



Interoffice Memorandum

DATE: September 7, 2010

TO: Lynne Sobczak

FROM: Jim Cigan *Jim*

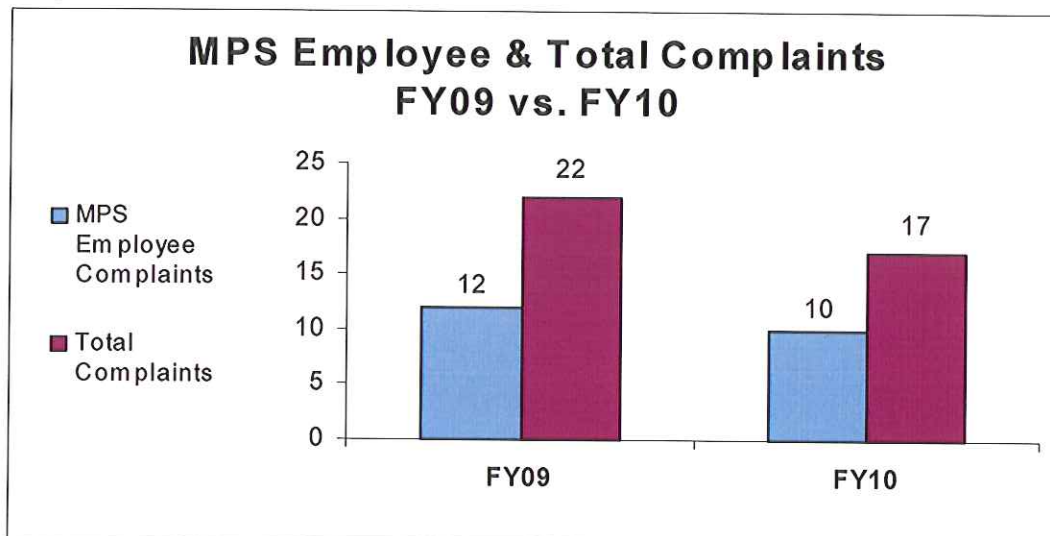
RE: FY10 Fraud, Waste & Abuse Annual Report

C: Gregory Thornton, Gerald Pace, Paul Geib

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, 2009 through June 30, 2010.

