

Letter Report

**Fraud, Waste, and  
Mismanagement Hotline  
(2009 Report)**

*June 2010*



**Legislative Audit Bureau**

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**STATE OF WISCONSIN**  
**Legislative Audit Bureau**

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Janice Mueller  
State Auditor

June 24, 2010

Senator Kathleen Vinehout and  
Representative Peter Barca, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Vinehout and Representative Barca:

The Legislative Audit Bureau has operated its Fraud, Waste, and Mismanagement Hotline since April 2008. The hotline was established by 2007 Wisconsin Act 126 so that the public, public employees, and contractors could easily and confidentially report suspected fraud, waste, mismanagement, and other improper activities within the scope of state government.

Hotline reports are received primarily through a toll-free telephone number (1-877-FRAUD-17), but also by mail and a secure Web-based form that was developed in 2009. We review each report to determine whether the allegation or concern can be addressed by staff in state agencies or in an independent review by Audit Bureau staff. Statutes require us to protect the identity of any individual making a report and all reported concerns are tracked.

Of the 79 hotline reports we received in 2009, 53 were specific to state programs. We resolved 16 of the reported concerns; 19 remain under review, and 18 could not be substantiated with available information or required no further action.

This letter highlights hotline activities in 2009 and summarizes outcomes and findings related to reports that illustrate the variety of issues addressed through our hotline work. We appreciate the courtesy and cooperation of the various state agencies with whom we worked to resolve hotline reports or address common types of allegations.

Sincerely,

Janice Mueller  
State Auditor

JM/SH/ss



## **FRAUD, WASTE, AND MISMANAGEMENT HOTLINE**

2007 Wisconsin Act 126 established the Audit Bureau's Fraud, Waste, and Mismanagement Hotline to allow the public, public employees, and contractors to report suspected fraud, waste, mismanagement, and other improper activities within the scope of state government. It does not duplicate or replace other government hotlines or complaint resources. The hotline has been in operation since April 2008 and is managed by a Certified Fraud Examiner. Information about the hotline's first nine months of activity was included in our 2007-2008 biennial report; 2009 activity is summarized in this report.

The hotline receives calls through a toll-free telephone number (1-877-FRAUD-17) that is staffed during business hours. Voice mail is always available and concerns and allegations can also be reported by mail and using a secure Web-based form that we developed in 2009 (<http://www.legis.wisconsin.gov/LAB/>). Of the 79 hotline reports we received in 2009, 53 were telephone calls.

Individuals making hotline reports may remain anonymous, although we encourage them to leave their names and contact information for follow-up purposes. Our ability to resolve reported concerns depends on the extent and specificity of the information provided and whether we can obtain additional information when necessary. Statutes require us to protect the identity of individuals making reports, even when other information related to their reports is made public.

### **Review Process**

All hotline reports are logged and tracked by Audit Bureau staff. We conduct an initial review of each reported concern or allegation to assess the adequacy of information provided and to determine whether it involves fraud, waste, mismanagement, or abuse of state funds and consider whether it merits further review. Reports that do not directly pertain to state agencies or state programs are generally outside of our authority.

In some cases, we are unable to pursue reports because we do not receive sufficient information. In other instances, we provide callers with alternative contacts for reporting their concerns or make referrals. For example, individuals alleging potential criminal activity that does not involve state government are referred to their local district attorney's office, while those with questions about their own eligibility for state programs, or concerns involving private businesses, are referred to the appropriate agency hotlines and customer service centers.

If we determine that a reported concern or allegation warrants further review, we will assign staff, as necessary, to make general inquiries of relevant state agency staff, perform a limited-scope review of the program or issues identified, address the report as part of an audit already in progress, or initiate a new audit. We report the findings of completed hotline work to the agency and, when warranted, to the Joint Legislative Audit Committee.

## **2009 Hotline Activity**

Of the 79 hotline reports we received in 2009, 53 were related to state programs and funding. The remaining 26 did not relate to the hotline's purpose as set forth in 2007 Wisconsin Act 126 because they involved federal or local issues or were general requests for information. For example, 3 of the 26 reports involved allegations of individuals inappropriately receiving Social Security disability benefit payments. Those that included sufficient information were referred to staff of that federal program.

