

Interoffice Memorandum

DATE: August 26, 2009

TO: Lynne Sobczak

FROM: Paul Geib

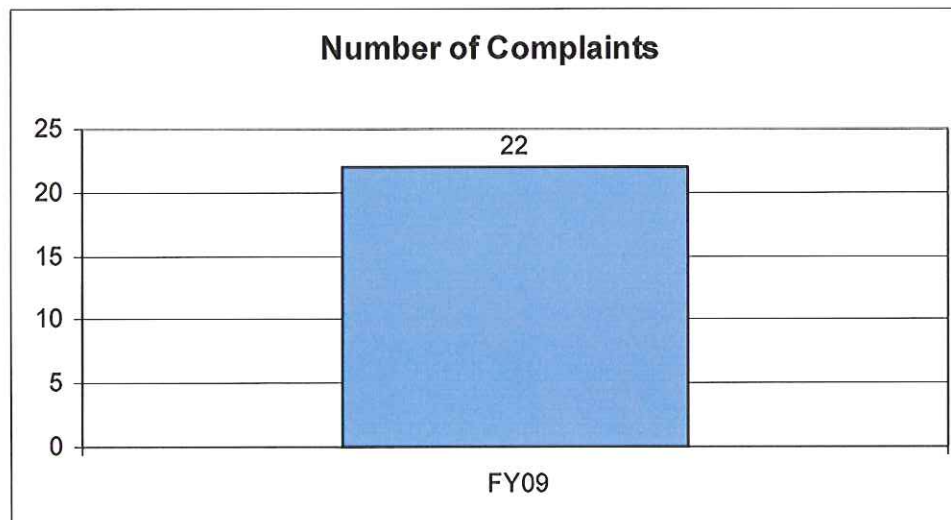
RE: FY09 Fraud, Waste & Abuse Annual Report

C: William Andrekopoulos, Michelle Nate, Jim Cigan

Audit Services receives allegations of fraud, waste and abuse via e-mails, regular mail, telephone calls, department referrals, leads from audits and through the MPS Fraud Hotline. The Hotline provides employees, citizens and other interested individuals a means to confidentially or anonymously report suspected instances of fraud, waste, or abuse at MPS. This memo summarizes activities from July 1, 2008 through June 30, 2009.

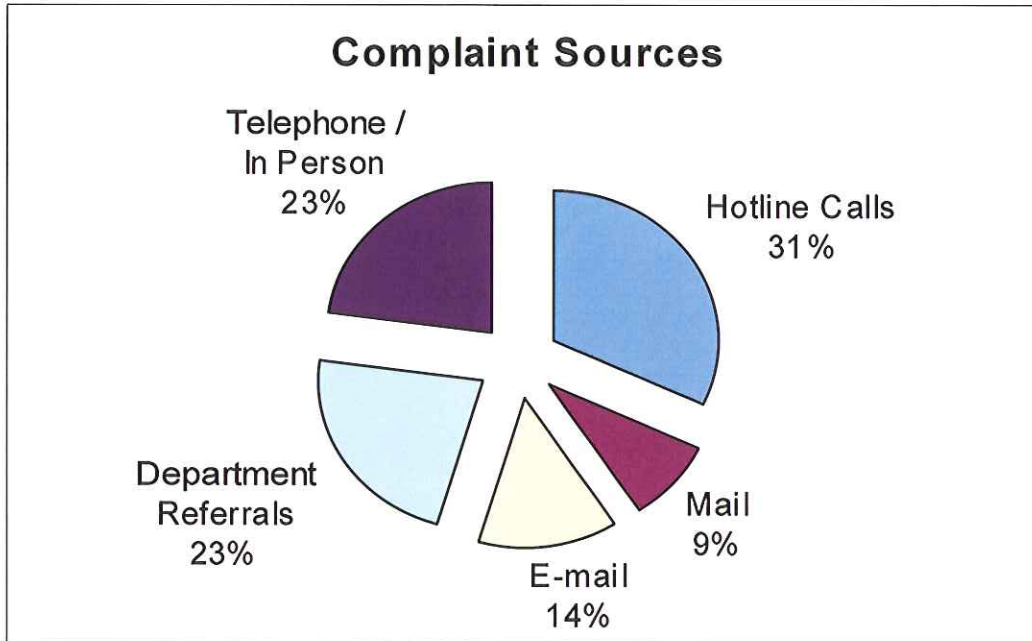
Number of Complaints

Audit Services received 22 complaints reporting suspected fraud, waste and abuse in FY09. Of these 22 contacts, 12 (55%), or about half of the complaints were from employees. Sixteen (73%) of the complaints were name associated and the remaining six (27%) contacts were anonymous tips. Multiple complaints regarding the same allegation are counted individually. The number of complaints received is presented below.



