



Office of the Comptroller

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October 17, 2006

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

RE: Fraud, Waste and Abuse Hotline

Council Members:

On June 15, 2004, the Common Council adopted Resolution 040063 authorizing the creation of a City website to report potential fraud, waste and abuse within City government. The enclosed report summarizes Hotline operations for the year ended August 17, 2006.

The Hotline has proven to be a benefit by providing citizens with the means to report fraud, waste and abuse in the City of Milwaukee government. The established process of follow-up on these contacts has provided positive results through timely and appropriate actions. For the 2006 reporting period, over 100 contacts were made to the Hotline. The majority of these contacts involved employee conduct, potential fraud, waste and abuse, and alleged criminal activity. Nearly 77 percent of all Hotline contacts were made via the City Hotline Web Page, which can be found at www.city.milwaukee.gov. In addition to the 2006 Hotline results, the report describes the Hotline reporting process. Also new to the report is Attachment II which provides a breakdown of Hotline contacts by City department.

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

Sincerely,


W. MARTIN MORICS
Comptroller

WMM:dos

**Office of the Comptroller
Fraud Hotline Report
For the Year Ended
August 17, 2006**

This is the second annual report of City of Milwaukee's Fraud, Waste and Abuse Hotline (Hotline). The period reported is from August 18, 2005 through August 17, 2006 (referred to as 2006). Information for the period from August 17, 2004 through August 17, 2005 (referred to as 2005) is provided for comparative purposes.

Background

On June 15, 2004, the Common Council adopted Resolution 040063, authorizing and directing the Comptroller to establish an Internet accessible web page on the City's web site to report fraud, waste, or abuse in City government. The web page was developed with the assistance of the Information and Technology Management Division in the Department of Administration. On August 17, 2004 the Hotline web page was available for public use. On December 15, 2004 a Hotline telephone number was added. Citizens can now report fraud waste and abuse using the web page, email, postal mail, telephone, fax, or in-person.

Hotline Activity

Hotline staff received 104 new contacts in 2006. In comparison, there were 118 contacts in 2005 (See Attachment 1) a reduction of 12 percent. In addition to the 104 new contacts, there were 21 open Hotline contacts at the beginning of 2006. Of the total 125 contacts (104 new and 21 existing), 116 contacts or 93 percent were closed. The remaining 9 contacts or 7 percent are awaiting departmental responses or are under investigation.

Method of Contact

In 2006, 80 percent of Hotline contacts were through web page generated email, direct email and postal mail. The number of telephone contacts remained the same, 12 percent

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in 2006. In-person contacts showed the largest increase – 7 percent in 2006, compared to 1 percent in 2005.

Figure 1

	2006	Percent	2005	Percent
Web/Email	80	77%	91	77%
Mail	3	3%	13	11%
Phone	13	12%	13	11%
In Person	7	7%	1	1%
Fax	1	1%	0	0%
Total	104	100%	118	100%

Source of Contact

Of the new 104 contacts received in 2006, 52 or 50 percent were made by citizens. City employees generated 27 or 26 percent of the new Hotline contacts. The source of the complaint could not be determined for 17 percent or 18 contacts. Of the remaining 7 percent of contacts, 4 percent were referrals from the Milwaukee County Hotline staff and 3 percent were from vendors.

Of all new Hotline contacts in 2006, 56 or 54 percent were made anonymously (18 contacts) or by parties requesting confidentiality (38 contacts).

Type of Contact

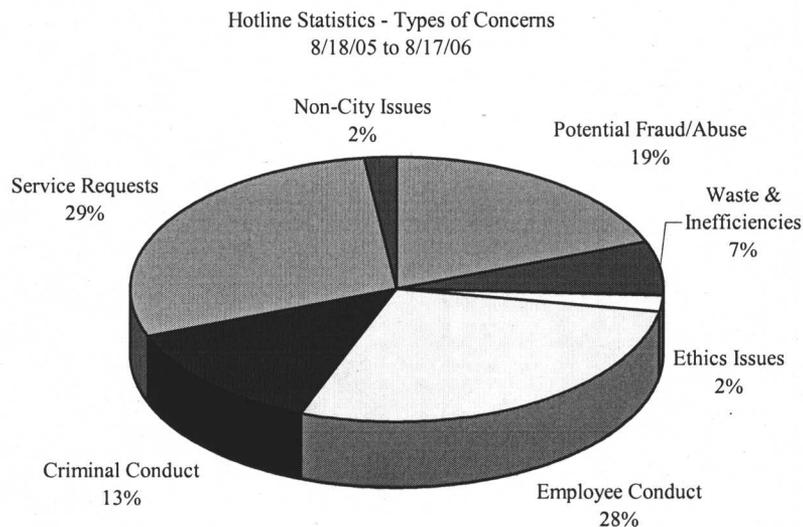
All Hotline contacts are categorized as one of the following seven types:

