



Interoffice Memorandum

DATE: April 24, 2015

TO: Members of the Board of School Directors

FROM: Mr. James Cigan and Mr. Paul Geib

RE: FY14 Fraud, Waste & Abuse Annual Report – #2015-043

C: Ms. Jacqueline M. Mann, Dr. Darienne Driver, Mr. Gerald Pace, Mr. Erbert Johnson, Mr. Matthew Chason, Mr. Michael Trueblood

The Office of Board Governance, Audit Services Division, 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.

DEFINITIONS

Fraud: A type of illegal act involving the obtaining of something of value through willful misrepresentation.

Example: Falsifying records to cover up the theft of money or property.

Waste: Reasonable value is not received due to an inappropriate act or omission by individuals with control over or access to resources. Most often does not involve a violation of law, but rather relates primarily to mismanagement, inappropriate actions, and/or inadequate oversight or safeguarding of resources.

Example: The unnecessary spending of funds to purchase laptops that are then stored in a closet for two years.

Abuse: The intentional misuse or improper use of resources. Often involves behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice, given the facts and circumstances.

Example: Using vehicles or equipment for personal use.

Fraud Hotline reports issued by Audit Services are confidential and are not provided to the Board. In order to keep the Board abreast of the work conducted in this area, in addition to an annual memo which summarizes Fraud Hotline activities during the fiscal year, Audit Services issues periodic update memos describing the nature of completed investigations to the Board. We continue to work with the MPS Administration and the Office of Accountability and Efficiency to support the District's efforts to continuously improve MPS's operations and internal controls.

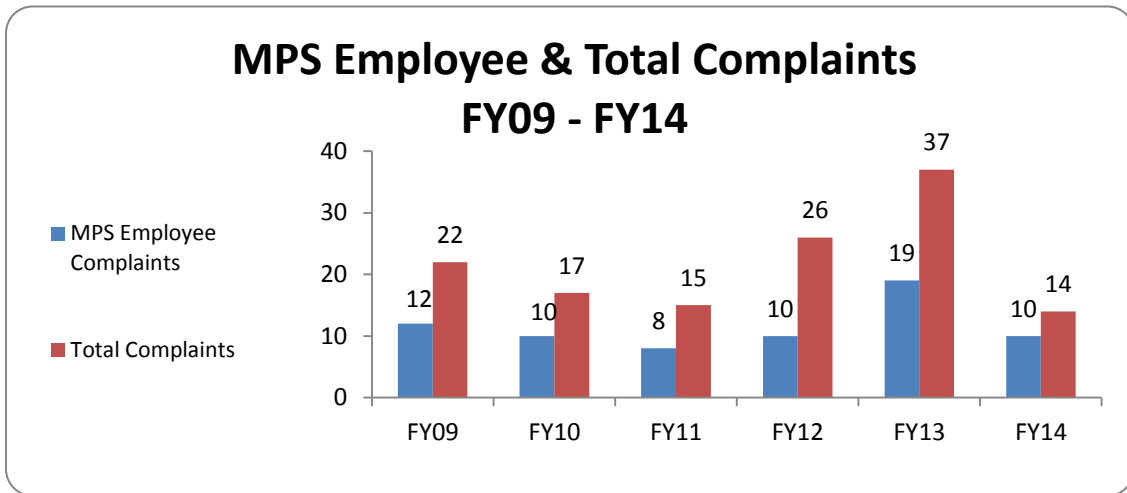
Following are some of the internal control matters identified as a result of our investigations.

- Contract controls were enhanced to ensure that asbestos-abatement-and-removal services are approved by the Board, and that contracts for building cleaning services are signed.
- Recommendations were made to review international school field trip controls including cash handling, fundraising, and the reconciliation of accounts overseen by staff advisors.
- During a routine school audit, missing cafeteria monies and a need to strengthen controls over cash handling and account reconciliations was identified and reported.
- Controls over processes to ensure that employees that leave the District are no longer paid were re-evaluated and strengthened.
- Controls relating to temporary service agency secretaries and related building access, cash handling duties, and criminal background screens were brought to the attention of the Administration for review.
- Controls over reassignment of laptops when principals change assignments were enhanced.
- Information about leaves of absence information provided monthly to the Board became more transparent as the report was modified and now states that it includes certificated employees only.
- A need to review controls relating to background checks for individuals under professional services contracts and a need to review the adequacy of the professional services contracts' language were reported to the Administration.
- A recommendation was made to the Administration to modify purchasing policies to ensure that vendors that are not in good standing, (because of inadequate performance; monies owed; non-compliance with HUB, COIN, and Student Engagement) are disclosed to the Board prior to renewal or award of a contract.

