



Interoffice Memorandum

DATE: April 22, 2013

TO: Members of the Board of School Directors

FROM: Jim Cigan

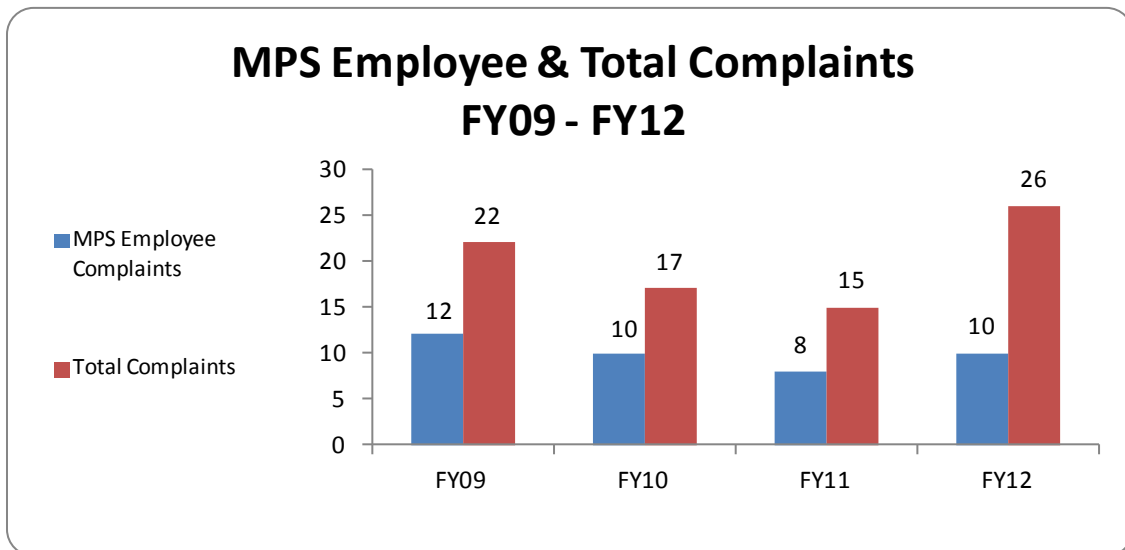
RE: FY12 Fraud, Waste & Abuse Annual Report

C: Gregory Thornton, Lynne Sobczak, Gerald Pace, Robert DelGhingaro

Audit Services maintains a Fraud Hotline that provides employees, citizens and other interested individuals a means to confidentially or anonymously report suspected instances of fraud, waste, or abuse at MPS. Matters are reported to the Fraud Hotline via regular or e-mail, department referrals, leads from audits, telephone calls, and in person. This memo summarizes Fraud Hotline activities from July 1, 2011 through June 30, 2012.

