



*Interoffice Memorandum*

**DATE:** May 5, 2016  
**TO:** Members of the Board of School Directors  
**FROM:** Mr. Paul Geib  
**RE:** FY15 Fraud, Waste & Abuse Annual Report — #2016-041  
**C:** Dr. Darienne Driver, Mr. Gerald Pace, Dr. Jacqueline Mann,  
Mr. Michael Trueblood

---

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.

**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 have been 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 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; however, in order to keep the Board abreast of the work conducted in this area, in addition to this memo, which summarizes Fraud Hotline activities from July 1,

2014 through June 30, 2015, Audit Services issues periodic update memos describing the nature of completed investigations to the Board.

The Office of Board Governance-Audit Services continues to work together with the MPS Administration and the Office of Accountability and Efficiency to support the District's efforts to continuously improve MPS operations and internal controls. Following are some of the internal control matters identified as a result of our investigations.

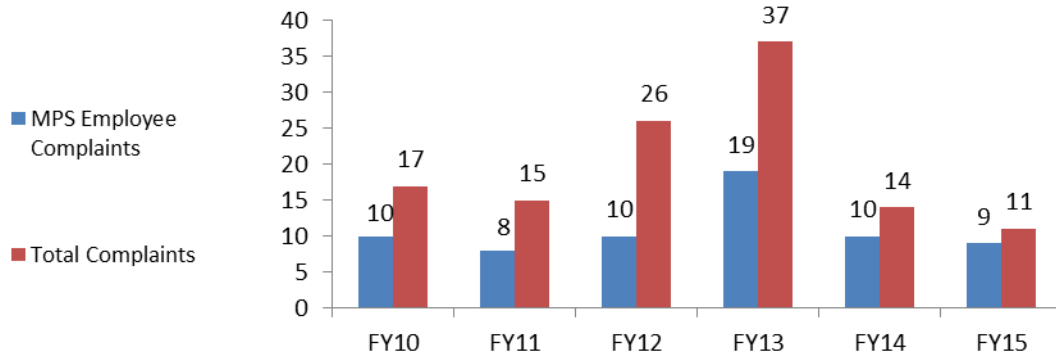
- Recommendations were made to the Offices of Innovation, Contract School Services, Finance, and the Superintendent related to Partnership Program contract compliance and financial matters. Specifically, modifications of Policy 3.09 were recommended to ensure that information regarding vendors that are not in good standing is disclosed to the Board prior to the Board's making decisions to renew or engage in new contracts with these vendors.
- Controls over schools' safe access and cash handling for MPS and non-MPS staff were brought to the attention of the Administration for review.
- Controls over the accrual of compensatory time for MPS employees beyond the 240-hour limit per Fair Labor Standard Act (FLSA) need to be developed and implemented to ensure compliance with FLSA requirements, in addition, controls over compensatory-time reporting, documentation, and approval were brought to the attention of the Administration for review.
- Controls over processes for ensuring that employees' leave dates coincide with payroll periods were brought to the attention of the Administration for review.
- Controls relating to temporary-service-agency building helpers and related building access were brought to the attention of the Administration for review.
- Specific reporting and documentation requirements for Parent Engagement/Parent Coordinator positions were brought to the attention of the Administration for review.

<p style="text-align: center;"><b>Fraud Hotline Activity Summary</b> <b>July 1, 2014-June 30, 2015</b></p>
--

### **Number of Complaints**

There were 11 complaints reporting suspected fraud, waste, and abuse in FY15. More than 70% of the tips came from MPS employees.

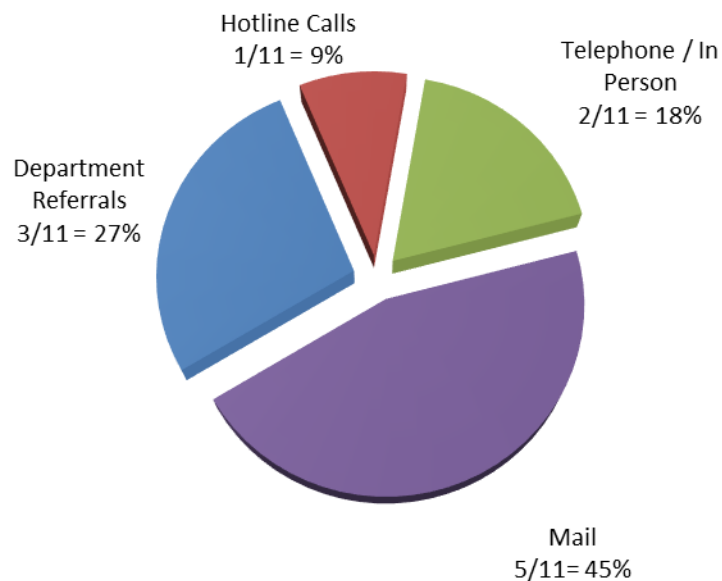
## MPS Employee & Total Complaints FY10 - FY15



### Complaint Sources

The 11 complaints in FY15 were received through the MPS Fraud Hotline, U.S. mail, e-mail, department referrals, and telephone calls. The complaint sources are presented below.

