



## THE CITY OF SAN DIEGO

DATE: May 1, 2012

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr 3 Fiscal Year 2012**

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The Office of the City Auditor administers the City's Fraud Hotline program. The primary objective of the Fraud Hotline is to provide a means for a City employee or citizen to confidentially report any activity or conduct—related to or involving City personnel, resources, or operations—for which he or she suspect instances of fraud, waste, or abuse.

The Network Inc., an independent third-party provider, accepts calls from City employees and the public at (866) 809-3500. Callers can choose to remain anonymous, providing complete confidentiality. The Network prepares a report for each complaint received and sends them to the Office of the City Auditor via email. Complaints can also be submitted directly to the Office of the City Auditor.

California Government Code §53087.6(e)(2) states “Any investigative audit conducted pursuant to this subdivision shall be kept confidential, except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public.”

Fraud Hotline marketing efforts were initiated in the third quarter of fiscal year 2012 and included the following:

- On 2/15/2012 a link to the FY2012 Quarter 2 Fraud Hotline report was posted in the Announcements on the employee CityNet webpage
- Internal Communications sent reminders about the Fraud Hotline and the CityNet announcement to all employee email addresses
- A mailing that included a memo, business card, and Fraud Hotline Brochure titled “Doing What’s Right” was sent to employees in April 2012.

The overall marketing objective is to remind employees of their obligation under the City's Administrative Regulation 95.60, which strongly encourages employees to fulfill their own moral obligations to the City by disclosing improper governmental activities within their knowledge. The objective is also to increase the level of employee confidence in our Fraud Hotline as a viable means to address fraud, waste, and abuse in City operations.

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**TO REPORT FRAUD, WASTE, OR ABUSE CALL OUR FRAUD HOTLINE (866) 809-3500**



**Complaints Received in the Third Quarter of Fiscal Year 2012**

During the third quarter of fiscal year 2012 (January 2012 – March 2012), 29 complaints were filed with the Hotline. Eight (8) of the complaints were assigned to the Office of the City Auditor for investigation. Twelve were referred to City Departments for investigation through the Intake and Review Committee. Nine (9) complaints were not in the purview of the fraud Hotline and referred to the proper authority. Table 1 below summarizes the 57 complaints received during Fiscal Year 2012.

**Table 1 – Complaints Received by Quarter in Fiscal Year 2012**

<b>Office of City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>FY2012 Total</b>	<b>% of FY2012 Total</b>
Conflicts of Interest	2	0	0	2	
Fraud	0	1	2	3	
Accounting/Audit Irregularities	0	2	0	2	
Waste and Abuse	0	1	4	5	
Retaliation of Whistleblowers	0	1	0	1	
Customer Relations	0	0	1	1	
Theft of Time	0	0	1	1	
<b>Subtotal OCA Investigations</b>	<b>2</b>	<b>5</b>	<b>8</b>	<b>15</b>	<b>37%</b>
<b>Referred to City Departments for Investigation</b>					
Conflict of Interest	0	0	1	1	
Customer Relations	2	5	1	8	
Employee Relations	0	0	1	0	
Fraudulent Insurance Claims	1	0	0	1	
Policy Issues	1	0	0	1	
Safety and Sanitation Issues	0	2	0	2	
Theft of Time	0	1	2	3	
Waste and Abuse	2	0	7	8	
<b>Subtotal Department Investigations</b>	<b>6</b>	<b>8</b>	<b>12</b>	<b>26</b>	<b>63%</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>8</b>	<b>13</b>	<b>20</b>	<b>41</b>	<b>100%</b>
<b>Non-City Complaints or Complaints Not in Purview of Fraud Hotline</b>					
Referred to Proper Authority	7	0	9	16	
<b>Total Complaints Received in FY2012</b>	<b>15</b>	<b>13</b>	<b>29</b>	<b>57</b>	

A caller to the Fraud Hotline can either make the complaint anonymously, or the caller can provide his or her identity and contact information. Table 2 below represents the breakdown of the caller profile for all calls to Fraud Hotline by fiscal year.

