Fraud, Waste and Abuse Hotline Report for the Year Ending December 31, 2019

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City of Milwaukee, Wisconsin

February 2020

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Office of the Comptroller

February 19, 2020

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 and 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 since its inception in 2004. The enclosed report summarizes Hotline operations for the year ending December 31, 2019.

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. The established process of follow-up on these complaints has provided positive results through timely and appropriate action.

For the 2019 calendar year, the Hotline received 134 complaints. The most common types of complaints received were service requests; personnel, conduct, and human resources; non-City issues; and cases of potential fraud, waste, or abuse. Typically, complainants file a report via secure voicemail, email, or electronically through the City's Fraud Hotline webpage. Throughout 2020, Internal Audit will continue its efforts to educate City of Milwaukee residents and employees about the Fraud Hotline using 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,

Charles Roedel

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Audit Manager

CR: da

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Introduction

This annual report of the City of Milwaukee's Fraud, Waste, and Abuse Hotline is for the Hotline activity occurring from January 1, 2019 through December 31, 2019. 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 outside this scope are referred to the appropriate entities. For comparative purposes, information for the calendar year 2018 is provided in the tables within this report. Appendix A presents a three-year comparison of the types of allegations and complaints received by the Hotline.

The Hotline received 134 new complaints in 2019, compared to the 104 complaints made in 2018 (Table 1). See Hotline Activity 2019 for details about allegations and complaints.

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. Whistleblower protection is a governmental best practice that encourages the use of the Hotline.

An act of fraud typically involves not only the commission of the scheme itself but also efforts to conceal the misdeed. As reported by the Association of Certified Fraud Examiners, tips are by far the most common initial method of fraud detection. Over 40 percent of fraud cases reported are via tips and slightly more than half of all tips received (53%) are by employees. Secondarily, 15 percent of all fraud detection results from internal audit efforts. Organizations without fraud hotlines are more than twice as likely to detect fraud by accident.[1]

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 – 2019

A. Method of Contact

In Table 1, the method of contact in which these complaints were received is detailed below. In 2019, the Fraud Hotline received 134 complaints. Ninety-three of 134 complaints (69%) were generated through the City Hotline phone line; 20 (15%) were generated directly via email; 18 (13%) were generated through the online submission form; one (1%) was delivered by the United States Postal Service (USPS), one (1%) was delivered in person, and one complaint (1%) was delivered by fax.

[1] Report to the Nations – 2018 Global Study on Occupational Fraud and Abuse, Association of Certified Fraud Examiners, pgs. 4-18.

Table 1 – Method of Contact by Year

Method of Contact	2018		2019	
	Number of Contacts	Percent of Total	Number of Contacts	Percent of Total
Phone	74	71%	93	69%
Email	9	9%	20	15%
Online – Web Page	17	16%	18	13%
Mail – USPS	1	1%	1	1%
In Person	3	3%	1	1%
Fax	0	0%	1	1%
TOTAL	**104**	**100%**	**134**	**100%**

B. Source of Complaints

Of the 134 complaints received in 2019, 77 (57%) were made by citizens, while City employees generated 36 (27%) of the Hotline complaints. Seventeen complaints (13%) were referrals from other agencies, sources external to the City of Milwaukee, or from an unidentified source. The remaining four (3%) method of contact were dropped-calls.

Additionally, complainants may contact the Hotline anonymously. Of the complaints received in 2019, 52 (41%) were made anonymously. For the remaining 78 reports (60%), the complainant provided contact or identifying information (see Table 2).

Table 2 – Source of Contact (Anonymous Reports)

Source of Contact (Anonymity)	2018		2019	
	Number of Contacts	Percent of Total	Number of Contacts	Percent of Total
Identity Provided	67	64%	78	60%
Anonymous	37	36%	52	40%
TOTAL	**104**	**100%**	**130**	**100%**