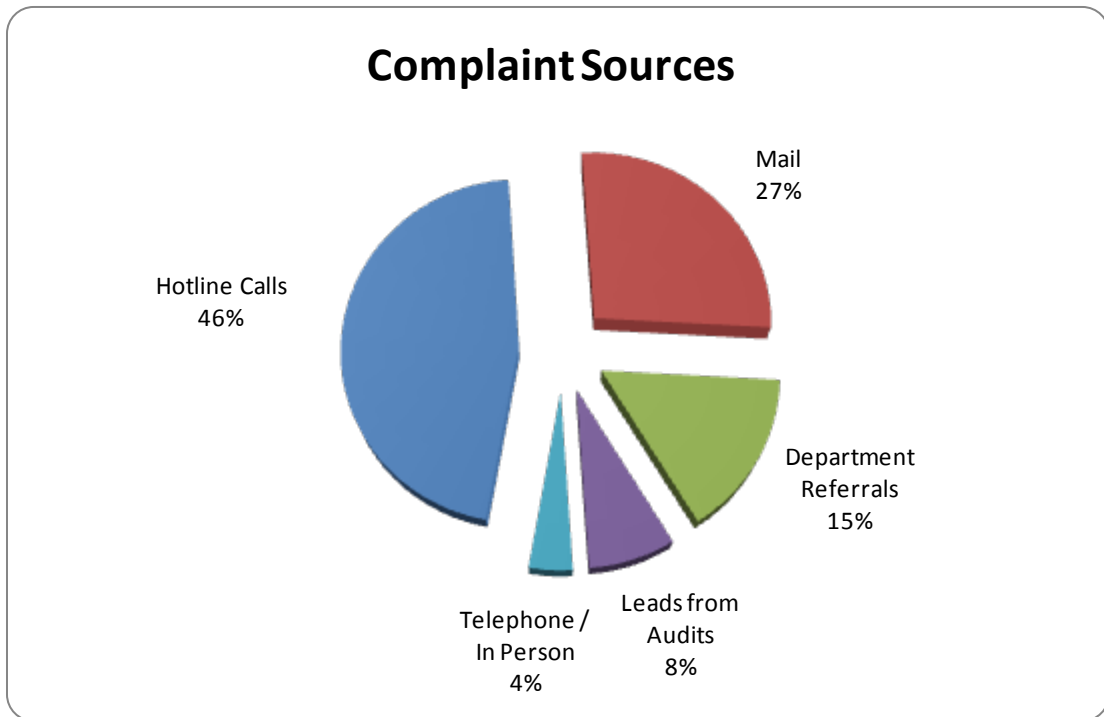
Number of Complaints

There were 26 complaints reporting suspected fraud, waste and abuse in FY12, an increase of 73% from the prior year. One half of the 26 complaints were name associated and the remainder anonymous tips. Ten of the 13 name associated complaints were from employees. The number of complaints received is presented below.



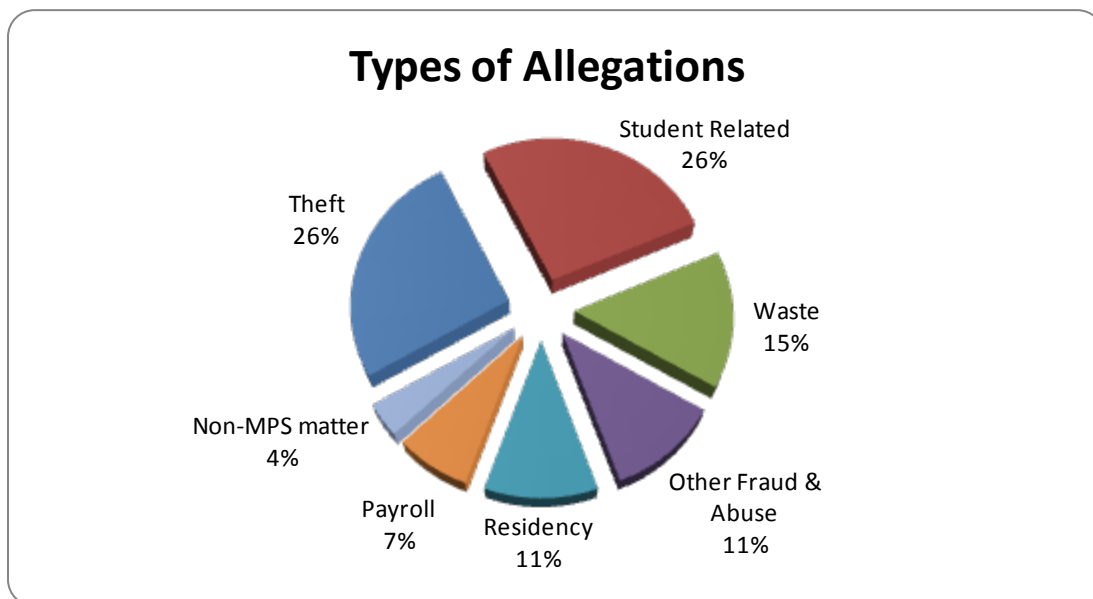
Complaint Sources

The 26 complaints in FY12 were received through the MPS Fraud Hotline, regular or e-mail, department referrals, leads from audits or telephone calls. The complaint sources are presented below.