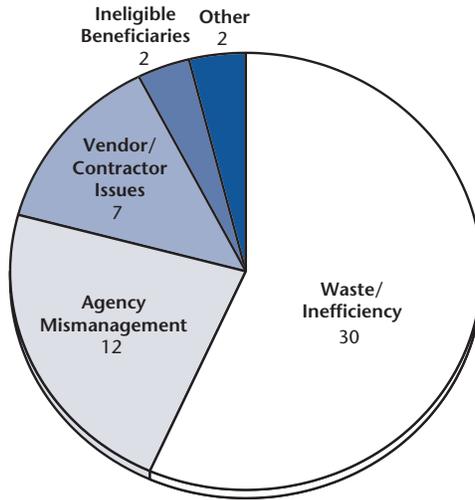
As shown in Figure 1, most of the reports we received in the hotline's first two years of operation involved allegations of waste and inefficiency. Others alleged agency mismanagement, such as improper program administration, inadequate control over spending and oversight of staff, or noncompliance with statutory requirements. Vendor or contractor issues included allegations that goods or services had not been provided as expected, that the State was improperly billed for services rendered, and that agencies did not follow required processes for selecting vendors or agencies were not properly monitoring contractors. Allegations that individuals had either submitted false information to qualify for a state program, or had failed to report information that would limit their eligibility, are shown as reports involving ineligible beneficiaries. Finally, we received three reports in 2008 alleging misconduct by state employees, including allegations that individuals were inappropriately benefitting from their state positions or not completing assigned duties. No reports of employee misconduct were made to the hotline in 2009.

As shown in Figure 2, 16 of the 53 reports that were consistent with the hotline's purpose as set forth in 2007 Wisconsin Act 126 and were received in 2009 were also resolved in 2009. Some reports were resolved with referrals to state agencies while others were resolved by Audit Bureau staff who assisted callers in addressing their issues or worked with agency staff to communicate concerns and prompt action. Another 19 reports remain under review, while 18 concerns or allegations reported in 2009 could not be substantiated with available information, required no further action, or were unfounded. Only 4 of the 75 state hotline reports received in 2008 continue to be under review.

Figure 1

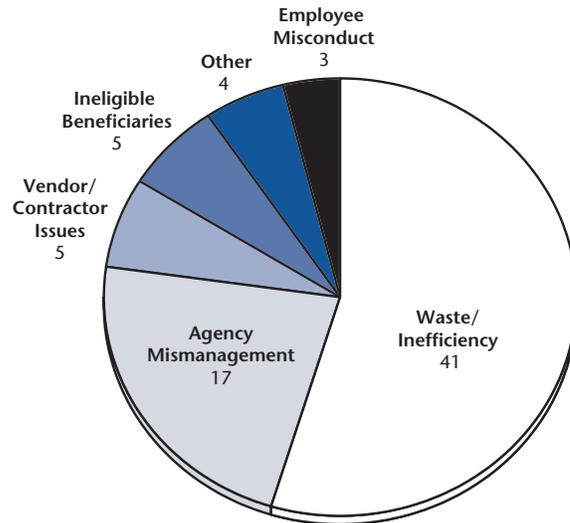
**Reports of Fraud, Waste, and Mismanagement  
in State Government**

**2009**



**2008**

(April 2008–December 2008)

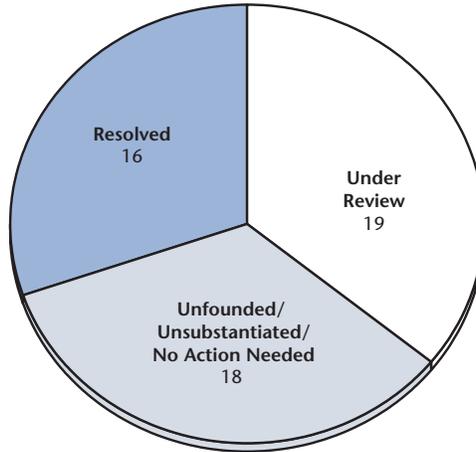


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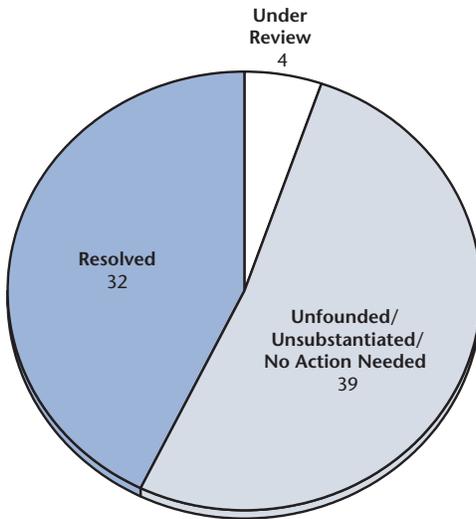
Figure 2

**Status of Reports Received**  
As of December 2009

**2009**



**2008**



## **Hotline Activity Highlights**

Reports to the hotline involve diverse issues and agencies. Selected summaries of outcomes and findings related to the reports that were resolved in 2009 follow. Some relate to concerns or allegations that were first reported in 2008.