C. Types of Allegations and Complaints

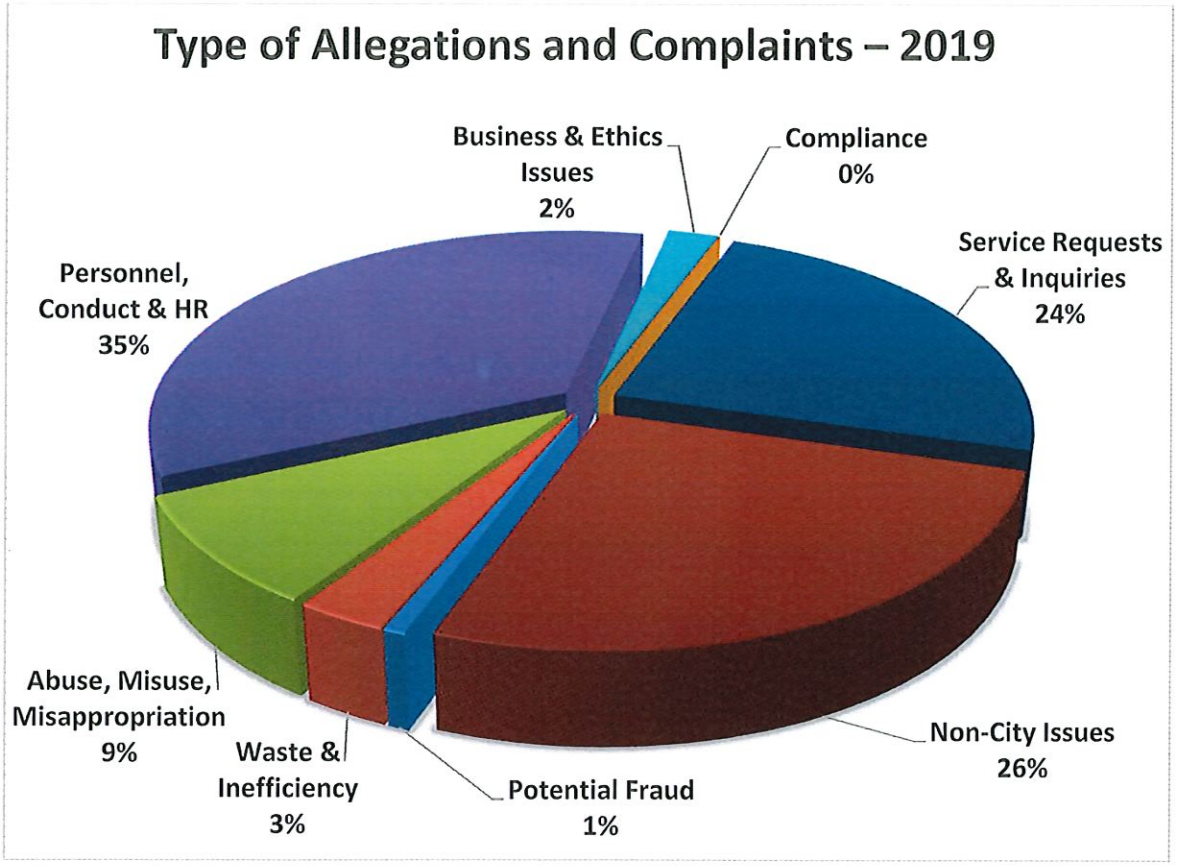
To ensure reports received by the Hotline are properly recorded, investigated, monitored, and reported, all complaints and allegations are assigned to a complaint category that reflect industry

best practice. The use of these categories increase the efficiency of the Hotline process and improves the accuracy and relevancy of complaint tracking and reporting. All contacts received by the Hotline are categorized as one of the following:

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

Chart 1 illustrates the breakdown of reported allegations and complaints received by the Hotline in 2019 by category type.

Chart 1



The information from (Chart 1) is presented below in tabular form (Table 3). Additionally, Appendix A presents a three-year comparison of the types of allegations and complaints received by the Hotline 2017 - 2019.

Table 3 – Allegations and Complaints

Allegation and Complaint Types	2019	
	Number of Contacts	Percent of Total
Potential Fraud	1	1%
Waste & Inefficiency	4	3%
Abuse, Misuse & Misappropriation	12	9%
Personnel, Conduct & HR	47	35%
Business & Ethics Issues	3	2%
Compliance	0	0%
Service Requests & Inquiries	32	24%
Non-City Issues	35	26%
TOTAL	**134**	**100%**

- **Potential Fraud** accounted for 1% of the total reports in 2019. This category includes allegations of accounting, misreporting, or financial misconduct by a City employee.

- **Waste and Inefficiency** accounted for 3% of complaints received in 2019. This category may include reports of unnecessary or extravagant expenditures of funds or wasteful use of City resources.

- **Abuse, Misuse and Misappropriation** complaints represent 9% of reports received in 2019. This category includes allegations of improper use or misappropriation of City resources, such as procurement or time clock abuse.

