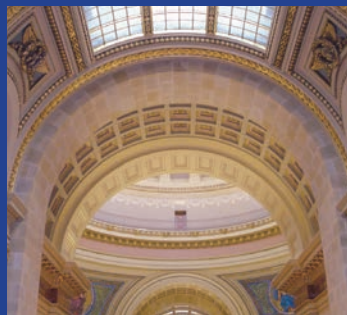


**Report 20-1
January 2020**

Fraud, Waste, and Mismanagement Hotline

Semiannual Report: July through December 2019

STATE OF WISCONSIN



Legislative Audit Bureau ■

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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.



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STATE OF WISCONSIN | Legislative Audit Bureau

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Joe Chrisman
State Auditor

January 30, 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 December 31, 2019, we received 1,164 reports. From July 1, 2019, through December 31, 2019, we received a total of 31 reports. Beginning on page 5, we highlight findings related to selected reports that we resolved since the publication of our last semiannual report (report 19-12).

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

Respectfully submitted,


Joe Chrisman
State Auditor

JC/SH/ss

Fraud, Waste, and Mismanagement Hotline ■

As required by s. 13.94 (1) (br), Wis. Stats., the Bureau operates a toll-free hotline (1-877-FRAUD-17) to allow the public and individuals within state government to confidentially report alleged fraud, waste, and mismanagement. Callers may remain anonymous, and statutes specifically require us 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.

July through December 2019 Hotline Activity

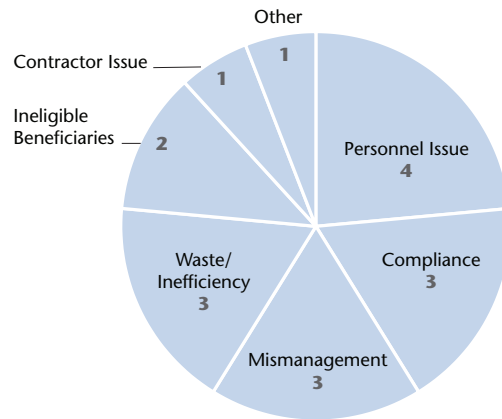
Since the inception of the hotline, we have received 1,164 hotline reports alleging fraud, waste, and mismanagement. We received a total of 31 reports from July 1, 2019, through December 31, 2019.

4 ■ ■ ■ ■ FRAUD, WASTE, AND MISMANAGEMENT HOTLINE

Of the 31 reports received from July 1, 2019, through December 31, 2019, 17 reports (54.8 percent) were state-related. As shown in Figure 1, the majority of such reports pertained to concerns about personnel issues, agency compliance with state laws or regulations, and alleged mismanagement or waste.

Figure 1

Reports of Fraud, Waste, and Mismanagement in State Government¹ July through December 2019



¹ Includes 17 state-related reports received from July 1, 2019, through December 31, 2019.

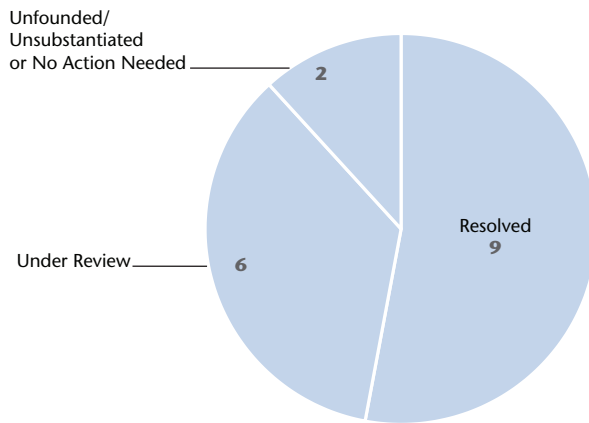
As shown in Figure 2, we placed each hotline report into one of three categories as of December 31, 2019. These categories are:

- 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 December 31, 2019, we had resolved 9 of the 17 reports to the hotline that were state-related, either directly or by referral. We determined that 2 reports were unfounded, unsubstantiated, or no action was needed. As of January 1, 2020, 6 of the 17 state-related hotline reports were under review.

Figure 2

Status of State-Related Hotline Reports¹
July through December 2019



¹ Status on December 31, 2019, of the 17 state-related reports received from July 1, 2019, through December 31, 2019.

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 July 2019.

Compliance with Tuition Refund Requirements

Based on a report to the hotline, we referred to the Wisconsin Technical College System (WTCS) an allegation that a technical college did not comply with statutory requirements for issuing a full tuition refund when a student withdraws from a course. WTCS determined the technical college’s policy complied with statutory requirements and confirmed the technical college’s initial decision to provide the student with a partial refund based on when the student notified the technical college of course withdrawals in September 2018. However, following an appeal by the student in 2019, the technical college subsequently refunded the entire tuition amount to the student even though its policies did not require it to do so.

