



**Fraud, Waste and Abuse
Hotline Report
for the Year Ending
December 31, 2016**

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February 8, 2017

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, 2016.

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 2016 calendar year, 71 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 filed via secure voicemail, email, or electronically through the City's Fraud Hotline webpage. In 2017, 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 black 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, 2016 through December 31, 2016. The scope of the City's Fraud Hotline activity is comprised of 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 2015 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 71 complaints in 2016, compared to 69 complaints received in 2015 (Table 1). Details regarding the allegations and complaints received in 2016 are provided below (see Hotline Activity-2016).

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 regarding 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, web-based 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 Hotline utilization and aids in the prevention and detection of waste of City resources.

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 has also been updated with 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 – 2016

A. Method of Contact

In 2016, the Fraud Hotline received 71 complaints. The method of contact in which these complaints were received is detailed below in Table 1. Thirty-nine of the 71 complaints (55%) were received through the City Hotline phone line where a caller may speak directly with Hotline staff; 13 (18%) were generated through the online, web-based submission form; 15 (21%) were received directly via email; and four complaints (6 percent) were delivered by the United States Postal Service (USPS).

Table 1 – Method of Contact by Year

Method of Contact	2016		2015	
	Number of Contacts	Percent of Total	Number of Contacts	Percent of Total
Phone	39	55%	46	67%
Online - Web Page	13	18%	14	20%
Email	15	21%	7	10%
Mail - USPS	4	6%	2	3%
In Person	0	0%	0	0%
TOTAL	71	100%	69	100%

B. Source of Complaints

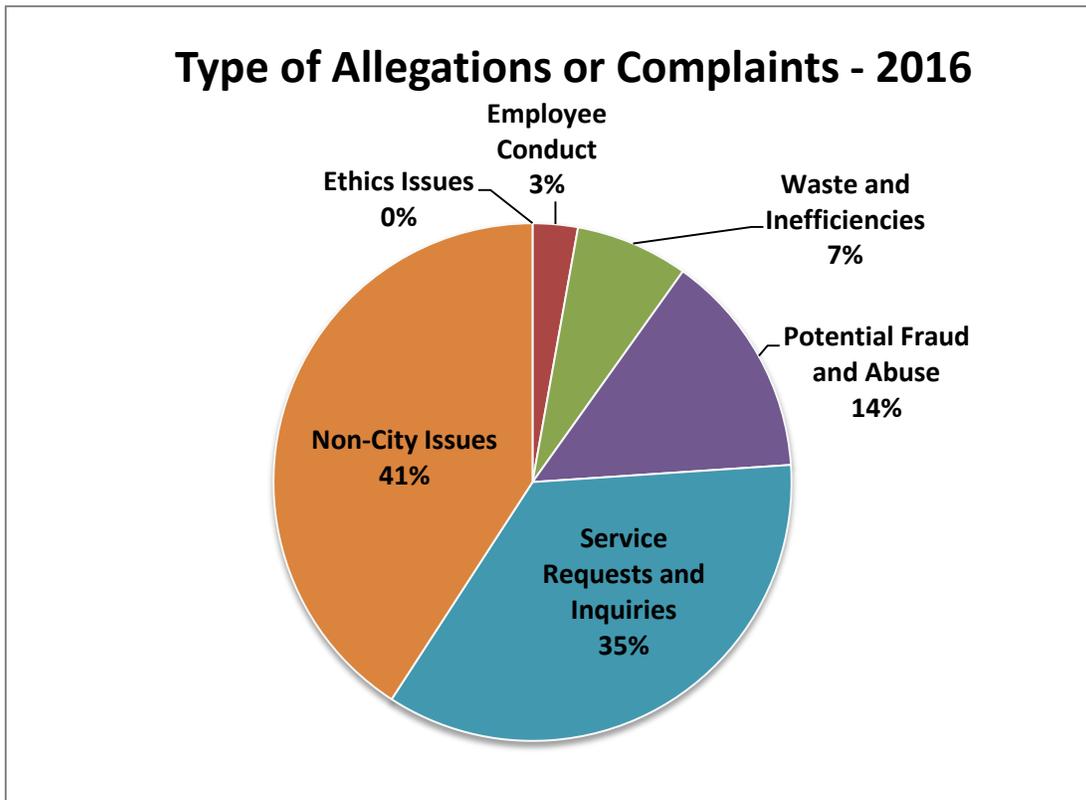
Of the 71 complaints received in 2016, 50 (71%) were made by citizens, while City employees generated eight of the Hotline complaints (11%). The remaining 13 complaints (18%) were referrals from other agencies, sources external to the City of Milwaukee, or from an unidentified source.

C. Types of Allegations or Complaints

All Hotline contacts received are categorized as one of the following six types of allegations or complaints:

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

Chart 1



As Chart 1 indicates, Non-City Issues was the largest category of Hotline complaints in 2016, representing 41% of complaints received. 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 is Service Requests and Inquiries, representing 35% of complaints received. This category includes various requests for information or services such as sanitation collection or snow removal, reports of properties in disrepair, inquiries about City ordinance and building-code enforcement, requests for public

records, and requests for law enforcement non-emergency contact information. Service requests are forwarded to the City's Unified Call Center (UCC) and contact information for the applicable City agency is provided directly to the requester.

