b>	<b>72</b>



## **Appendix B Key Terms<sup>2</sup> and Definitions<sup>3</sup>**

### ***Abuse, Misuse, Misappropriation:***

The intentional misuse of government resources by a government employee. For example:

- Using City property for personal use
- The failure to complete a leave-slip when absent from work

### ***Criminal Referral to Law Enforcement Agencies:***

The severity of reported allegations about illegal activity prompts immediate referral to the Milwaukee Police Department or to the applicable Federal, State, or municipal law enforcement agency.

### ***Department Referral***

Reports alleging viable facts from the outset, with sufficient information for investigation, are referred directly to the applicable City department for investigation and resolution. The outcome of the department's investigation and any remedial action (if applicable) is shared with the Hotline prior to case closure. For example:

- City time abuse by an employee
- Employee conduct
- Excessive number of employees on a job site

### ***Fraud:***

A wrongful or criminal scheme; a type of illegal act intended to result in financial or personal gain or the acquisition of something of value through willful misrepresentation. For example:

- Falsifying financial records to cover up the theft of money
- Bid-fixing

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<sup>2</sup> Penman, Carrie and O'Mara, Edwin, NAVEX Global-The Ethics and Compliance Experts 2016 Ethics & Compliance Hotline Benchmark Report, p. 16.

<sup>3</sup> "The Evolution of the Fraud Tree." Report to the Nations on Occupational Fraud and Abuse-2016 Global Fraud Study, Austin: Association of Certified Fraud Examiners, 2016, p. 90.

***Hotline:***

A resource used to report fraud, allegations of wrongdoing, or complaints that is managed internally by the Internal Audit Division.

***Internal Audit Performed***

An independent investigation by Internal Audit into a reported Hotline complaint resulting in the initiation of a formal audit by Internal Audit with subsequent reporting to the Finance and Personnel Committee.

***Investigated, and Department Referral***

A report alleges facts that were investigated and confirmed as viable by Internal Audit before a department referral was made. For example:

- An allegation about an individual whose status as a City employee must be confirmed prior to referral

***Investigated, No Further Action***

A report alleges facts that were investigated and determined to be nonviable by Internal Audit. The case is then closed. For example:

- An allegation about suspicious behavior that is determined to have a valid City business purpose

***No Action***

Information required for report follow-up is inadequate, incomplete, or incorrect and complainant contact information was not provided. The case is closed.

***Non-City Referral:***

Complaints about programs that do not pertain to City government are forwarded to the appropriate agency. For example:

- Allegations of Food-Share (food stamp) abuse are referred to the State Department of Health Services
- Allegations of daycare fraud are referred to the Department of Children and Families



***Service Request – Referral***

Routine service requests are referred to the City’s Unified Call Center for remediation. For example:

- Sanitation pick-up
- Street light outage

***Waste:***

Mismanagement, inappropriate actions, and/or inadequate safeguarding of resources.

For example:

- Unnecessary or extravagant expenditures of funds to purchase items with no relevant organizational purpose; or inefficient practices

## Appendix C

### Activities Reviewed by Hotline

The following is a list of the type of activities Hotline staff investigates or refers to other City departments for investigation:

<b>Items <u>Investigated</u> by Hotline Staff or Referred to Another City Department</b>	
<b>Activity</b>	<b>Example</b>
Illegal acts	Theft, fraud, kickbacks, price fixing or conflict of interest by City employees and contractors
Misuse or abuse of City property	City buildings, vehicles or equipment (tools, supplies)
Misuse or abuse of City resources	Excessive overtime, time card issues, wasteful practices
Gross misconduct	Reckless disregard for the safety of others, falsification of documents or other forms of misrepresentation
Employee misconduct	Unsafe driving, altercations with the public, errands on work time, extended breaks
Other improper activities by or against the City of Milwaukee	Vary in nature (work quality, repair issues, excessive number of personnel on a job)

Complainants will be provided contact information for alternative resources to report the following types of complaints:

<b>Items <u>Not Investigated</u> by Hotline Staff – Alternative Resources Provided</b>	
<b>Activity</b>	<b>Entity or Organization Involved</b>
Non-City Issues: misuse, abuse, improper or illegal activities	<ul style="list-style-type: none"> <li>• Federal</li> <li>• State</li> <li>• County</li> <li>• Private parties</li> </ul>
Non-fraud complaints	<ul style="list-style-type: none"> <li>• Vary in nature (City of Milwaukee-Unified Call Center, public support and social services, informational agencies, etc.)</li> </ul>

**Martin Matson**

Comptroller

**Aycha Sirvanci, CPA, CIA**

Deputy Comptroller



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**Rocklan Wruck, CPA**

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February 5, 2018

Honorable Tom Barrett, Mayor  
The Members of the Common Council  
City of Milwaukee  
Milwaukee, WI 53202

Dear Mayor and Council Members:

With this letter, the Office of the City Comptroller acknowledges receipt of the preceding report, which summarizes the activities of the City's Fraud, Waste, and Abuse Hotline (Hotline) for the year ending December 31, 2017. I have read the report and support the activities detailed within.

The City Comptroller was not involved in any portion of the work conducted in connection with the 2017 Hotline functions. At all times, the Internal Audit Division worked autonomously in order to carry out Hotline activities.

Sincerely,

A handwritten signature in cursive script that reads "Martin Matson".

Martin Matson,  
Comptroller