



*Interoffice Memorandum*

**DATE:** April 9, 2014

**TO:** Members of the Board of School Directors

**FROM:** Jim Cigan

**RE:** FY13 Fraud, Waste & Abuse Annual Report – #2014-055

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

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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. Fraud hotline reports issued by Audit Services are confidential and accordingly are not provided to the Board. While this memo summarizes Fraud Hotline activities from July 1, 2012 through June 30, 2013, other important matters are often identified during these investigations. We continue to work together with the MPS Administration and the Office of Accountability and Efficiency to address these matters and to improve MPS operations and internal controls. Following are some of the matters identified during our investigations.

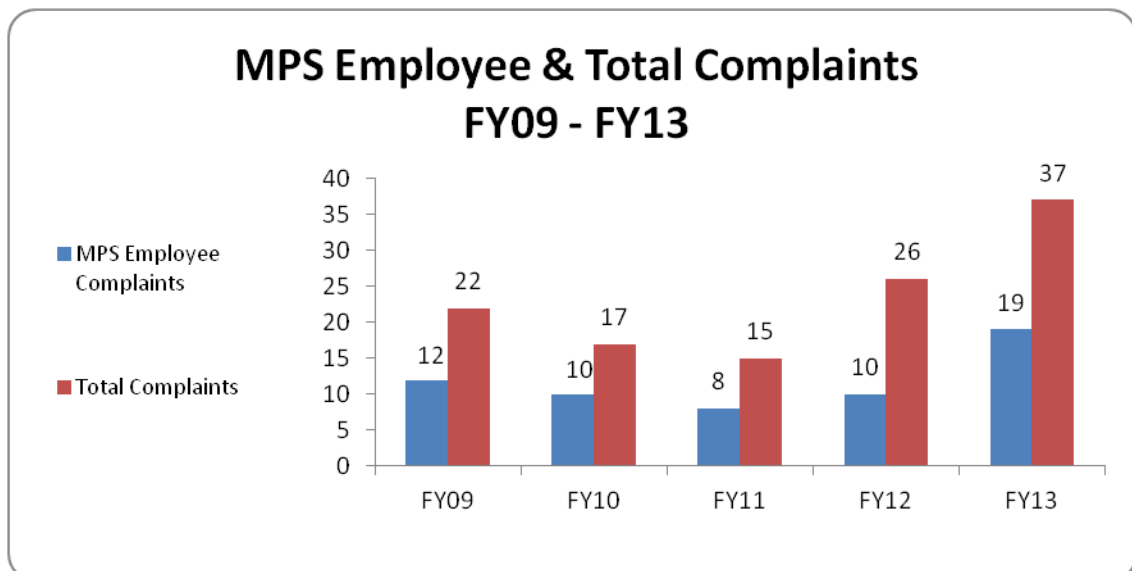
- Background screen contract language should be modified to provide clear direction for contractors to complete or submit background checks to MPS.
- A process should be designed to ensure that background checks are received when required under MPS contracts.
- Controls should be implemented to ensure that all contract extensions and renewals are signed by the contractor and MPS.
- Controls should be strengthened and procedures should be documented to ensure that employee pay is discontinued when individuals leave MPS employment.
- School cash handling controls should be reviewed to address situations such as an incident where one parent remitted \$2,000 in currency that went missing.
- Risk of theft in cafeteria cash handling will be reduced by reinitiating the monthly electronic fund transfers to Central Office.

- Risk of theft in CAMP cash handling will be reduced through reconciliation and review of records. A Lean Six Sigma project was initiated to address these issues.
- Enhanced record keeping for county bus tickets will reduce the risk for theft. This matter is scheduled for audit review.
- Fraud deterrence is increased as Audit Services continues working with leadership to ensure that when warranted, personnel actions relating to fraud hotline matters are considered for all levels of employees.
- Fraud detection is increased as Office of Finance - School Accounting oversight of school bank reconciliations and CASH balance sheet activity is enhanced.

**Fraud Hotline Activity Summary  
July 1, 2012 – June 30, 2013**

**Number of Complaints**

There were 37 complaints reporting suspected fraud, waste and abuse in FY13, an increase of 42% from the prior year. More than half of the tips came from individuals identifying themselves as MPS employees.