- **Personnel, Conduct and Human Resources** complaints accounted for 35% of complaints received in 2019. This category includes allegations involving employee conduct related to City and departmental policies.

- **Business and Ethics Issues** accounted for 2% of complaints received, which generally

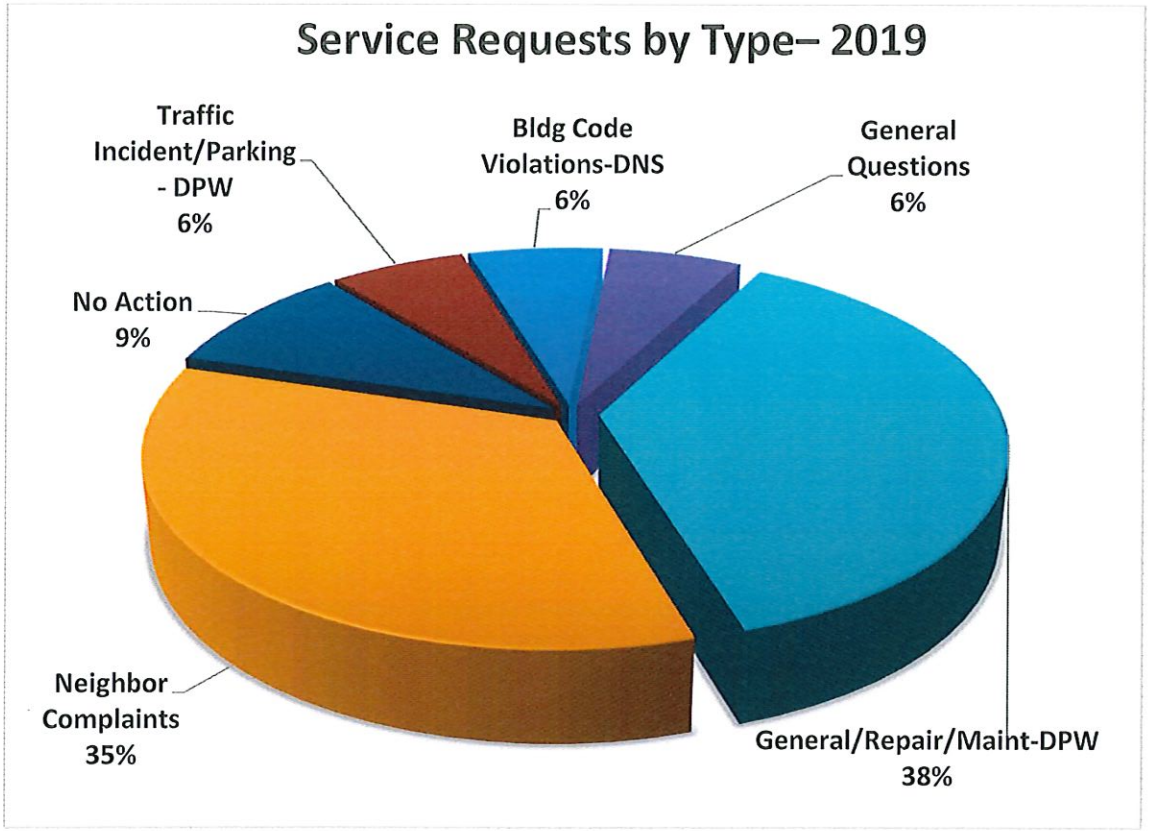
includes reported conflicts of interest, non-competitive procurement practices, or bribery.

- **Compliance**, which encompasses allegations of non-compliance with standard criteria accounted for 0 % of complaints reported in 2019.

- **Service Requests and Inquiries** was the largest category of Hotline complaints received in 2019, representing 24% of reports. 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.

Chart 2 below, illustrates the breakdown of reported service requests received by the Hotline in 2019, by request type.