**Fraud Hotline Activity Summary
July 1, 2013 – June 30, 2014**

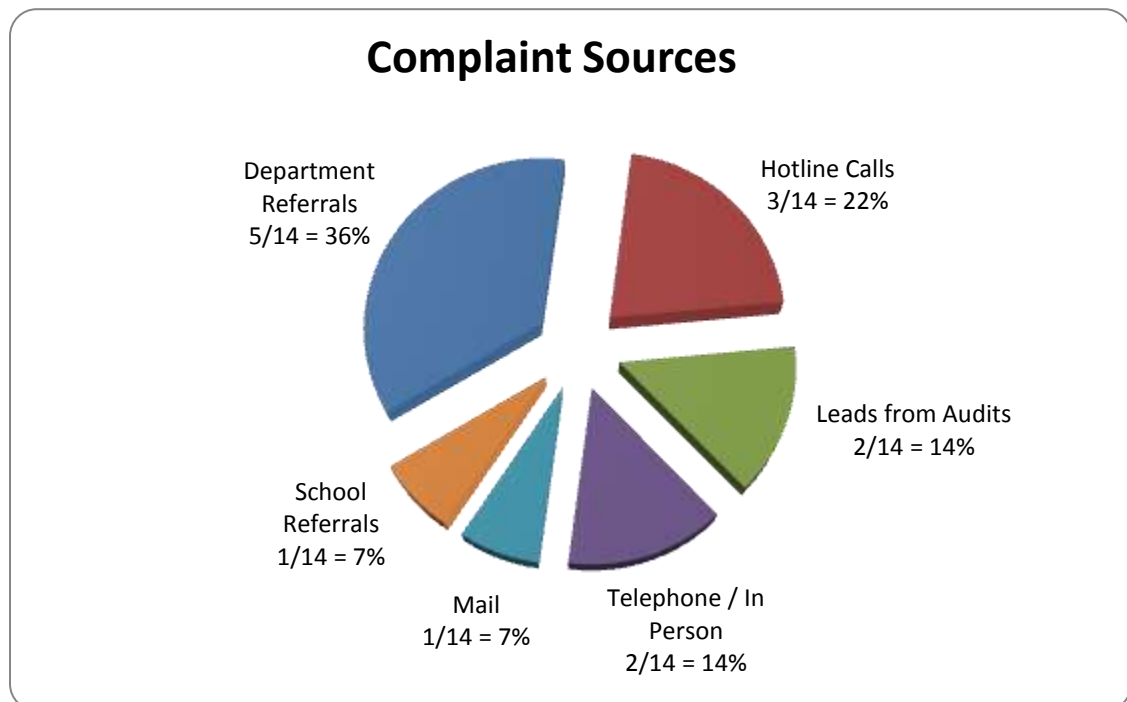
Number of Complaints

There were 14 complaints reporting suspected fraud, waste, and abuse in FY14. More than 70% of the tips came from MPS employees.