### **Department of Transportation Concrete Quality Assurance Process**

In May 2008, a call questioning whether the Department of Transportation (DOT) was ensuring that contractors consistently met concrete thickness specifications for state highway projects was received by the hotline. We subsequently learned from DOT that a former employee of a concrete contractor had alleged in 2004 that the contractor falsified pavement thickness and smoothness measurements. DOT had referred the complaint to the Department of Justice, which closed its investigation in January 2008, citing insufficient evidence to pursue criminal charges.

Given the significant amount of funding dedicated to Wisconsin highways, and based on the results of our initial fieldwork, we concluded that additional work was needed to determine whether DOT's quality assurance program included adequate monitoring safeguards. We initiated a review, and in May 2009 issued a letter report that included recommendations to help ensure that highways are consistently constructed according to contractual requirements.

The Joint Legislative Audit Committee held two hearings in response to our review of construction engineering on state highway projects, including one in September 2009 that followed receipt of a DOT update recommended by our review, and another in January 2010, to address committee members' remaining questions and concerns about DOT's oversight and use of consultants in highway construction. We continue to monitor DOT's progress in improving its quality assurance program over state highways by assessing procedural changes as part of our review of compliance with federal requirements during the annual Single Audit and monitoring legislation introduced to address noted concerns.

### **Technical College Procurement**

In October 2009, an allegation was reported to the hotline that Madison Area Technical College (Madison College) had entered into a consultant contract without following the required competitive procurement process and contract costs were significantly exceeding expectations. We communicated the concern to the Wisconsin Technical College System (WTCS), which has oversight responsibilities for district procurement practices and periodically conducts its own reviews of compliance with statutory requirements for competitive procurements.

WTCS reviewed Madison College's procurement process for the contract. In March 2010, WTCS reported to us and the district's board that, although Madison College had awarded the original contract appropriately using a competitive procurement process, it failed to conduct a required competitive procurement process before entering into nearly \$1.7 million in serial contracts with a single consultant and did not seek approval from the district board before executing several of

these contracts. Madison College terminated its contracts with the consultant in November 2009. As permitted under its authority in TCS 7.09, Wisconsin Administrative Code, WTCS reduced Madison College's fiscal year 2009-10 state aid by \$38,100 based on its disallowance of a portion of the \$1.4 million in district expenditures under the unauthorized contracts. WTCS also plans to conduct a future review of the district's compliance with procurement requirements.

## **University of Wisconsin Camps and Clinics**

In April 2008, an employee of a University of Wisconsin (UW) System campus reported concerns with the operations of a specific sports camp, as well as the general use of such camps at the campus, and sent a copy to the Legislative Audit Bureau. The employee alleged that a faculty member was personally benefitting from the camps and that the camps inappropriately used campus facilities and resources. UW System Administration initially reviewed the allegations and shared its findings with us.

UW System Administration concluded that no general purpose revenues had been used to staff the camp identified in the letter. However, UW System Administration concluded that the camp had not been properly authorized by the campus and the campus was not reimbursed for the use of its facilities under the contract. UW System Administration also concluded the faculty member had not personally benefited from the sports camp. The campus is working to address weaknesses in its internal control that did not detect the unauthorized camps contract by a faculty member.

In addition, UW System's Office of Operations Review and Audit conducted a broader review of all UW-sponsored camps and clinics. In December 2009, it recommended that all campuses develop policies and procedures and increase administrative oversight of their camps and clinics.

## **Overtime Payments**

In calendar year 2007, state agencies paid a total of \$65.1 million in overtime. In calendar year 2008, the amount paid increased to \$66.5 million. As part of our reviews of overtime payments, we followed up on hotline allegations involving potentially unnecessary costs related to individual employees working large amounts of overtime. Reports to the hotline involving individual employees' work schedules were referred to the employing agency for internal review. We continue to monitor payroll records for these employees to help guard against unnecessary overtime costs.

For example, in June 2008, an employee reported an allegation to the hotline that a colleague at a Department of Health Services (DHS) facility was working an unnecessary amount of overtime. After reviewing the employee's \$20,000 in overtime earnings compared to peers, and interviewing the employee's supervisor, we asked DHS to conduct its own review. In September 2008, DHS reported to us the steps it was taking to monitor the hours worked by the employee. We followed-up on the employee's use of overtime during 2009 and found that overtime for this individual had declined from 500 hours to 60 hours.

## **Coordination Efforts with the Department of Revenue**

We regularly receive allegations of individuals or businesses underreporting taxable income or otherwise submitting fraudulent tax filings. We referred 13 reports to the Department of Revenue (DOR) in 2009 by communicating the reported concern or suggesting to callers that they directly communicate their concern to DOR. In light of the frequency of tax-related reports received since the hotline's inception, we encouraged DOR to develop a referral form similar to the one used by the Internal Revenue Service. In response, DOR created such a form for its Web site and made it available to the public in January 2010.

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