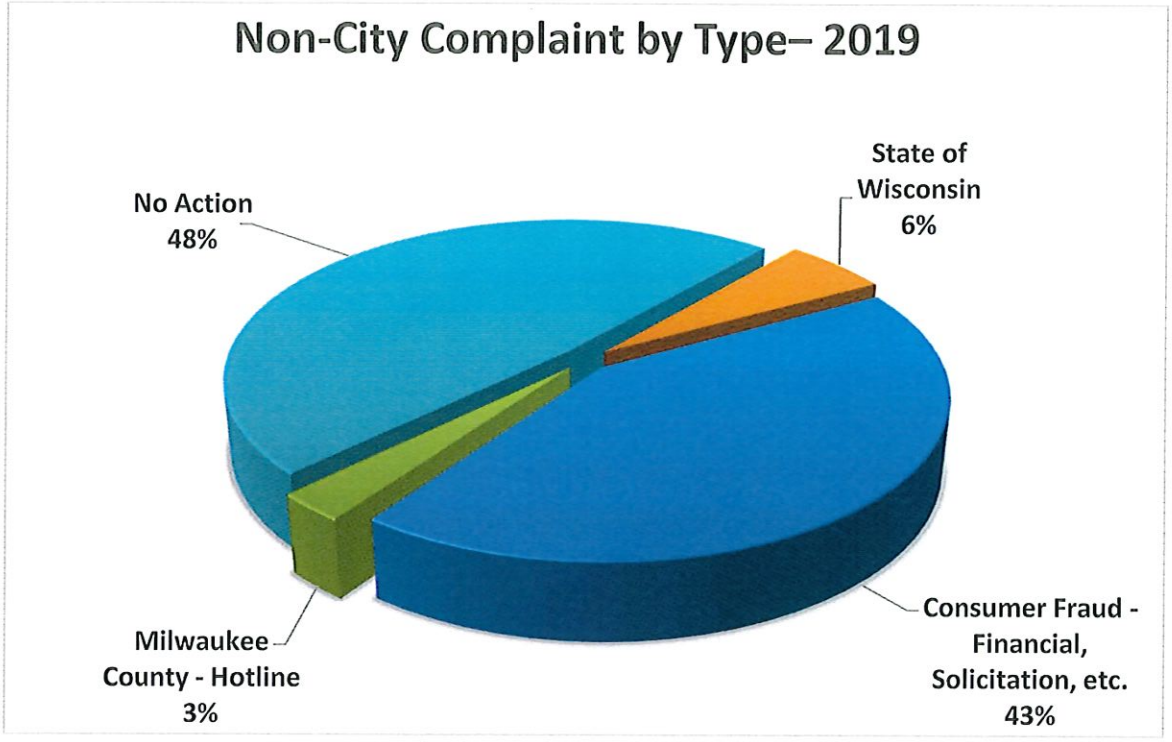
Chart 2



- **Non-City Issues** was the third largest category of Hotline complaints in 2019, representing 26% of reports 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.

  Chart 3 below, illustrates the breakdown of reported non-city complaints received by the Hotline in 2019, by complaint type.

Chart 3



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.

