



**Fraud, Waste and Abuse
Hotline Report
for the Year Ending
December 31, 2015**

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January 21, 2016

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

Dear Mayor 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 ending December 31, 2015. 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's government. The established process of follow-up on these complaints has provided positive results through timely and appropriate actions.

For the 2015 calendar year, 69 complaints were made to the Hotline. The majority of these involved service requests, non-City issues, or potential fraud, waste, and abuse. Many Hotline complaints were filed electronically, via email or through the City's Fraud Hotline webpage (city.milwaukee.gov/fraudhotline). Throughout 2016, Internal Audit will continue to maintain a strong, City-wide fraud hotline educational effort through the use of informative brochures, formal meeting presentations, website information, and an online, fraud-video presentation.

Appreciation is expressed for the cooperation extended to us by City Management.

Sincerely,

A handwritten signature in blue ink that reads "Greg Lotze".

Greg Lotze, CPA, CIA
Interim Audit Manager

GL:acf



I. Introduction

This is the annual report of the City of Milwaukee's Fraud, Waste, and Abuse Hotline. The scope of the City's Fraud Hotline activity is the City of Milwaukee's legal assets and resources, only. Complaints received outside this scope are referred to the appropriate government legal entities, such as the State of Wisconsin or Internal Revenue Service. The reporting period is the calendar year ending December 31, 2015. For comparative purposes, information for calendar year 2014 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 69 new complaints in 2015, compared to the 75 complaints made in 2014 (Table 1). Details about 2015 Hotline complaints are provided below, under Hotline Activity.

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 reporting issues. Rather, this report provides information as to how the hotline is being utilized.

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 through the online form, email, mail, telephone, fax, or by arranging to meet in person.

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. Internal Audit has engaged in efforts to further the development and usage of the Hotline, both internally and externally. An ongoing effort has been made to continue the development of relationships with management in various City departments, in order to identify and maintain key relevant contacts for complaints. This has been documented through updated Hotline policies and procedures, to ensure succession planning, internally.

Internal Audit maintains a City-wide awareness effort for the Fraud Hotline. An informative and attractive brochure, to aid in advertising and informing the public and City employees about the Fraud, Waste, and Abuse Hotline, is readily available throughout the City and in the atrium of City Hall. In 2014, the Fraud Hotline webpage was updated to include a video of the City’s internal Fraud Hotline presentation and to enhance its ease of use.

III. Hotline Activity

A. Method of Contact

As Table 1, below, identifies, 21 of the 69 Hotline complaints received in 2015 (30 percent) were generated through the online submission form or direct email, and 46 (67 percent) were generated through the City Hotline phone-in line, where a caller may speak directly with Hotline staff. Finally, two of the complaints (3 percent) were sent by mail or dropped off in person.

Table 1 – Method of Contact by Year

	2015		2014	
Web Page/ Email	21	30%	19	25%
Mail	2	3%	2	3%
Phone	46	67%	53	71%
In Person	0	0%	1	1%
TOTAL	69	100%	75	100%

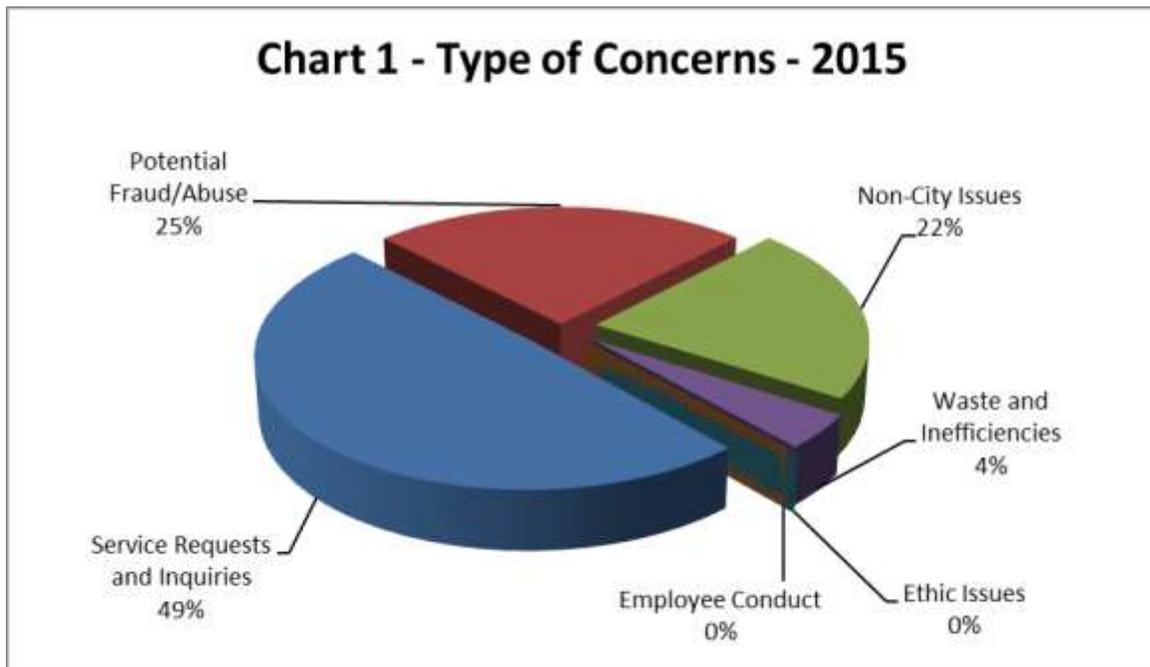
B. Source of Complaints

Of the 69 complaints received in 2015, 44 (64 percent) were made by citizens. City employees generated nine of the new Hotline complaints (13 percent). The remaining 16 complaints (23 percent) were referrals from other agencies, sources external to the City of Milwaukee, or the origin was unidentified.