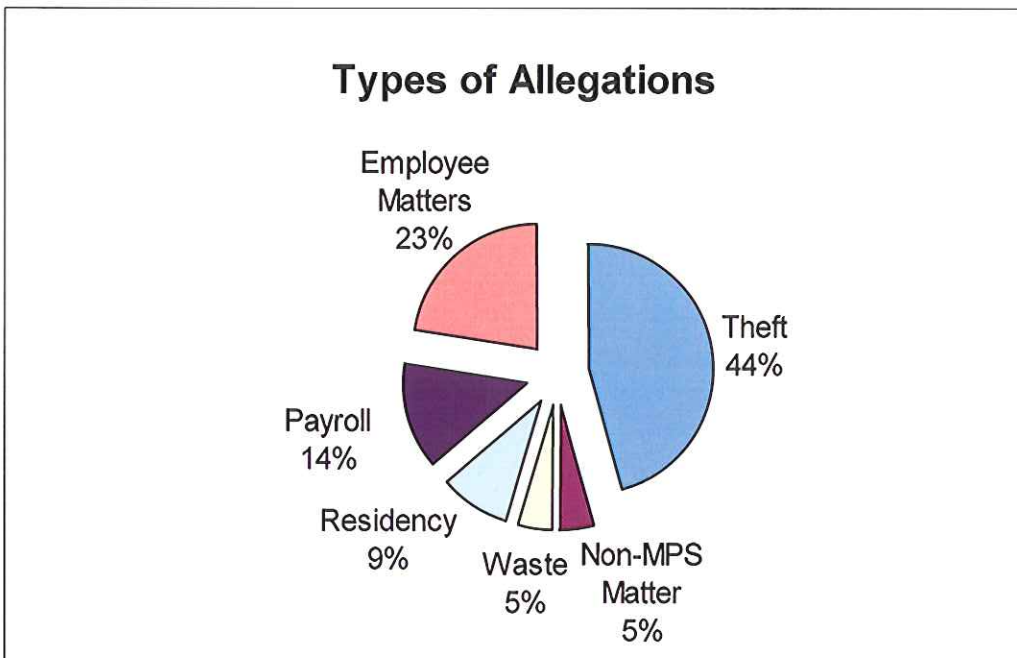
Complaint Sources

The 22 complaints in FY09 were received via e-mail, regular mail, telephone calls, department referrals, and through the MPS Fraud Hotline. The complaint sources are presented below.