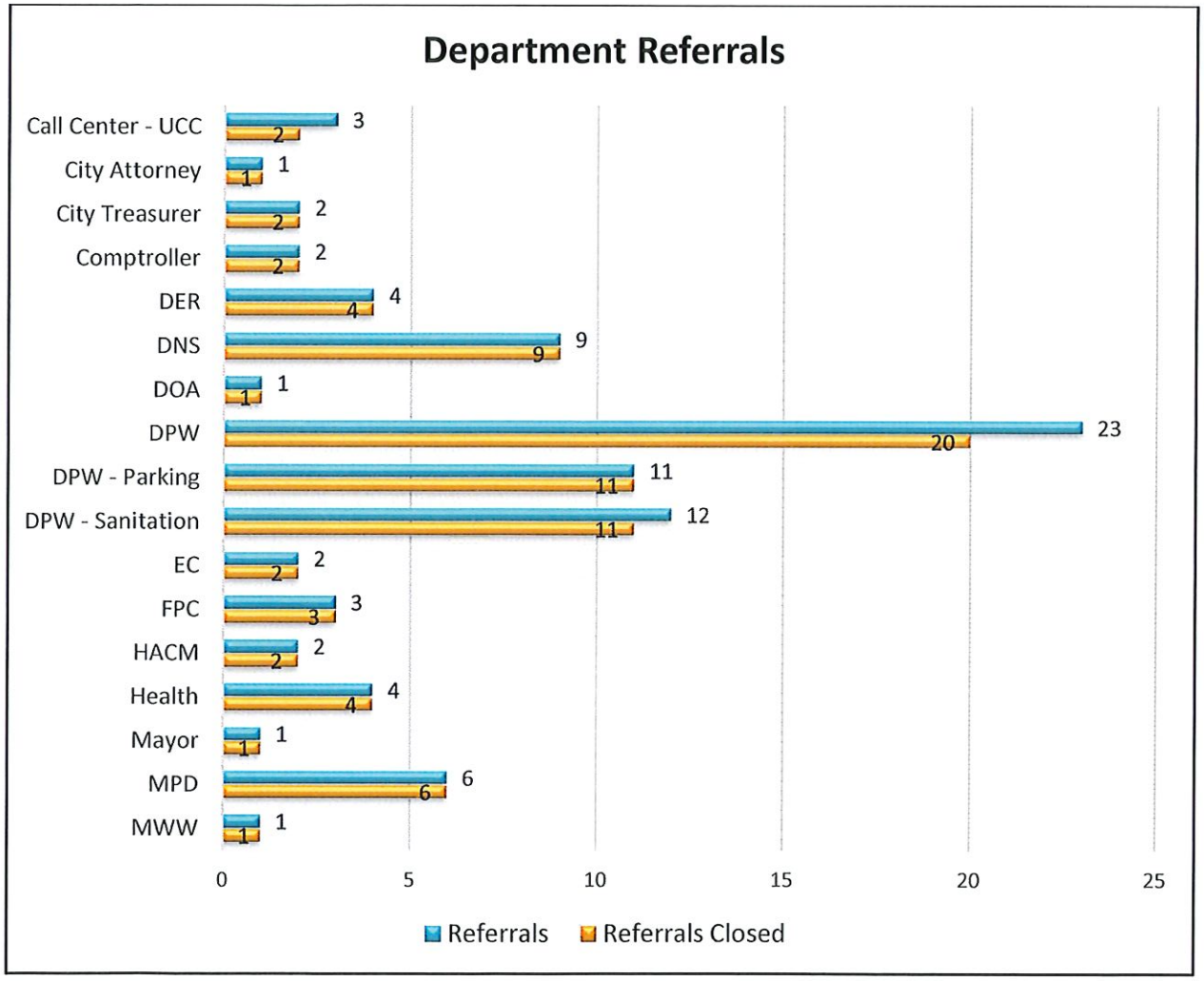
- Abuse, Misuse, Misappropriation of City Assets
- Business & Ethics

- Compliance
- Personnel, Conduct & Human Resources
- Potential Fraud
- Waste & Inefficiency

Fifty-three complaints (53% of those received in 2019) fell into these six categories. For those complaints regarding employee behavior, department management ultimately determines the appropriate action in resolving substantiated reports. For example, management may determine that procedural changes, counseling, or disciplinary action is appropriate.

Chart 4, below, details which City departments received Hotline referrals in 2019; as well as the number of referrals received and closed.

Chart 4



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 invalid facts or a misunderstanding of the circumstances identified and reported to the Hotline; while substantiated reports are based on confirmed facts.

Table 4 below, details the number of substantiated versus unsubstantiated reports handled by the Hotline in 2019 in comparison to 2018.

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

Final Allegation Status	2018		2019	
	Number of Actionable Reports	Percent of Total	Number of Actionable Reports	Percent of Total
Substantiated	8	17%	11	23%
Unsubstantiated	32	66%	32	67%
Open case – pending	8	17%	5	10%
TOTAL	**48**	**100%**	**48**	**100%**

As of year-end 2019, five cases remain open as active investigations due to case complexity, the necessity to work with additional departments, and the timing of their receipt by the Hotline.

Industry best practice recommends that hotline cases close in 30 days or less. The City's Fraud, Waste and Abuse Hotline has successfully met this threshold since 2015. For a three year, Industry Benchmark Comparison to the related City data, see Appendix B.

Hotline Process and Benefits

The Hotline receives calls through a designated telephone number (**414-286-3440**) 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. Other ways to report allegations and complaints; by email (**hotline@milwaukee.gov**), mail delivery (USPS), fax, in person or through the City's online web-based form 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 activities reviewed by the Hotline and those referred to an appropriate City department or outside agency. See Appendix C – Activities Reviewed by Hotline.

The Hotline evaluates all allegations and complaints to determine whether the reported issue includes sufficient information to begin the process or whether there is need for additional information from the complainant (if the complainant provided valid contact information). An initial assessment by Hotline staff determines whether the complaint has merit and how the staff should proceed. The staff assigns each case a unique number, which is then entered into the Hotline database, and tracked until final case disposition is reached. If a complaint is 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.

