



THE CITY OF SAN DIEGO

DATE: June 18, 2012

TO: Stacey LoMedico, Director, Park and Recreation Department

FROM: Eduardo Luna, City Auditor

SUBJECT: **Hotline Investigation Report of Employee Conflict of Interest with Recreation Center Contractual Programs**

The Office of the City Auditor received Fraud Hotline complaints in May 2012 that alleged that recreation center directors recruited a recreation leader to run a contractual program at the recreation center at which the recreation leader was assigned. The complaints also stated that compensation from the contract was divided between the employees.

We determined that the complaints were unsubstantiated and that none of the employees identified in the complaints had entered into independent contractor agreements with a recreation council. We did, however, determine that an employee did work for a youth sports entity at the employee's primary work location, and that this relationship could give a conflict of interest appearance.

Background:

The recreation councils have the authority to organize activities such as youth sports, dance, karate, etc. at their respective recreation center. The recreation council will enter into Independent Contractor Agreements (ICA) with individuals to run the activity. Activity fees are collected by the recreation council, which pays a portion of the fees to the independent contractor. Also, private-sector sports and activity program entities rent facility space at a recreation center to hold their activities. These private-sector entities collect activity fees and pay facility rent per the City of San Diego Park and Recreation Department Fee Schedule.

Park and Recreation issues an annual reporting of outside employment policy memorandum. This policy allows employees to enter into ICAs with recreation councils, but the policy states "... employees may not enter into an ICA with a Recreation Council at their primary work location...."



Recommendations:

Based on our observations during the investigation of this complaint, we make the following recommendations to Park and Recreation.

1. We recommend that an outside employment request be obtained from the employee who worked at recreation centers for the entity that ran sports programs.
2. We recommend that the annual outside employment memo be expanded to prohibit the situation in which a City employee who works under an ICA or for an entity that rents field or gym space from doing so at the employee's work location.

Park and Recreation Department Response:

Recommendation 1:

In accordance with A.R. 95.60, each January the Park and Recreation Department issues a memorandum to all employees requesting they report all outside employment. The memorandum issue also makes it clear that any new employment secured during the year must be reported immediately. The Department also ensures a copy/request is provided in all new hire's "new employee" package.

Recommendation 2:

The Park and Recreation Department issued a memorandum in March 2010 specifically on this issue and the perceived conflict of interest that might occur with such employment. In addition, in 2011 the language was added to the annual Outside Employment memorandum described in our response to Recommendation 1 (see attached). A 'stand alone' memorandum similar to that issued in 2010 was re-issued on June 1, 2012.

In addition, due to the specific issues raised in the investigation, the Department management will take these issues and will look into them as a confidential Personnel matter.

We appreciate the assistance we received from the Park and Recreation Department during our investigation. Thank you for taking action on this issue. Please contact me if you have any questions.

Respectfully submitted,



Eduardo Luna
City Auditor

Page 3

Hotline Investigation Report of Employee Conflict of Interest with Recreation Center
Contractual Programs

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cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Honorable Audit Committee Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Hadi Dehghani, Personnel Director
Scott Chadwick, Human Resources Director