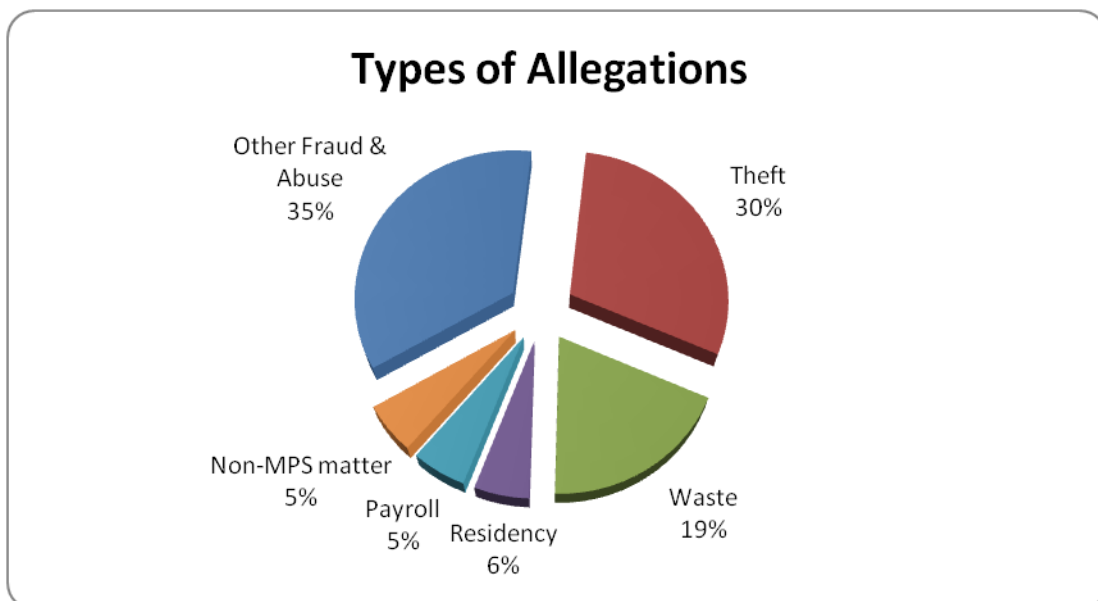
### Complaint Sources

The 37 complaints in FY13 were received through the MPS Fraud Hotline, U.S. mail, e-mail, department referrals, and leads from audits or telephone calls. The complaint sources are presented below.



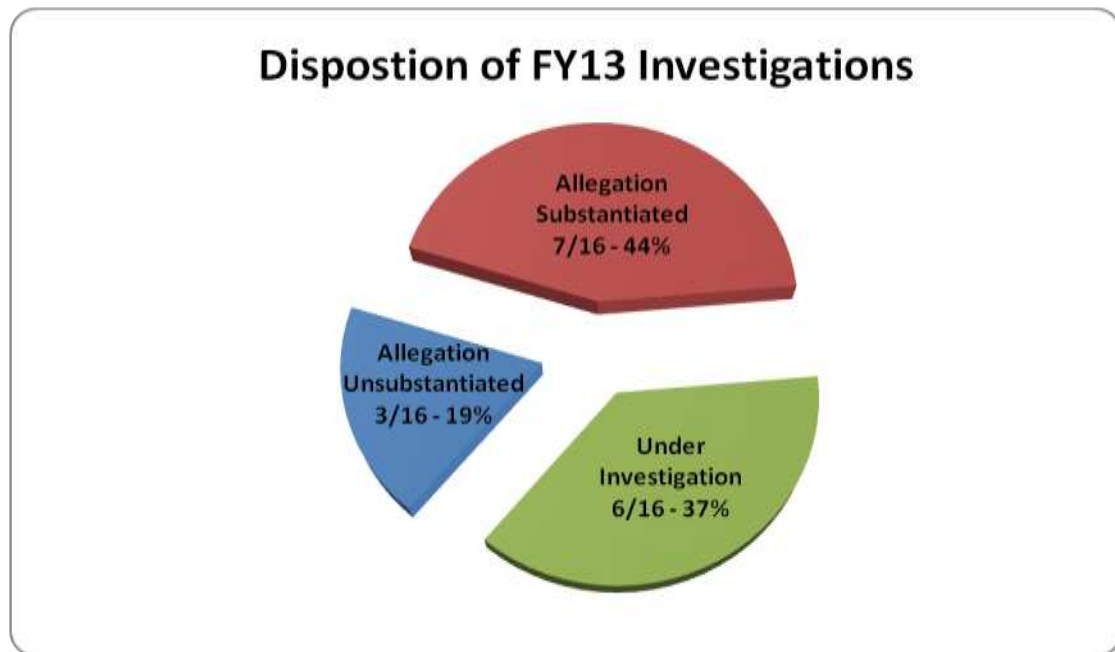
### Types of Allegations

The 37 complaints cover a wide range of issues including alleged theft, internal control deficiencies and 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 FY13 are classified as follows.



## Disposition of Investigations

Audit Services evaluates all complaints reporting suspected fraud, waste or abuse and determines whether the information provided warrants opening an investigation. From the 37 complaints received in FY13 fourteen investigations were opened. In addition, there were two open investigations carried over from prior years. The 16 investigations resulted in seven allegations that were substantiated; three allegations that were not substantiated; and six open and ongoing investigations. The disposition of FY13 investigations is presented below.



## Closing

Along with testifying and providing evidence for MPS personnel activities, Audit Services continues to work with the Milwaukee Police Department, Milwaukee County District Attorney's Office, the FBI, the United States Department of Education and other law enforcement agencies when illegal activities may have occurred. During FY13, restitution payments relating to current and prior year Fraud Hotline matters totaled \$2,645. Repayments owed to MPS at June 30, 2013 as a result of Hotline judgments total \$159,377.

The Fraud Hotline provides an important avenue for individuals to report problematic issues to MPS without fear of retribution. The investigations also provide another avenue to identify needed internal control enhancements. 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. Individuals can report matters anonymously or confidentially through a link "*Audit Services / Report Fraud Waste or Abuse*" on the main MPS portal page or by calling 414-777-7878 or via email at: [audfraud@milwaukee.k12.wi.us](mailto:audfraud@milwaukee.k12.wi.us).

Please contact me if I may be of assistance.