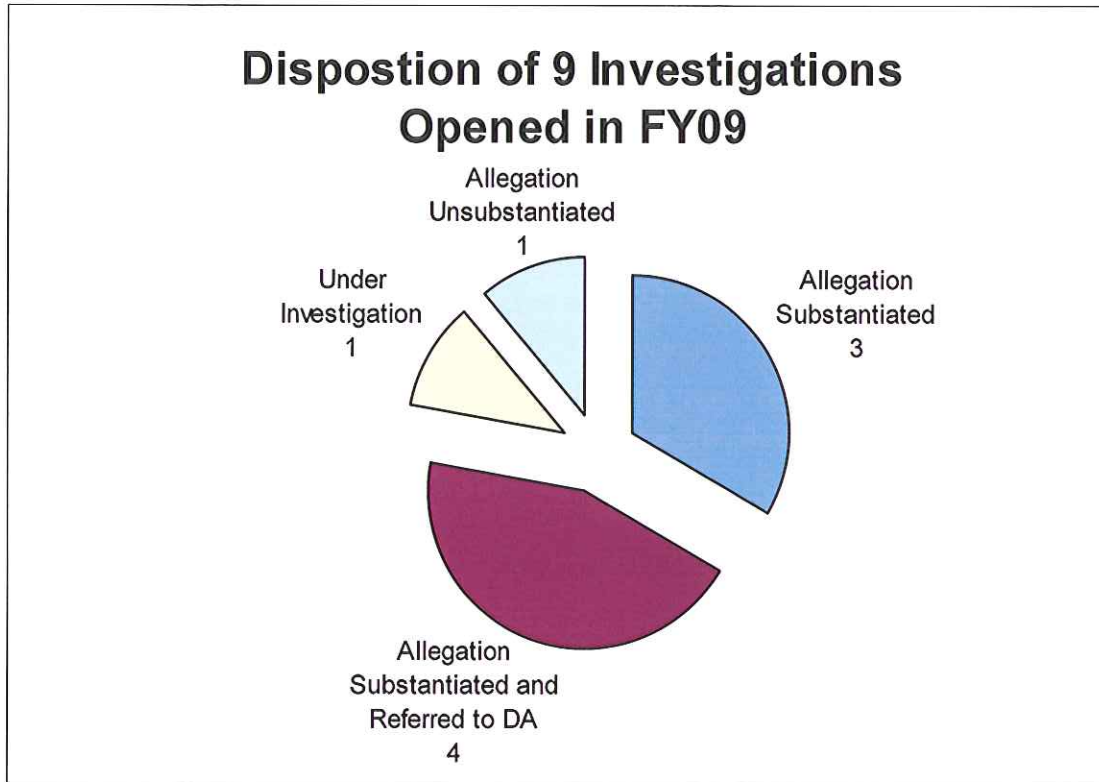
Types of Allegations

The 22 complaints cover a wide range of issues from alleged theft to employee matters such as smoking on MPS property to non-MPS related concerns. In all cases, allegations were evaluated by Audit Services and investigated as necessary. Allegations not within the jurisdiction of Audit Services were referred to the appropriate department or non-MPS entity for disposition. The types of allegations received in FY09 are classified as follows.



Disposition of Investigations

Audit Services evaluates all complaints reporting suspected fraud, waste and abuse and determines whether the information provided and the allegation warrants opening an investigation. From the 22 complaints received in FY09 nine investigations were opened. The nine investigations resulted in three allegations that were substantiated; one allegation that was not substantiated; and five open and ongoing investigations. Four of the open investigations have been referred to the District Attorney for further investigation or prosecution. The disposition of FY09 investigations is presented below.



FY09 Significant Investigations

All reports of investigations are **CONFIDENTIAL**. If Audit Services has reasonable cause to believe that illegal activities may have occurred, the report of investigation is referred to a prosecutorial agency. In all cases where allegations are substantiated, the resulting investigative report is provided to the District official who may decide, based on the facts presented, to take administrative action against an employee(s) or others. The following paragraph contains a generic summary of one of our investigations.

Alleged inappropriate payments to one student reveals systemic violations of District policies and inappropriate payments to 28 students during the summer.

Audit Services conducted an investigation into allegations made by an anonymous tax payer of the City of Milwaukee that a school staff was paying a dependent minor, with school cash, for school cleaning services during the summer. The investigation substantiated the allegation of improper payments to a minor and identified 28 individuals that were paid in total \$14,000 during a two year period from the school's checking account. As a result of this principal authorized activity, the District was placed at risk for insurance and liability issues as well as possible violations of labor standards and agreements and IRS reporting requirements. As a result of the investigation, the inappropriate activities ceased; district policies and procedures were reviewed with staff and reinstated; and the matter was referred to district officials for disciplinary action.

Closing

We continue to be proactive in our efforts to combat fraud, waste and abuse. During FY09 we made internal control related presentations to principals and other district staff. We also continue to work with the Department of Finance to improve controls and district financial policies and procedures. During FY09 restitution payments relating to current and prior year Hotline matters totaled \$30,343. Some of the intangible benefits derived from the MPS Fraud Hotline include:

- Employee, vendor and other MPS partner perception that someone is watching.
- Public perception that taxpayer monies are closely watched.
- Perception that perpetrators will suffer consequences for their actions.

Please contact us with any questions, comments or concerns.