

Report 20-6
July 2020

Fraud, Waste, and Mismanagement Hotline

Semiannual Report: January through June 2020

STATE OF WISCONSIN



Legislative Audit Bureau ■

Fraud, Waste, and Mismanagement Hotline

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The Legislative Audit Bureau supports the Legislature in its oversight of Wisconsin government and its promotion of efficient and effective state operations by providing nonpartisan, independent, accurate, and timely audits and evaluations of public finances and the management of public programs. Bureau reports typically contain reviews of financial transactions, analyses of agency performance or public policy issues, conclusions regarding the causes of problems found, and recommendations for improvement.

Reports are submitted to the Joint Legislative Audit Committee and made available to other committees of the Legislature and to the public. The Audit Committee may arrange public hearings on the issues identified in a report and may introduce legislation in response to the audit recommendations. However, the findings, conclusions, and recommendations in the report are those of the Legislative Audit Bureau.

The Bureau accepts confidential tips about fraud, waste, and mismanagement in any Wisconsin state agency or program through its hotline at 1-877-FRAUD-17.

For more information, visit www.legis.wisconsin.gov/lab.



Contact the Bureau at 22 East Mifflin Street, Suite 500, Madison, Wisconsin 53703; AskLAB@legis.wisconsin.gov; or (608) 266-2818.



STATE OF WISCONSIN | Legislative Audit Bureau

22 East Mifflin St., Suite 500 ■ Madison, WI 53703 ■ (608) 266-2818 ■ Hotline: 1-877-FRAUD-17 ■ www.legis.wisconsin.gov/lab

Joe Chrisman
State Auditor

July 17, 2020

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

The Legislative Audit Bureau has operated the Fraud, Waste, and Mismanagement Hotline since April 2008. The hotline permits the public and individuals within state government to confidentially report alleged fraud, waste, and mismanagement within the scope of state government. Individuals may remain anonymous, and statutes require us to protect the identity of any individual making a report.

Hotline reports are received primarily through a toll-free telephone number (1-877-FRAUD-17), and they are also received by mail and a secure online form. We review each report to determine whether the allegation or concern can be addressed by staff in state agencies or through an independent review by Bureau staff.

From the inception of the hotline and through June 30, 2020, we received 1,226 reports. From January 1, 2020, through June 30, 2020, we received a total of 62 reports. Beginning on page 5, we highlight findings related to selected reports that we have resolved since the publication of our last semiannual report (report 20-1).

We appreciate the courtesy and cooperation of the various state agencies with whom we worked to resolve hotline reports.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Joe Chrisman'.

Joe Chrisman
State Auditor

JC/SH/ss

Fraud, Waste, and Mismanagement Hotline ■

***The Bureau operates
a toll-free hotline
(1-800-FRAUD-17).***

As required by s. 13.94 (1) (br), Wis. Stats., the Bureau operates a toll-free hotline to confidentially report alleged fraud, waste, and mismanagement. Callers may remain anonymous, and statutes specifically require the Bureau to protect their identities even when other information related to calls is made public. A secure online form is also available to report concerns and is available at <http://www.legis.wisconsin.gov/LAB/>.

The hotline has been in operation since April 2008 and is administered by certified fraud examiners. It does not duplicate or replace other government hotlines or complaint resources. We address hotline reports by:

- following up during the course of ongoing audit work;
- initiating formal communication with other state agencies;
- conducting audits or reviews in response to substantiated allegations and reporting our findings to the Joint Legislative Audit Committee; and
- making referrals, providing information, and correcting misinterpretations that result in allegations.

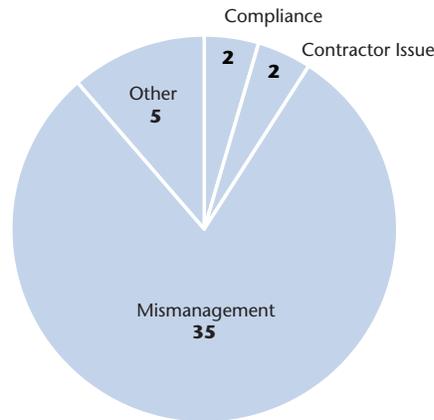
January through June 2020 Hotline Activity

From January through June 2020, we received a total of 62 reports.

Since the inception of the hotline, we have received 1,226 hotline reports alleging fraud, waste, and mismanagement. We received a total of 62 reports from January 1, 2020, through June 30, 2020. Of the 62 reports received from January 1, 2020, through June 30, 2020, 44 reports (71.0 percent) were state-related. As shown in Figure 1, the majority of such reports pertained to concerns about alleged mismanagement, agency compliance with state laws or regulations, and contractors.

Figure 1

Reports of Fraud, Waste, and Mismanagement in State Government¹
January through June 2020



¹ Includes 44 state-related reports received from January 1, 2020, through June 30, 2020.