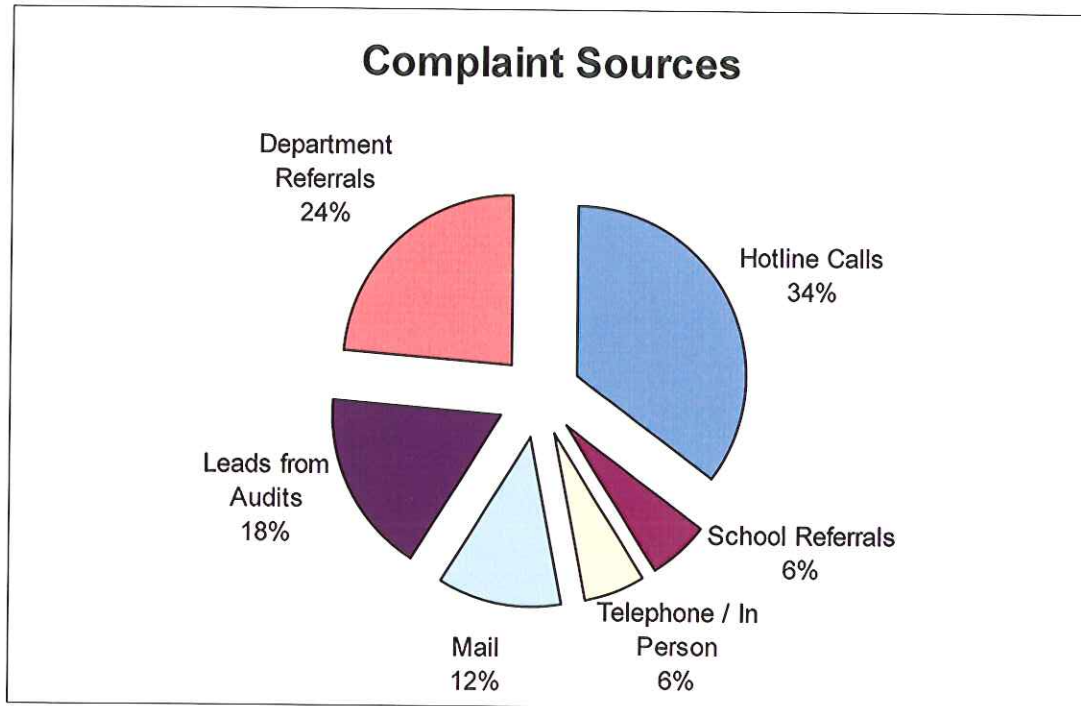
Number of Complaints

Audit Services received 17 complaints reporting suspected fraud, waste and abuse in FY10. Of these 17 contacts, 10 (59%), or slightly more than half of the complaints were from employees. Eleven (65%) of the complaints were name associated and the remaining six (35%) contacts were anonymous tips. Multiple complaints regarding the same allegation are counted individually. Employees remain a vital resource in the identification and reporting of fraud, waste and abuse. The number of complaints received is presented below.



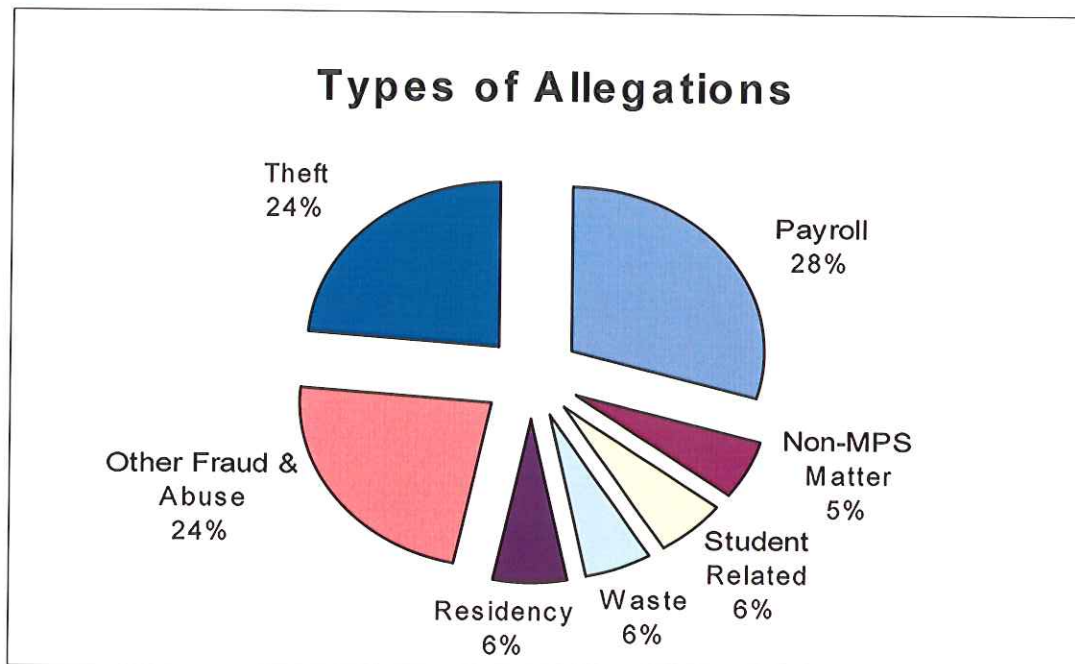
Complaint Sources

The 17 complaints in FY10 were received via regular mail, telephone calls, department referrals, school referrals, leads from audits and through the MPS Fraud Hotline. The complaint sources are presented below.