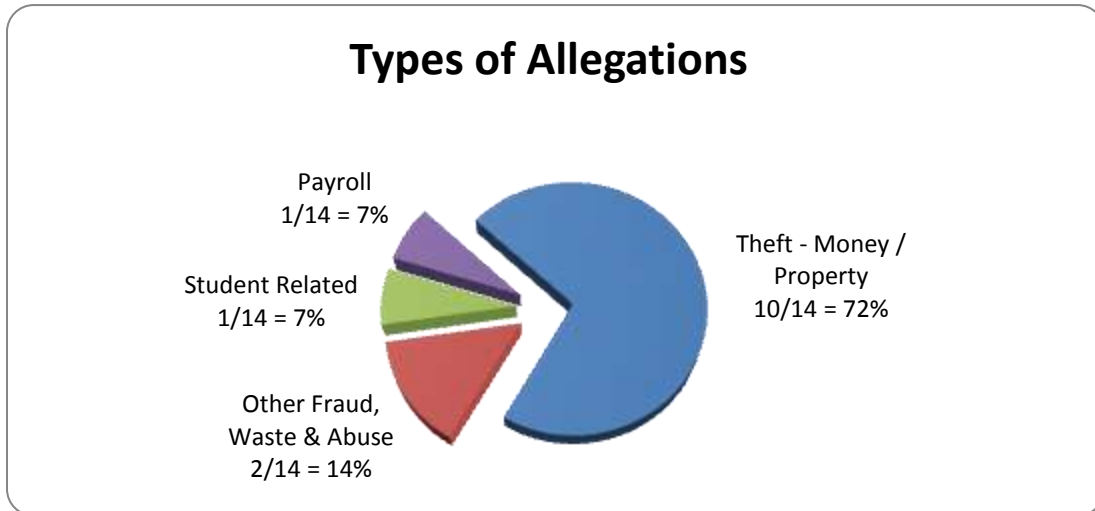
Complaint Sources

The 14 complaints in FY14 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.



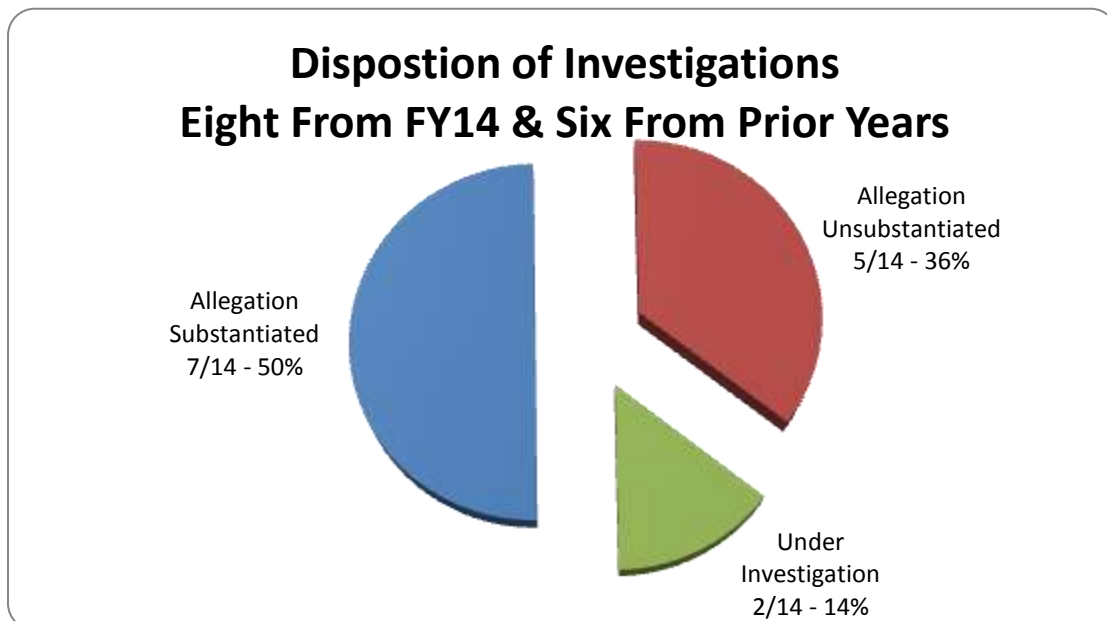
Types of Allegations

The 14 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 FY14 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 14 complaints received in FY14, eight investigations were opened. In addition, there were six open investigations carried over from prior years. The 14 investigations resulted in seven allegations that were substantiated, five allegations that were not substantiated, and two open and ongoing investigations. The disposition of FY14 investigations is presented below.



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, along with opportunities to enhance District operations, continues to be through tips received from employees and others with first-hand knowledge of these matters. Restitution payments recorded for current and prior-year Fraud Hotline matters totaled \$9,383. Repayments owed to MPS at June 30, 2014, as a result of Hotline judgments totaled \$149,994.

Tips can be reported anonymously or confidentially through:

MPS website at: <http://mps.milwaukee.k12.wi.us/en/District/About-MPS/School-Board/Audit-Services/MPS-Fraud-Hotline.htm>

Telephone: 414-777-7878

Email at: audfraud@milwaukee.k12.wi.us.

Please contact us if we may be of assistance.