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

The pie chart on the following page shows that the largest category of contacts, 29 percent, involved Service Requests, such as sanitation pick-up, parking enforcement in certain areas, and requests for additional services. The next largest category of contacts

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was for Employee Conduct, accounting for 28 percent or 29 of the 104 contacts. Hotline contacts regarding City employee conduct included complaints about misuse of City vehicles, unsafe driving, and misuse of City computers and telephones. The third largest category was Potential Fraud/Abuse with 19 percent, or 20 contacts. These complaints included potential employee residency violations, procurement abuse, and rent assistance abuse. Contacts alleging Criminal Conduct doubled to 14 contacts, which represents 13 percent of contacts received in 2006. These included complaints about identity theft, drug issues, postal theft and bribery and make up the fourth largest category of contacts. Eight of these complaints were referred to law enforcement agencies. Contacts that involved Ethics, Inefficiencies and Non-City Issues accounted for the remaining 11 percent of Hotline Contacts.



Of the seven complaint categories, six require at least some review and follow-up by Comptroller audit staff. Contacts classified as Non-City Issues, were referred to other government agencies with minimal audit staff involvement. Audit staff followed-up on 102 of the 104 or 98 percent of new contacts in 2006.

Actions Taken

Of the 104 Hotline contacts made in 2006, 69 contacts were sent to City departments for follow-up action. Departments responded to 64 of these referrals and 5 remain under review by the departments. In response to complaints about employee conduct,

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departments indicated that affected employees were counseled and in some cases were disciplined. One contact regarding residency rules ended with a resignation of the employee rather than a firing. Departments also responded that requested services were provided, including trash removal and property inspection. The Housing Authority indicated that it investigated and took action on several complaints about Rent Assistance Program abuse.

Of the 14 contacts alleging Criminal Conduct, 8 were referred to the Milwaukee Police Department. MPD indicated that complaints about illegal drug activity are under investigation and another about improper payments to a City employee was investigated and criminal charges were filed against several individuals, with one City employee convicted. Some contacts were found to be without merit. Four complaints alleging identity theft were referred to the Federal Bureau of Investigation. Also, a complaint alleging Food Stamp abuse was referred to the U. S. Department of Agriculture, and a complaint alleging illegal use of the postal system was referred to the postal hotline.

One of the contacts reviewed by Comptroller audit staff, a complaint related to a grant funded property rehabilitation project, resulted in an audit report and a criminal investigation. Criminal charges were filed against one individual and the investigation is still ongoing.

Six contacts were referred to non-City agencies. Of these, 4 of the contacts were referred to the Milwaukee County Hotline and the remaining 2 were referred to State government. Milwaukee County Hotline staff responded that County departments are addressing our referrals.

Benefits

The City Hotline has proven to be a benefit by providing citizens with the means to report fraud, waste and abuse in City government. The established process of follow-up on these contacts has provided positive results through timely and appropriate actions. Based on the diverse nature of the contacts that were received during the first two years of operation, it is clear the public is utilizing the City Hotline. 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.

The Hotline Process

Hotline Web Page

The City web site at www.milwaukee.gov provides a link to the Hotline web page labeled "Report Fraud, Waste and Abuse of City Resources". The department web page for the Office of the Comptroller also contains this link. When a person enters and submits information through the Hotline web page, the information is converted to an email message and sent to an email account. Access to the Hotline email account is restricted to three auditors in the Office of the Comptroller - two Lead Auditors and the Audit Division Manager. These emails indicate that they are sent from an anonymous sender unless the sender voluntarily provides an email address on the web page form. Parties submitting information to the Hotline web page cannot be identified unless they choose to provide contact information.

Direct Email

The public can bypass the Hotline web page and send messages directly to the Hotline email account at hotline@milwaukee.gov. The sender's email address is automatically included on these direct emails, so this type of contact is not anonymous.

Postal Mail

Letters on Hotline issues can be sent anonymously or with contact information to the address below.

Office of the Comptroller
Attention: Audit Hotline
200 E. Wells Street, Room 404
Milwaukee, WI 53202

Phone and Fax

The public can contact Hotline staff by phone at (414) 286-3440 or send a fax to the Hotline at (414) 286-3281. Hotline staff can often obtain more complete information through interactive phone contacts. A caller wanting to remain anonymous is given a Hotline case number so they can call again to learn how the matter was handled. A fax identifies the sender's fax number and therefore may not be anonymous.

Hotline Report For the Year Ended August 17, 2006

In-Person

Hotline matters can be discussed in-person by visiting the Office of the Comptroller during business hours. Hotline staff will meet with the party to discuss the matter, or schedule an appointment to do so at a later time, as schedules permit.

All Hotline contacts have been in English, but if any are received in another language the Office of the Comptroller will strive to obtain translation or interpreter services.