The category of Potential Fraud and Abuse accounted for 14% of complaints received in 2016. This category includes reports of employee misappropriation of resources, procurement abuse, acceptance of bribes or kickbacks, and other forms of potential fraud.

The category of Waste and Inefficiencies constituted 7 percent of complaints received in 2016. This category can encompass a variety of issues, ranging from the quality of sidewalk repairs to alleged misuse of work hours by City employees. It should be noted that complaints within the Fraud and Abuse and Waste and Inefficiency categories are initially considered only allegations. Further review often indicates that many of these complaints are unsubstantiated, based on invalid facts, or based on a misunderstanding of the circumstances identified and reported to the Hotline.

And finally in 2016, the category of Employee Conduct, which encompasses unsatisfactory employee interaction with the public, accounted for 3 percent of complaints.

There were no complaints in the category of Ethics Issues, which generally includes conflicts of interest.

D. Actions Taken

Complaints within the categories of Potential Fraud and Abuse, Waste and Inefficiencies, Employee Conduct and Ethics Issues represent "actionable" complaints, for which research, investigation and follow-up by Hotline staff and/or applicable department management is required. Seventeen complaints (24% of those received in 2016) fell into these four categories. For those complaints regarding employee behavior, department management ultimately determines the appropriate action to be taken in resolving complaints found to be valid – including counseling, and in some cases, disciplinary action.

Table 2, below, provides a schedule of actions taken in 2016, with comparative data provided for 2015. Note that service requests and non-City issues are not included in this comparison as they do not constitute complaints against the City.

Table 2 – Actions Taken

Actions Taken	2016		2015	
	Number of Complaints	Percent of Total	Number of Complaints	Percent of Total
Department Referral	9	53%	9	45%
Internal Audit Investigation	5	29%	9	45%
Criminal Referral	0	0%	0	0%
Investigated, No Further Action	1	6%	1	5%
No Action	2	12%	1	5%
TOTAL	17	100%	20	100%

Nine complaints (53%) from the actionable categories alleged plausible facts and were referred to the applicable departments. Five complaints (29%) were investigated by Internal Audit and determined to be viable. Of these cases, three resulted in referral to department management for additional action; while the remaining two are still currently under review. For one complaint (6 percent), Internal Audit performed preliminary investigations and determined that the complaint lacked merit – no further action was taken. Two complaints (12%) lacked sufficient information to investigate and were closed by Hotline staff without a department referral.

Of the nine Hotline complaints referred to City departments in 2016, the Department of Public Works received five referrals; the Milwaukee Fire & Police Commission received three; and one complaint resulted in referrals to multiple City departments.

Hotline Benefits

The Fraud Hotline ensures integrity, accountability and public trust through timely investigative and resolution activities, which are followed by City management’s initiation of appropriate steps to design and implement preventive measures in response to allegations received, when necessary.

Overall, the 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 established process of following up on valid complaints has provided positive results through timely and appropriate resolutions.

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, arguably, effective 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 password 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), standard mail delivery (USPS), by fax, in person or through the City's online web-based form (<http://city.milwaukee.gov/ReportFraudWasteandAbuseofCityResources>).

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 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.

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 which are referred to an appropriate City department or outside agency. These items are detailed below.

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

Items <u>Investigated</u> by Hotline Staff or Referred to Another City Department	
Activity	Example
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)

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

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

Key Terms and Definitions

Abuse:

The intentional misuse of government resources. For example:

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

Fraud:

A wrongful or criminal deception; 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

Hotline:

A mechanism used to report fraud, allegations or complaints managed internally by the Internal Audit Division.

Investigated by Internal Audit:

The retention of some Fraud Hotline complaints by Internal Audit may be necessary to enable an independent investigation or the initiation of a formal audit with subsequent reporting to the Finance and Personnel Committee. For example:

- Allegations where an initial determination of viability can be made through research by Internal Audit based on the alleged facts

Referral to City Departments:

Complaints about City employee conduct that are referred to the appropriate City department; and for which follow-up responses are received from the applicable department indicating the action taken and final disposition of the complaint.

For example:

- Excessive break time
- Misuse of City equipment
- However, routine service requests (sanitation pick-up, etc.) are referred to the City's Unified Call Center for remediation.

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. For example:

- Identity theft
- Theft of personal property

Referral to Non-City Agencies:

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

Waste:

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

For example:

- Timekeeping fraud, such as authorizing payment for hours not worked

Appendix A

Types of Allegations or Complaints – Three Year Comparison City of Milwaukee 2014 – 2016

Types of Allegations or Complaints	Number of Allegations or Complaints		
	2014	2015	2016
Potential Fraud and Abuse	15	17	10
Waste and Inefficiencies	8	3	5
Ethics Issues	1	0	0
Employee Conduct	1	0	2
Service Requests and Inquiries	22	34	25
Non-City Issues	28	15	29
Total	75	69	71