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

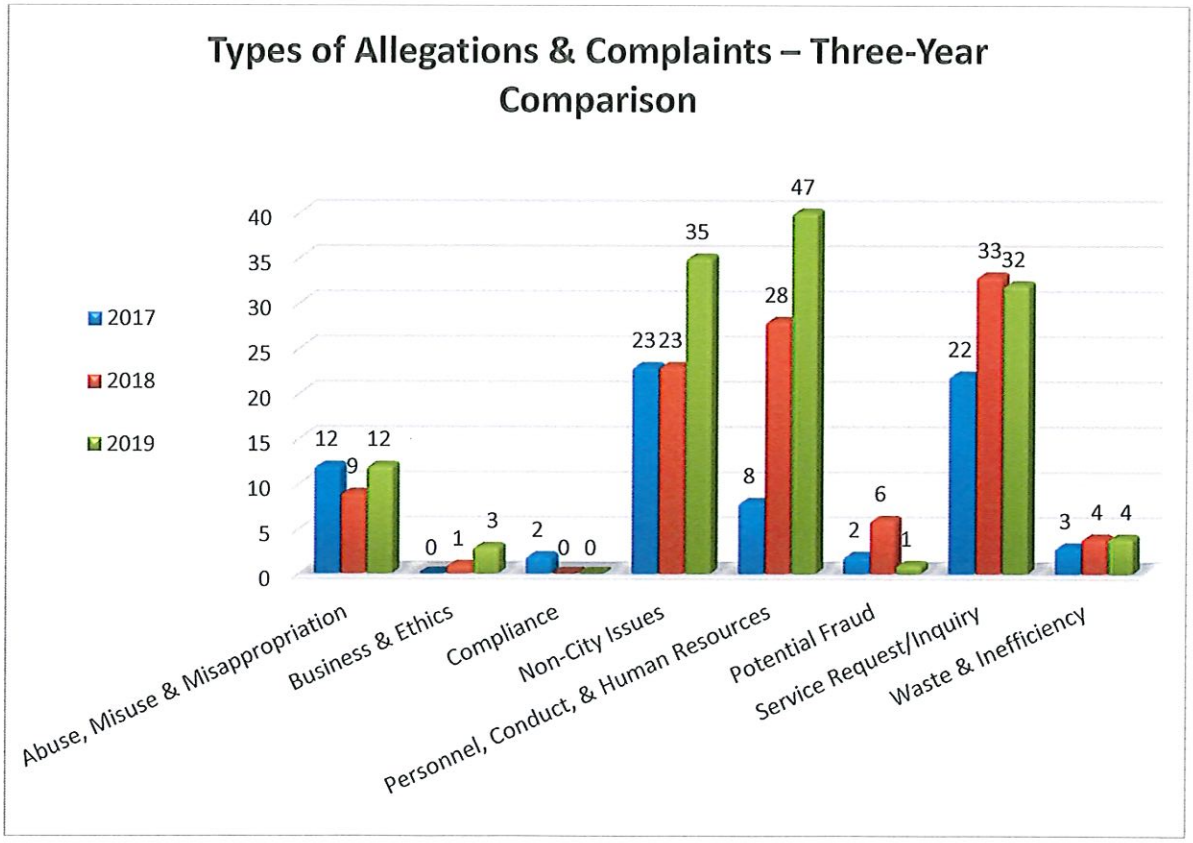
Based on the varied nature of the complaints received, it is clear that the public is utilizing the Hotline. A significant number of actionable complaints (27%) received from City employees, indicating that the Hotline is being used as a whistleblower tool – which is part of an important internal control mechanism used to mitigate the risk of theft and abuse. Internal Audit will continue its outreach efforts to various departments, management, employees, and citizens to maintain the benefits provided by the Hotline.