Hotline Follow-up

Each Hotline contact is given a unique case number and a form is completed for each case indicating its disposition. An initial assessment is done to determine whether the case has merit and how it should be handled. Hotline cases are referred to appropriate parties for follow-up action.

- Referrals to City departments: Complaints about City employee conduct, such as excessive break time or misuse of City equipment are referred to City departments. Sometimes the Hotline receives routine service requests for sanitation pick-ups or infrastructure repairs, which are also referred to the appropriate department. Responses are received from departments indicating actions taken on the Hotline referrals.
- Referrals to non-City agencies: Sometimes complaints are received that do not pertain to City government. For example, a complaint about Food-Stamp Program abuse would be referred to the U.S. Department of Agriculture.
- Referrals to law enforcement agencies: Complaints about illegal activity would be referred to the Milwaukee Police Department or the appropriate Federal or State law enforcement agency.
- Referrals to Internal Audit: Hotline cases are referred to audit staff in the Office of the Comptroller for additional investigation or formal audit.

Parties providing contact information are notified about the disposition of their Hotline cases.

Hotline Statistics

Attachment I

	Current Year Ended 8/17/2006	Prior Year Ended 8/17/2005	Life to Date
Number of Contacts			
Web/Email	80	91	171
Mail	3	13	16
Phone	13	13	26
In Person	7	1	8
Fax	1	0	1
Total	104	118	222
Type of Contacts			
Employee	27	27	54
Vendor	3	2	5
Citizen	52	53	105
Unknown	18	29	47
City Departments	0	0	0
Other Agencies	4	7	11
Total	104	118	222
Requested Confidentiality	38	71	109
Type of Concerns			
Potential Fraud/Abuse	20	29	49
Waste & Inefficiencies	7	21	28
Ethics Issues	2	1	3
Employee Conduct	29	35	64
Criminal Conduct	14	7	21
Subtotal	72	93	165
Service Requests	30	14	44
Non-City Issues	2	11	13
Total	104	118	222
Actions Taken			
Departmental Referrals	69	79	148
Internal Audit - Follow-up	7	6	13
Criminal Referrals	8	5	13
Non-City Referral	6	10	16
Investigated NFA	12	6	18
No Action	2	12	14
Total	104	118	222
Contacts			
Beginning Opened Contacts	21	0	0
New Contacts	104	118	222
Closed Contacts	116	97	213
Ending Open Contacts	9	21	9

Attachment II

Audit Hotline - Statistics
Actions Taken and Types of Concerns by Department
For Years Ended August 17, 2006 and 2005

Department 2006	Total	City	C. Att.	Comp	DOA	DPW	DCD	DNS	Health	Library	MPD	MFD	CDBG	Election	CC	ERS	Treasurer	HACM	Non-City
Actions Taken																			
Dept. Ref.	69	4	1	1	1	32	2	11	1		6	6							4
I.A. Follow-up	7	1				1	1			1	1				1				
Criminal Ref.	8										7								
Non-City	6																		1
Inv. NFA	12	1				4	1	1			2	1			2				7
No Action	2	2																	
Total	104	8	1	1	1	37	4	12	1	1	16	7	0	0	3	0	0	5	7

2005																			
Actions Taken																			
Dept. Ref.	80	2		2	2	40	1	4	2	3	5	5	1	4	1	1	1	6	
I.A. Follow-up	6					5							1						
Criminal Ref.	5					1					4								
Non-City	9																		
Inv. NFA	6	2	1									1			1			1	9
No Action	12	2		1		2	2			1		1			2				1
Total	118	6	1	3	2	48	3	4	2	4	9	7	2	4	4	1	1	7	10

Department 2006	Total	City	C. Att.	Comp	DOA	DPW	DCD	DNS	Health	Library	MPD	MFD	CDBG	Election	CC	ERS	Treasurer	HACM	Non-City
Type of Concern																			
Potential F & A	20	1	1			7		2		1	3								5
Waste & Ineff.	7					5	1								1				
Ethics	2						1												
Emp Cond.	29	2				13	1	3	1		3	6			1				
Criminal Cond	14										7								
Service Req.	30	1		1	1	14		9	1		1	1			1				7
Non-City	2																		
Total	104	4	1	1	1	39	3	14	2	1	14	7	0	0	3	0	0	5	9

2005																			
Type of Concern																			
Potential F & A	29	2				9	2	3					2	2	2				7
Waste & Ineff.	21	2				16	1			1	1								
Ethics	1																		
Emp Cond.	35	1	1	2		13				3	3	7		2	1	1	1		
Criminal Cond	7					1			1		5								
Service Req.	14	1		1	2	8		1	1										
Non-City	11					1													
Total	118	6	1	3	2	48	3	4	2	4	9	7	2	4	4	1	1	7	10