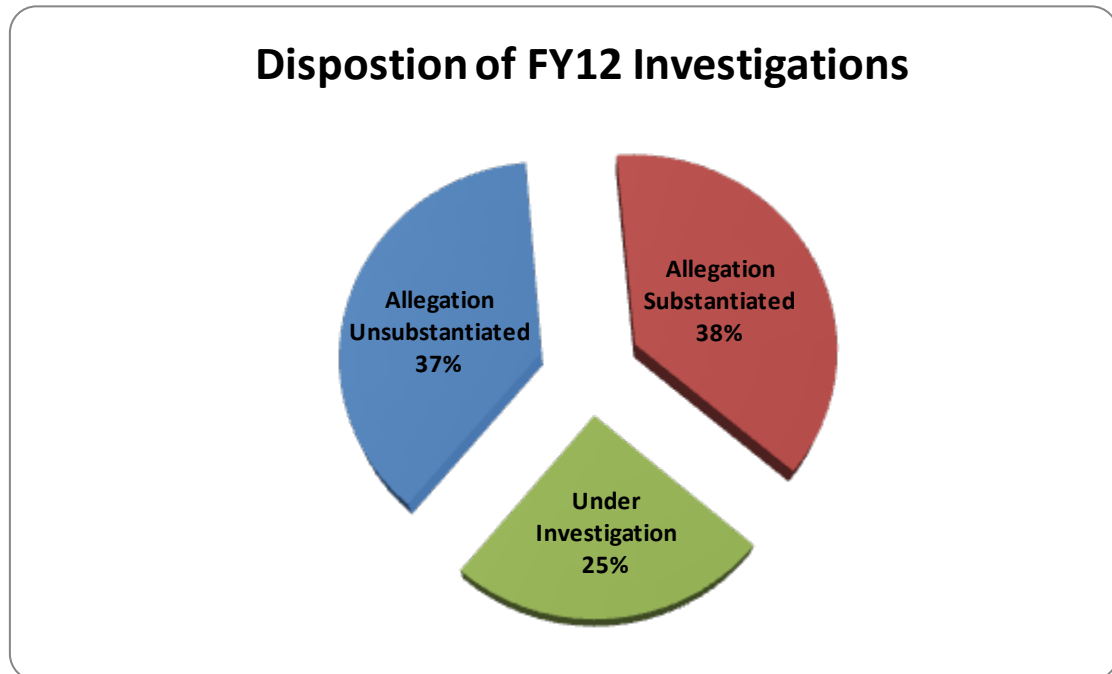
Types of Allegations

The 26 complaints cover a wide range of issues from alleged theft to employee matters such as compliance with residency requirements, to student related concerns. All 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 FY12 are classified as follows.



Disposition of Investigations

Audit Services evaluates all complaints reporting suspected fraud, waste or abuse and determines whether the information provided and the allegation warrants opening an investigation. From the 26 complaints received in FY12 six investigations were opened. In addition, there were two open investigations carried over from prior years. The eight investigations resulted in three allegations that were substantiated; three allegations that were not substantiated; and two open and ongoing investigations. The disposition of FY12 investigations is presented below.



FY12 Significant Investigations

All reports of investigations are **CONFIDENTIAL**. If Audit Services has reasonable cause to believe that illegal activities may have occurred, the investigation report 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.

School staff provides an anonymous tip that leads to identification of staff double payments from the school and CLC funds and other financial irregularities.

Audit Services conducted an investigation based upon an anonymous complaint from teachers at an MPS school. Allegations of double compensation to employees from school Board funds and Community Learning Center (CLC) funds along with other financial improprieties at the school were confirmed. The investigation identified two MPS employees that were paid by both Board funds and CLC funds for the same hours worked. Instances of duplicate vendor payments were also identified. Last, the practice of allowing employees to take home work and receive extra pay was discovered during the investigation. As a result of the anonymous tip internal controls were improved and overpayments to employees and vendors were corrected. The practice of compensating employees for working at home was also ended.

Closing

The Fraud Hotline provides an important avenue for individuals to report problematic issues to MPS without fear of retribution. Our experience shows that the best hope to identify fraud, waste and abuse continues to be through tips received from employees and others with first-hand knowledge of these matters. Accordingly, in conjunction with the Superintendent's Office, we have added a link "*Report Fraud Waste or Abuse*" to the main MPS portal page.

Audit Services actively works with the Office of the Chief Financial Officer and the Office of Accountability and Efficiency to improve controls and district financial policies and procedures in an ongoing effort to protect District assets. We continue to forge important relationships with the Milwaukee Police Department, Milwaukee County District Attorney's Office, the FBI and the United States Department of Education.

During FY12, restitution payments relating to current and prior year Fraud Hotline matters totaled \$333. Repayments owed to MPS at June 30, 2012 as a result of Hotline judgments total \$154,624. We are currently working with the District's collection agent to expedite repayment for the monies owed to MPS.

Please contact me if I may be of assistance.