Appendix A

Types of Allegations & Complaints – Three-Year Comparison (2017 – 2019)

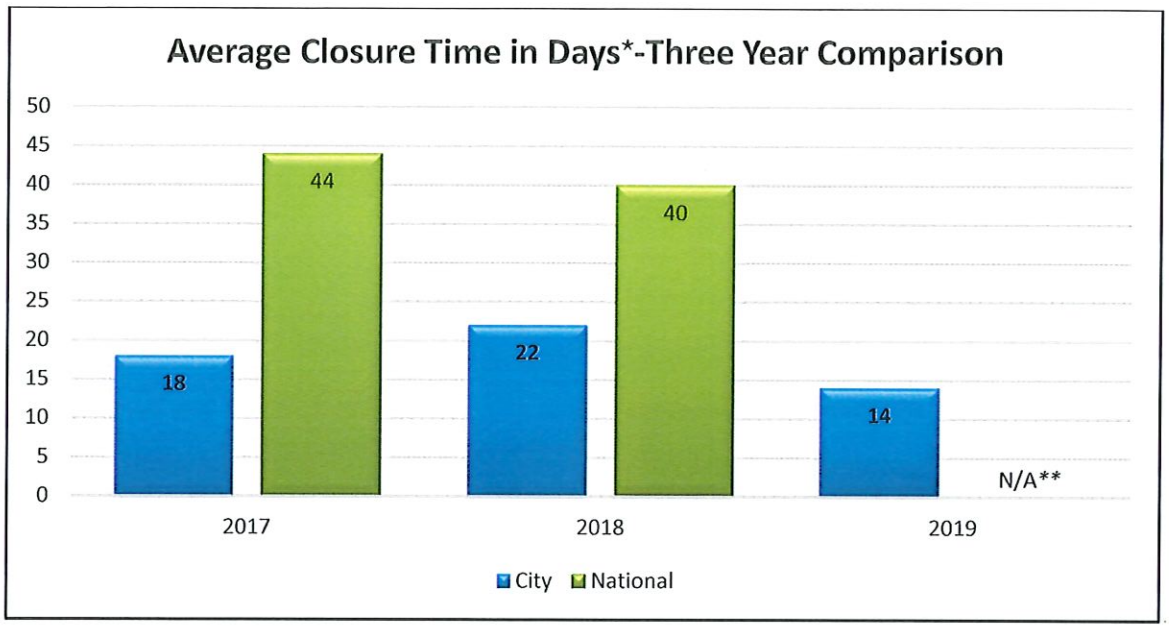
The following presents a three-year comparison of the types of allegations and complaints received by the Hotline in 2019.

Types of Allegations & Complaints	Number of Allegations & Complaints		
	2017	2018	2019
Abuse, Misuse & Misappropriation	12	9	12
Business & Ethics	0	1	3
Compliance	2	0	0
Non-City Issues	23	23	35
Personnel, Conduct, & Human Resources	8	28	47
Potential Fraud	2	6	1
Service Request/Inquiry	22	33	32
Waste & Inefficiency	3	4	4
	72	104	134



Appendix B
Industry Benchmark Comparison

Industry best practice recommends that hotline cases close in 30 days or less. The City's Fraud, Waste and Abuse Hotline has consistently done so since 2015, when the use of this benchmark data was identified for comparison purposes. The chart below provides a three-year comparison of Hotline case closure times versus national case closure times.



* *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 - 2018 Ethics & Compliance Hotline Benchmark Report, p. 7.*

** *2019 National data not yet available*

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:

Items ***Investigated*** 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)

Items Not Investigated by Hotline Staff, alternative resources to report the following types of complaints are provide to the complainant.

Items ***Not Investigated*** by Hotline Staff – Alternative Resources Provided	
Activity	**Entity or Organization Involved**
Non-City Issues: misuse, abuse, improper or Illegal activities	• Federal • State • County • Private parties
Non-fraud complaints	• Vary in nature (City of Milwaukee-Unified Call Center, public support and social services, informational agencies, etc.)

Appendix D
Key Terms and Definitions

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

Business and Ethics

This category may include kickbacks; non-competitive procurement; bid rigging; ethics issues, and vendor or customer misconduct. For example:

- Falsification of contracts/documents

Compliance

Non-compliance entails violations of City ordinances or policies; State statutes; or Federal regulations. For example:

- Public Records; FMLA; HIPPA; etc.

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

Hotline

A resource used to report fraud, allegations of wrongdoing, or complaints 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

Personnel, Conduct, and Human Resources

This category includes allegations involving employee conduct as it relates to standard City and departmental policies and practices. For example:

- Harassment, retaliation, compensation, unsafe driving; reckless disregard for safety of others, altercations with the public, etc.

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

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Office of the Comptroller

February 19, 2020

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, 2019. 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 2019 Hotline functions. At all times, the Internal Audit Division worked autonomously in order to carry out Hotline activities.

Sincerely,

Martin Matson

Martin Matson,
Comptroller

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www.milwaukee.gov/comptroller

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