Medical Assistance Call Center Hold Times

Based on a report to the hotline, we completed a review of the oversight provided by the Department of Health Services (DHS) of hold times experienced by Medical Assistance program recipients when contacting the program’s call center. DHS

entered into a contract for management of the call center. This contract specifies performance requirements for call center operations, such as requiring average hold times to not exceed 5 minutes. When we contacted DHS about the matter, we found that DHS was aware that the contractor failed to meet certain call center performance requirements beginning in March 2019. DHS requested a corrective action plan from the contractor to improve call center performance and sanctioned the contractor for noncompliance with contractual performance requirements. DHS subsequently continued to monitor call center operations and imposed sanctions on the contractor for continued instances of noncompliance. DHS payments to the contractor were reduced by nearly \$873,000 for call center performance issues that occurred from April through August 2019. We found that call center performance improved subsequent to August 2019.

Outside Employment Policies

Based on a report to the hotline, we reviewed the outside employment activity of a DHS employee. We found that DHS approved the employee's outside employment request form and did not identify that this represented a conflict of interest. We reviewed the employee's leave records and compared them to dates the employee was also engaged in outside employment that occurred during the employee's regular work schedule. However, the employee recorded leave for only 8 of 15 dates that the employee was engaged in outside employment. Although DHS indicated that the employee worked additional hours to make up for the time spent in outside employment, it was unable to provide documentation to substantiate that the employee had either done so or recorded sufficient leave for the time the employee was engaged in outside employment.

We found that DHS did not have a policy that required documentation in these circumstances to ensure accountability when an employee is engaged in outside employment. In December 2019, we recommended that DHS develop policies that require documentation when employees are engaged in outside employment. DHS plans to complete a review in 2020 of its policies and procedures pertaining to employees with outside employment.

Tax Implications for Health Wellness Incentive Program Participants

Based on a report to the hotline, we completed a review of the preparation by the Department of Employee Trust Funds (ETF) of tax information for wellness incentive payments to assess the accuracy of tax information ETF prepared for Wisconsin Retirement System (WRS) annuitants for these payments. Although wellness incentive programs are generally taxable, there are exceptions, such as reimbursements for qualified medical expenses. ETF obtained wellness incentive payment data from the health insurance providers, who may have offered a variety of wellness incentive programs. ETF used this data to prepare tax information to assist annuitants in preparing their tax returns.

ETF considered all reported payments to be taxable, yet we found two instances totaling \$282 for which ETF prepared tax information for nontaxable wellness

incentive payments. Although ETF relies on health insurance providers to submit accurate data, ETF is responsible for preparing accurate tax information. Because the same wellness incentive payment data was used for all WRS participants, tax information prepared by employers participating in the Group Health Insurance program for current employees may have contained similar errors. During our review, ETF revised its instructions to health insurance providers to clearly specify that wellness incentive program payments for qualified medical expenses should be excluded from the data provided. In September 2019, we recommended that ETF take proactive steps to ensure it obtains appropriate wellness incentive data it can rely on to prepare accurate tax information for participants.

Department of Corrections Utility Costs

Based on a report to the hotline, we determined that the Department of Corrections (DOC) made \$68,900 in excess utility payments from December 2010 through June 2019 for electricity used by two privately owned cellular antennas placed on top of a DOC-leased building as the result of subleases the property manager had entered into but had not communicated to DOC. DOC discussed the matter with the property manager and identified that, although the property manager calculated the electrical costs used by the cellular antennas and charged the two cellular companies for them, the property manager did not reimburse DOC for these costs. The property manager should have reimbursed DOC for the portion of electricity incurred by the two cellular antennas because DOC paid for the entire building's monthly electrical costs. As a result of our review, DOC required the property manager to refund the \$68,900 DOC had overpaid. The property manager reimbursed DOC for the overpaid amount in December 2019. We also found that in July 2019, DOC entered into a new lease agreement that transferred the responsibility for payment of electrical costs to the property manager instead of DOC.

State-Owned Residential Properties

Based on a report to the hotline, we initiated an audit of certain state-owned residential properties managed by state agencies and leased to state employees. The results of this audit were released as report 19-26 in December 2019. We found that although the Department of Administration (DOA) is required to administer state-owned residential properties, it did not comply with all statutory requirements, including the requirements to maintain policies and to conduct periodic appraisals of the properties. We also found concerns with the how the Department of Natural Resources (DNR) and the University of Wisconsin (UW) System executed lease agreements with employees. We recommended that DOA comply with statutory requirements, reassess its practices pertaining to state-owned residential properties, and increase its monitoring and oversight of these properties. We also recommended that DNR and UW System comply with DOA policies and improve the management of lease agreements that each executes with state employees. DOA, DNR, and UW System were directed to report to the Joint Legislative Audit Committee by April 10, 2020, on the steps taken to implement these recommendations.