As shown in Figure 2, we placed each hotline report into one of three categories as of June 30, 2020. These categories are:

- resolved, which includes actions taken such as internally researching relevant information, conducting fieldwork with relevant agencies, or referring the matter for review by an agency;
- unfounded/unsubstantiated or no action needed, which includes a determination that the reported allegation was untrue or limited information was provided to evaluate the concern; and

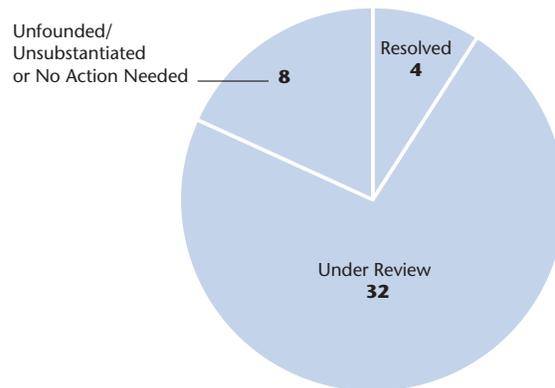
- under review, which includes hotline reports in which a review is ongoing and therefore remains confidential by law.

As of June 30, 2020, we had resolved 4 of the 44 reports to the hotline that were state-related.

As of June 30, 2020, we had resolved 4 of the 44 reports to the hotline that were state-related, either directly or by referral. We determined that 8 reports were unfounded, unsubstantiated, or no action was needed. As of July 1, 2020, 32 of the 44 state-related hotline reports were under review.

Figure 2

Status of State-Related Hotline Reports¹
January through June 2020



¹ Status on June 30, 2020, of the 44 state-related reports received from January 1, 2020, through June 30, 2020.

Of the 32 hotline reports currently under review, 24 relate to Unemployment Insurance program claims.

We note that 24 of the 32 hotline reports currently under review relate to Unemployment Insurance program claims filed from March through June 2020. Under requirements of 2019 Wisconsin Act 185, we are currently reviewing the Department of Workforce Development’s management of the UI program.

Highlights of Selected Hotline Activities

Some reports to the hotline involve allegations about an individual employee. Other reports to the hotline require a broader review, such as assessing statutory compliance for a state program. Although the specific concern or allegation may have been reported to the hotline in prior years, we highlight findings related to selected

reports that we resolved since the publication of our last semiannual report in January 2020.

Complying with Capital Project Procurement Requirements

DNR did not follow procurement requirements in February 2017.

Based on a report to the hotline, we reviewed how the Department of Natural Resources (DNR) contracted services for two all-terrain vehicle maintenance projects. We found that DNR did not follow Division of Facilities Development and Management (DFDM) procurement requirements in February 2017 when it completed separate simplified bids for two projects, both individually costing less than the \$50,000 threshold requiring a competitive solicitation. We found that the two capital projects were located within one mile of each other in the same state park, were expected to be completed within the same months, were solicited concurrently to the same vendors, and included similar services.

Given the similarity of these projects, DNR should have combined them and had DFDM conduct a competitive solicitation because the total estimated cost exceeded \$50,000. Instead, DNR used a simplified bid process, limiting the number of vendors who were made aware of the procurement. We found that DNR approved one project in 2013 and the other in 2016. However, when funding became available for both projects in 2017, it did not have a process to review the projects together when determining whether to use a competitive solicitation or simplified bid process.

We recommended that DNR develop formal written policies and procedures to identify whether capital projects that have received final approval need to be combined when determining the required procurement process, involve DFDM when a competitive solicitation is required, and provide training to applicable staff on the written policies and procedures. DNR agreed with the recommendations and planned to revise its procedures for approving projects at the time project funding is made available to ensure it follows DFDM procurement requirements and provide training on these procedures to staff responsible for capital projects by July 1, 2020. In early July 2020, we followed up with DNR on the status of these actions and found it had completed them.

Documentation of Certain Activities Performed During Work Time

An SPD employee served as a long-time instructor for two independent law schools while on work time.

Based on a report to the hotline, we reviewed certain activities performed during work time by an employee of the State Public Defender's Office (SPD). We found that the employee had served as a long-time instructor for two independent law schools. The employee instructed all of these courses outside of Wisconsin, including at least six courses that were held outside of the country from May 2018 through November 2018. We found the employee spent at least 10 days of work time instructing courses during 2019.

Although SPD approved the employee serving as an instructor for these courses, neither SPD's policies nor its conflict of interest forms required SPD to document that the employee was permitted to instruct these courses during work time or to document the benefit to SPD of the employee doing so. Instead, it appeared that the decision to allow the employee to serve repeatedly as an instructor during work time was agreed to informally between the employee and the employee's supervisor.

We recommended a number of improvements to SPD's processes. Specifically, we recommended that SPD develop policies to establish when work time may be used by employees participating in certain activities, such as serving as an instructor for an outside entity; document in writing the resulting benefits to SPD when such activities are conducted during work time; revise its conflict of interest forms to document why the activity may be completed on work time; and provide training to ensure all employees understand and consistently comply with its policies and procedures. SPD intends to implement these recommendations to ensure better accountability and documentation of employees engaged in such activities during work time.

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