**Table 2 – Caller Profile by Fiscal Year**

<b>Fiscal Year</b>	<b>Anonymous</b>		<b>Identified</b>		<b>Total</b>
2009-4 Qtrs	69	49%	71	51%	140
2010-4 Qtrs	28	46%	33	54%	61
2011-4 Qtrs	35	46%	41	54%	76
2012- 3Qtrs	24	42%	33	58%	57

**Status of Hotline Complaints Received in the Third Quarter of Fiscal Year 2012 and Unresolved Complaints from the Previous Quarter**

As reported, 29 complaints were filed with the Hotline between January 2012 and March 2012. It was determined that nine (9) complaints were not in the purview of the Fraud hotline leaving 20 complaints that were added to inventory. Four (4) of the nine (9) complaints not in the purview of the fraud Hotline were received in March 2012 and appear to be water-bill related rather than fraud, waste, or abuse complaints. Public Utilities included a Fraud Hotline message in the two-month water bill cycle starting March 1, 2012, and it is possible that the customer called the fraud Hotline number first instead of Public Utilities customer service.

We are attempting to contact these four customers to determine if their issue is a systemic fraud, waste, and abuse matter, or if the call was made to the Fraud Hotline as a first time complaint. Those complaints made for the first time will be redirected to Public Utilities, and systemic fraud, waste, and abuse issues will be processed as Fraud Hotline complaints.

In addition to the 20 complaints received that are in the purview of the Fraud Hotline, 10 complaints remained open and unresolved at the end of the previous quarter, for a total of 30 active complaints in the purview of the City's Fraud Hotline in the third quarter. Table 3 below summarizes the status of the 30 active complaints. Seventeen (17) of the 30 remain open and unresolved, and 13 were closed. Of the 13 that were closed, three (3) were substantiated, one (1) was unsubstantiated but the Department took preventative action, and the allegations made in nine (9) complaints were closed as unsubstantiated.

**Table 3 – Status of Complaints Received in Second Quarter of Fiscal Year 2012 and Unresolved Complaints from the Previous Quarter**

<b>Complaint Status</b>	<b>City Auditor Investigations</b>	<b>Referred to Dept</b>	<b>Total</b>	<b>Not In Purview of Fraud Hotline</b>	<b>Total</b>	<b>Percent</b>
Complaints Unresolved 12/31/2011	<b>8</b>	<b>2</b>	<b>10</b>	<b>0</b>	<b>10</b>	
Complaints Received in 3rd Qtr	8	12	20	9	29	
Subtotal	16	14	30	9	39	
Complaints Closed	-9	-4	-13	-5	-18	
Substantiated	2	1	3			27.2%
Unsubstantiated w/ Preventative Actions	0	1	1			9.1%
Unsubstantiated/Investigation Not Necessary	7	2	9			63.7%
<b>Complaints Unresolved as of 3/31/2012</b>	<b>7</b>	<b>10</b>	<b>17</b>	<b>4</b>	<b>21</b>	<b>100%</b>

**City Auditor Investigations Summary – Third Quarter of Fiscal Year 2012**

Table 4 below summarizes the status of the 16 active City Auditor Fraud Hotline investigations for the third quarter of fiscal year 2012, including the incident type, a general description of the complaint, and the case status.

**Table 4 – Status of City Auditor Hotline Investigations**

<b>No.</b>	<b>Incident Type</b>	<b>General Description of Complaint</b>	<b>Outcome / Status</b>
1	Theft of Time 116198302	Allegation that a Public Utilities supervisor was using his/her City computer and other work unit computers to conduct non-City business on the Internet.	Complaint found to be substantiated, Public report issued.

2	Customer Relations 116346193	Allegation that citizen was provided false information regarding the status of a street light repair request	Complaint found to be substantiated; miscoding of repair visit by City staff was identified as cause of false information to citizen. A department supervisor met with citizen to ensure proper repairs were completed.
3	Accounting/Audit Irregularities 116018238	Allegation of non-assessment and collection of lease revenue due to the City	Complaint found to be unsubstantiated; valid lease and collection of lease revenue verified.
4	Retaliation of Whistleblower 116014775	Allegation of retaliation for reporting professional ethics code violations	Complaint found to be unsubstantiated; action taken by Department was found not to be related to Whistleblower activity.
5	Fraud 115846914	Allegation of diversion of development impact funds (DIF)	Complaint found to be unsubstantiated; valid charges made to DIF-funded project in progress; project high on 2013 priority list.
6	Waste and Abuse 115859496	Allegation of favoritism and unnecessary overtime assignments	Complaint found to be unsubstantiated; proper procedures utilized and separation of duty controls verified for overtime assignments.
7	Waste and Abuse 116185370	Allegation of improper increased revenue share to City Vendor	Determined no investigation necessary; matter under negotiations with no final determination.
8	Waste and Abuse 116204061	Allegation of political favoritism with City repair orders	Complaint found to be unsubstantiated; repair request found to be processed consistent with all citizens' request for repairs.
9	Fraud 116285948	Allegation of theft of cash paid for City services	Determined anonymous complainant did not provide sufficient information to properly investigate transaction.
10	Accounting/Audit Irregularities 114042861	Allegation of misappropriation of City funds	Open/Unresolved