C. Type of Concerns

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

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



As the above chart indicates, Service Requests and Inquiries is the largest category of Hotline complaints in 2015, at 49 percent. These include requests for sanitation collection, snow removal, reports of disrepair on properties, inquiries regarding City

ordinances and building-code enforcement, requests for public records, and requests for law enforcement's non-emergency contact information. The Hotline forwarded most service requests to the Call Center or directly provided citizens with the requested contact information.

The next largest category is Potential Fraud/Abuse, at 25 percent. This category includes reports of employee misappropriation of resources, procurement abuse, acceptance of bribes or kickbacks, and other various forms of fraud. Accounting for four (4) percent of complaints in 2015, the category of Waste and Inefficiencies comprises a spectrum of issues, from the quality of sidewalk repairs to alleged misuse of work hours by City employees. It should be noted that complaints involving both the Fraud or Abuse and Waste and Inefficiency categories are considered only allegations, initially. Further review often indicates that many of these complaints are unsubstantiated. Invalid facts and a misunderstanding of the circumstances observed and reported are common occurrences.

The category Non-City Issues accounts for 22 percent of complaints in 2015. Most Non-City Issue complaints involve a fraud allegation that requires referral to another level of government or external agency, such as the State of Wisconsin or the Internal Revenue Service. Finally, in 2015, there were no complaints for the categories of Ethics Issues (e.g. conflicts of interest) and City Employee Conduct (e.g., employee altercations with the public).

D. Actions Taken

Of the 20 Hotline complaints received in 2015 (excluding service requests and non-City issues), nine complaints (45 percent) were referred to City departments for investigation and follow-up. Each complaint concerning an employee's behavior results in an investigation. If the complaint proved valid, employees received counseling and, in some cases, disciplinary action. Nine complaints (45 percent) were investigated by Internal Audit. However, the Hotline did not refer complaints that were without merit or provided insufficient information for investigation. Thus, Internal Audit deemed one complaint to be without merit after an initial investigation and one to be lacking sufficient information.

Service requests are generally referred to the City Call Center or, if appropriate, sent to the proper City department. Additionally, the Hotline, if appropriate, either sends non-

City issues to other agencies or refers callers to those other agencies, directly. Thus, non-City issues 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 2015, with comparative data provided for 2014. No service requests or non-City issues are included in this comparison.

Table 2 – Actions Taken

	2015		2014	
Department Referral	9	45%	16	64%
Internal Audit	9	45%	7	28%
Criminal Referral	0	0%	0	0%
Investigated, No Further Action	1	5%	2	8%
No Action	1	5%	0	0%
TOTAL	20	100%	25	100%

Of the nine Hotline complaints referred to City departments during 2015, the Department of Public Works received four referrals, both the Milwaukee Fire & Police Commission and the Call Center received two referrals each, and the Housing Authority received one referral. Internal Audit investigated ten complaints in all, two of which were determined to be either insufficient or inaccurate.

IV. Benefits

Overall, the Hotline has proven to be a benefit by providing citizens and City employees, alike, 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 that 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, arguably an effective internal control tool to mitigate the risk of theft and abuse. With increased outreach, the

number of complaints may have decreased; and yet, the types of complaints had more validity in 2015. In the current year, Internal Audit will continue outreach efforts to various departments, management, and employees. In addition to reaching City employees, the Public Information Division plans to promote the Hotline through advertisements being featured in aldermanic newsletters, with the aim to inform and engage citizens.

V. Hotline Process

The Hotline receives calls through a designated telephone number (414-286-3440) that is staffed during normal business hours. The City's normal business hours are from 8:00 AM to 4:45 PM. Voicemail is always available. Concerns and allegations can also be reported via mail, fax, in person, by using the secure, web-based form (<http://city.milwaukee.gov/ReportFraudWasteandAbuseofCityResources>), or email (hotline@milwaukee.gov). If the complainant speaks a language other than English, with advanced notice, the Office of the Comptroller will arrange translation or interpretive services.

Internal Audit 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 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 receive an investigation's results are notified when this information is received by the Hotline staff members.

Presented below is a list of activities Hotline staff investigates 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 buildings, vehicles, or 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 will be provided with alternative contacts for reporting their concerns regarding the following complaints:

- 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 (e.g., falsifying financial records to cover up the theft of money or City property).

Waste: Mismanagement, inappropriate actions, and/or inadequate safeguarding of resources (e.g., the unnecessary spending of City funds to purchase items that have no business purpose).

Abuse: The intentional misuse or improper use of government resources (e.g., the use of a City vehicle for non-City business and failure to complete a leave-slip when absent from work, both of which indicate abuse occurring in a non-financial setting).

Referral to City Departments: Complaints about City employee conduct (e.g., excessive break time or misuse of City equipment, which are referred to the appropriate City department). Note: 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 (e.g., allegations of Food-Share [food stamps] abuse or daycare fraud, which 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.

Appendix A: Three Year Comparison of Allegations or Complaints

City of Milwaukee Types of Allegations or Complaints Three-Year Comparison 2013 – 2015

		2013	2014	2015
1.	Potential Fraud/Abuse	40	15	17
2.	Waste and Inefficiencies	2	8	3
3.	Ethics Issues	2	1	0
4.	Employee Conduct	9	1	0
5.	Service Requests and Inquiries	37	22	34
6.	Non-City Issues	30	28	15
	TOTAL	120	75	69