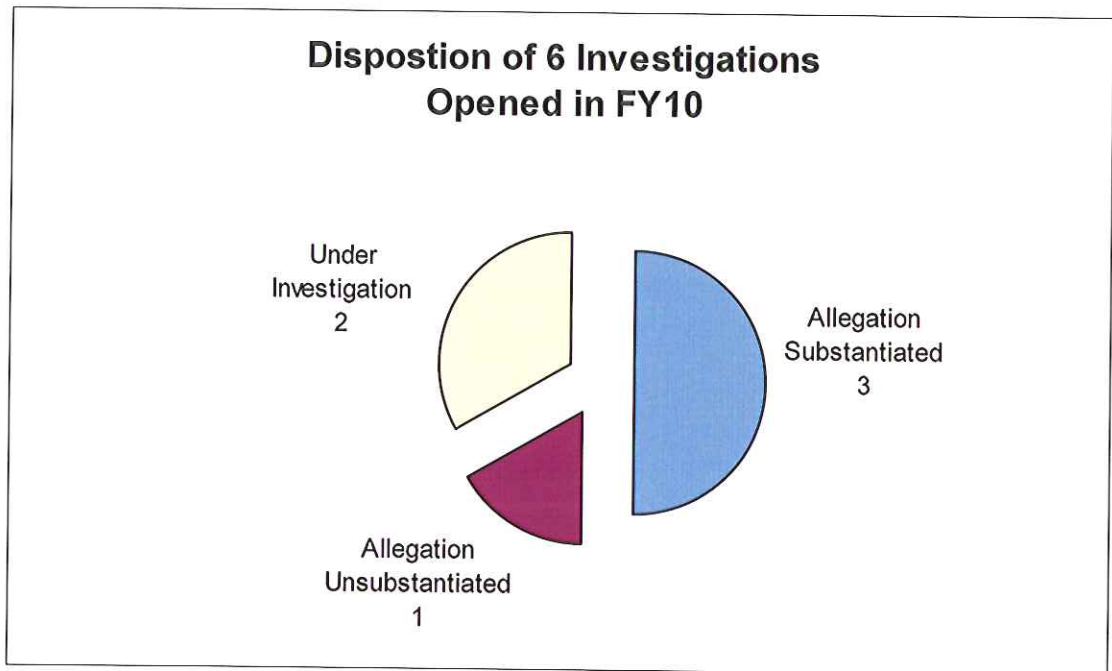
Types of Allegations

The 17 complaints cover a wide range of issues from alleged theft to employee matters such as compliance with residency requirements 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 FY10 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 17 complaints received in FY10 six investigations were opened. The six investigations resulted in three allegations that were substantiated; one allegation that was not substantiated; and two open and ongoing investigations. The disposition of FY10 investigations is presented below.



FY10 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 provides a summary of one of our closed investigations.

Anonymous tip alleging theft by an MPS garage mechanic leads to guilty charge, restitution and community service.

Audit Services conducted an investigation into allegations made by an anonymous tax payer of the City of Milwaukee that a garage mechanic ordered and stole parts for non-MPS vehicles; and diverted other MPS resources such as gas. The investigation substantiated some of the allegations and the case was ultimately prosecuted by the District Attorney. The former MPS employee was sentenced to pay \$4,000 in restitution and complete community service or else go to jail for nine months. As a result of the investigation, the inappropriate activities of this individual ceased upon termination of employment; internal controls over parts and fuel purchases at MPS garages were strengthened; and district policies and procedures were strengthened and reviewed with staff.

Closing

We continue to be proactive in our efforts to combat fraud, waste and abuse. During FY10 we advertised the Fraud Hotline on the Office of Board Governance web site and included a notice on employee payroll check stubs to encourage reporting of suspect activities. We also continue to work with the Office of the Chief Financial Officer to improve controls and district financial policies and procedures. During FY10 restitution payments relating to current and prior year Hotline matters totaled \$2,214. Repayments owed to MPS at June 30, 2010 as a result of Hotline judgments total \$149,164. 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.