11	Accounting/Audit Irregularities 115250128	Allegation of misappropriation of fees paid to the City	Open/Unresolved
12	Theft of Goods/Services 115262891	Allegation of employee thefts of City property	Open/Unresolved
13	Accounting/Audit Irregularities 116005801	Allegation of misstating accounting records in public reports	Open/Unresolved
14	Waste and Abuse 116154489	Allegation of purchases of unnecessary supplies and equipment	Open/Unresolved
15	Fraud 116231565	Allegation of lack of proper oversight of Special Use Permit	Open/Unresolved
16	Waste and Abuse 116235836	Allegation of City funds being wasted on an unnecessary project	Open/Unresolved

**City Auditor Public Reports Regarding Substantiated Complaints**

The Office of the City Auditor received a Fraud Hotline complaint alleging that a Public Utilities supervisor was using his/her City computer and other work unit computers to conduct non-City business on the Internet. We determined that the complainant’s allegations were substantiated.

We reviewed the Internet browsing history data for a two week period for the work unit computers identified in the complaint, and we found the level of non-work related websites visited by the individual named in the complaint appeared to be excessive. The Internet browsing data that we reviewed included the date/time a website was accessed, the user logged onto the computer, the website address visited, and the category of the website visited for each computer. The browsing history showed numerous visits to social media, sports, and shopping websites, all of which did not appear to relate to City business. The report of investigation, including management’s response, can be found on our website at:

[http://www.sandiego.gov/auditor/reports/fy12\\_pdf/hotline/hotlinereport120319.pdf](http://www.sandiego.gov/auditor/reports/fy12_pdf/hotline/hotlinereport120319.pdf)

### **Complaints Referred to Departments that were “Substantiated” and Findings that Serve the Interests of the Public**

The City Auditor, through the Intake and Review Committee, reviews the final resolution of complaints investigated by the departments to ensure that the department has taken the proper actions to resolve the complaint. A complaint whose allegations cannot be substantiated can still result in the department taking corrective, proactive, or preventative measures to reinforce a policy or procedure or to improve customer service.

During the third quarter of fiscal year 2012, the Intake and Review Committee received one (1) resolution from departments that indicated that the complaint was substantiated and corrective action(s) were taken as a result of the complaint, and received one (1) resolution that indicated that, although the complaint could not be substantiated, the Department took proactive action as a result of the complaint. In order to maintain compliance with California law regarding confidentiality requirements for whistleblower hotlines and still provide findings that serve the interests of the public concerning actions initiated by a Fraud Hotline complaint, we have prepared Table 5 below with a general description of these complaints and the action taken by the departments.

**Table 5 – Department-Investigated Complaints that were Substantiated and/or had Findings that Serve the Interests of the Public**

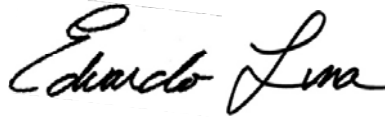
No.	Incident Type	General Description of Complaint	Outcome / Status
1	Theft of Time 116090063	Allegation that employee falsified time sheet	The Department determined that the allegation was substantiated and took disciplinary actions  Substantiated and Corrective Action Taken
2	Customer Relations 115813187	Allegation of not timely receiving water bill after contacts with Public Utilities requesting that bill be sent	Department contacted citizen and resolved billing issues that occurred when account name was changed  Unsubstantiated but Corrective Action Taken

**Conclusion**

The Office of the City Auditor is dedicated to investigating all of the reported claims of fraud, waste, and abuse related to City operations. During the first three quarters of fiscal year 2012, we have spent approximately 1,021 hours administering the Fraud Hotline, coordinating Intake and Review Committee activities, and investigating Fraud Hotline complaints.

I will be prepared to discuss this report at the next available Audit Committee meeting.

Respectfully Submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive style with a horizontal line underneath it.

Eduardo Luna  
City Auditor

cc: Honorable Mayor Jerry Sanders  
Honorable City Council Members  
Jay M. Goldstone, Chief Operating Officer  
Wally Hill, Assistant Chief Operating Officer  
Ken Whitfield, City Comptroller  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst