

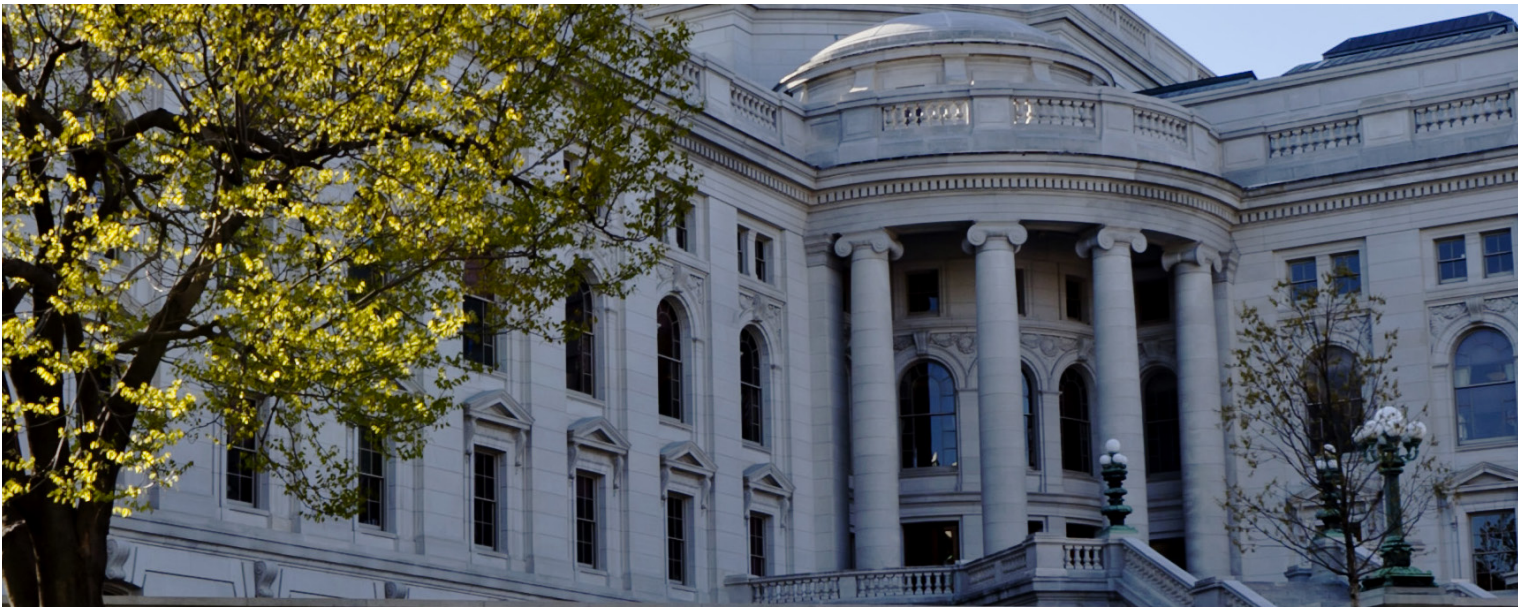


STATE OF WISCONSIN
Legislative Audit Bureau
NONPARTISAN • INDEPENDENT • ACCURATE

Report 22-9
July 2022

Fraud, Waste, and Mismanagement Hotline

Semiannual Report: January 2022 – June 2022



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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

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July 20, 2022

Senator Robert Cowles, Co-chairperson
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles:

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, 2022, we received 1,445 reports. From January 1, 2022, through June 30, 2022, we received a total of 46 reports, including 36 that were state-related. As of July 1, 2022, 20 of the 36 state-related hotline reports were under review. We also highlight a finding related to a hotline report that we resolved since the publication of our last semiannual report in January 2022 (report 22-1).

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/ag

Fraud, Waste, and Mismanagement Hotline

***The Bureau operates
a toll-free hotline
(1-877-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 primarily 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 interviews and documentation reviews 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.

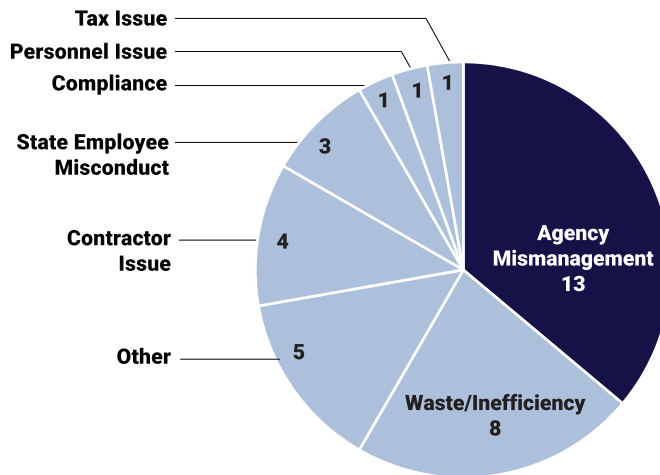
January through June 2022 Hotline Activity

From January through June 2022, we received a total of 46 reports.

Since the inception of the hotline, we have received 1,445 hotline reports alleging fraud, waste, and mismanagement. We received a total of 46 reports from January 1, 2022, through June 30, 2022. Of the 46 reports received from January 1, 2022, through June 30, 2022, 36 reports (78.3 percent) were state-related. As shown in Figure 1, the majority of such reports pertained to concerns about alleged agency mismanagement.

Figure 1

Reports of Fraud, Waste, and Mismanagement in State Government¹ January through June 2022



¹ Includes 36 state-related reports received from January 1, 2022, through June 30, 2022.

We placed each state-related hotline report into one of three categories as of June 30, 2022. These categories are:

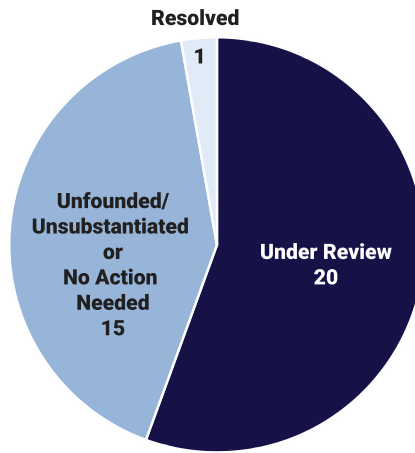
- resolved, which includes actions taken such as internally researching relevant information, conducting fieldwork with relevant agencies, or referring the matter for review by an agency;
- unfounded/unsubstantiated or no action needed, which includes a determination that the reported allegation was 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 July 1, 2022, 20 of the 36 state-related hotline reports were under review.

As shown in Figure 2, we had resolved 1 of 36 state-related reports to the hotline as of June 30, 2022. We determined that 15 reports were unfounded/unsubstantiated, or no action was needed. As of July 1, 2022, 20 of the 36 state-related hotline reports were under review.

Figure 2

Status of State-Related Hotline Reports¹
January through June 2022



¹ Status on June 30, 2022, of the 36 state-related reports received from January 1, 2022, through June 30, 2022.

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 2022 (report 22-1).

Complying with State Procurement Requirements

Based on a report to the hotline, we reviewed the process used by the Department of Natural Resources (DNR) in December 2021 to contract for information technology consultant services. During FY 2021-22, DNR paid the contracted consultant \$19,100, including hourly rates ranging from \$214 to \$225. Under a delegation agreement with the Department of Administration, DNR was permitted to waive the

simplified bidding process in which an agency obtains at least three quotes from potential vendors. However, we found that DNR did not adequately follow state procurement requirements in exercising the discretion granted to it when waiving the simplified bidding process for these consultant services. Although DNR staff indicated that a waiver of the simplified bidding process was necessary due to substantial time pressures, it did not provide documentation to clearly support that the substantial time pressures were beyond its control.

In July 2022, we recommended that DNR comply with its delegated procurement authority and state procurement policies, including by:

- adequately documenting justifications for waiving state procurement requirements, including justifying why one source exists or identifying other factors that clearly support why a waiver of a competitive procurement process is warranted; and
- providing training to all relevant staff of applicable state procurement policies and its delegated procurement authority to ensure these employees understand and consistently apply them.

In response to our recommendations, DNR agreed to develop a justification form to document all needed information for future waivers of simplified bidding and provide training for selected staff.

■ ■ ■ ■