### Complaint Sources

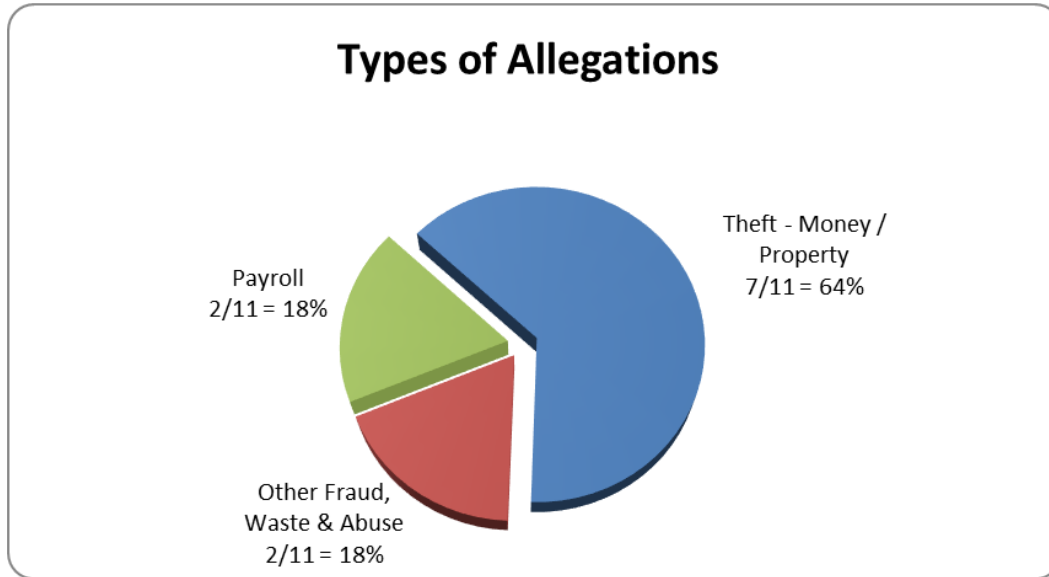


### Types of Allegations

The 11 complaints cover a wide range of issues, including alleged theft, deficiencies in internal controls, 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.

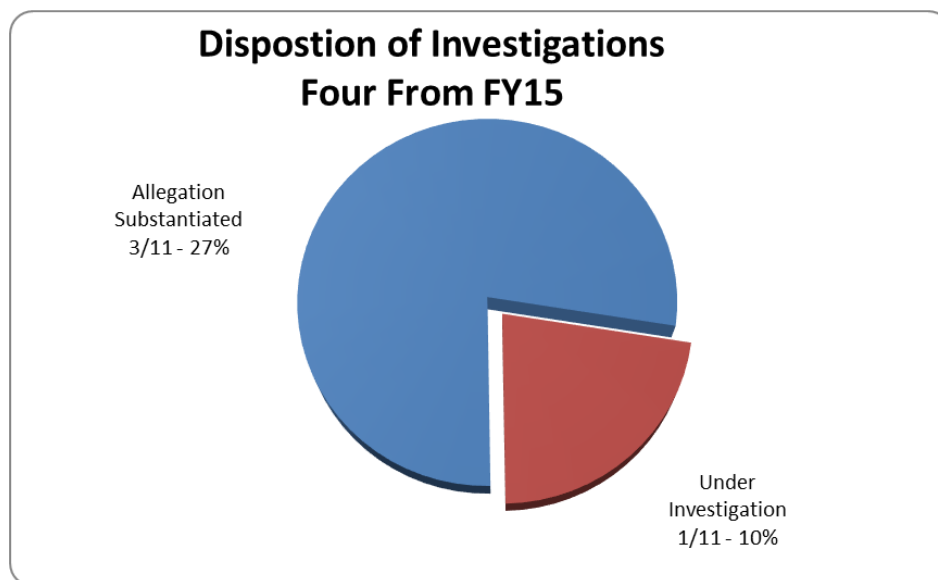
The types of allegations received in FY15 are classified as follows.



### 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 11 complaints received in FY15, four investigations were opened. The four investigations resulted in three allegations that were substantiated and one ongoing investigation.

The disposition of FY15 investigations is presented below.



## Closing

The Fraud Hotline provides an important avenue to individuals for reporting 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 the District's operations — continues to be through tips received from employees and others with first-hand knowledge of these matters. Restitution payments recorded since FY09 totaled over \$50,000. Repayments owed to MPS at June 30, 2015, as a result of Hotline judgments total \$156,074.

Tips may be reported anonymously or confidentially through:

MPS website at: <http://mpsmke.com/fraudhotline>

Telephone: 414-777-7878

Email at: [audfraud@milwaukee.k12.wi.us](mailto:audfraud@milwaukee.k12.wi.us).

Please contact us if we may be of assistance.