



THE CITY OF SAN DIEGO

DATE: February 25, 2013

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr 2 Fiscal Year 2013**

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.

The City's Fraud Waste and Abuse Hotline is operated pursuant to California Government Code §53087.6. The statute requires that investigations conducted pursuant to its authority be 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.

In order to maintain the highest level of transparency while adhering to the confidentiality requirements of §53087.6 we will continue the practice initiated last quarter of reporting the status on all complaints that are determined to be in the purview of the Fraud Hotline. The City Auditor has determined that it is in the public interest to receive information regarding all complaints received that are investigated by the City Auditor or by the Departments under the aegis of the Intake and Review Committee.

The City Auditor will continue to make public the reports created for substantiated complaints. In addition, the City Auditor will provide summaries on all complaints received that are in the purview of the City's Fraud, Waste, and Abuse Hotline.



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



Complaints Received in the Second Quarter of Fiscal Year 2013

During the second quarter of fiscal year 2013 (October 2012 – December 2012), we received 15 Fraud Hotline complaints. Two (2) of the complaints were selected for investigation by the Office of the City Auditor. The Intake and Review Committee referred 12 complaints to City Departments for investigation and resolution. City Auditor staff found that one (1) complaint was not in the purview of the Fraud Hotline. The complainant was referred to the proper authority.

Table 1 below summarizes the 15 complaints received during the second quarter of FY 2013.

Table 1 – Complaints Received by Quarter in Fiscal Year 2012

Office of City Auditor Investigations	Qtr 1	Qtr 2	Sum	% of FY2013 Total
Employee Relations	0	1	1	
Theft of Goods/Services	1	0	1	
Theft of Time	1	0	1	
Policy Issues	6	1	7	
Waste and Abuse	1	0	1	
Subtotal OCA Investigations	9	2	11	17%
City Department Investigations				
Customer Relations	5	3	8	
Waste and Abuse	2	2	4	
Employee Relations	0	1	1	
Policy Issues	0	3	3	
Safety/Sanitation Issues	0	2	2	
Theft of Goods/Services	0	1	1	
Subtotal Department Investigations	7	12	19	29%
Total Complaints Received In Purview of Fraud Hotline	16	14	30	46%
Non-City Complaints or Complaints Not in Purview of Fraud Hotline				
Referred to Proper Authority	34	1	35	54%
Total Complaints Received in Q1 FY 2013	50	15	65	100%

Status of Hotline Complaints

As reported, 15 complaints were filed with the Hotline between October 2012 and December 2012. It was determined that one complaint was not in the purview of the Fraud Hotline, leaving 14 complaints that were added to inventory.

In addition to the receipt of 14 new complaints, 23 complaints remained open and unresolved at the end of the previous quarter, for a total active inventory of 37 complaints. Table 2 summarizes the status of the 37 active complaints. Fifteen (15) of the 37 remain open and unresolved, and 22 were closed. Of the 22 that were closed, the allegations in four complaints were substantiated, the allegations in four complaints were not substantiated but the Department took corrective or preventative action based on the information in the complaint, and the allegations made in 14 complaints were closed as unsubstantiated.

Table 2 – Status of Complaints Received in Fourth Quarter of Fiscal Year 2012 and Unresolved Complaints from the Previous Quarter

Complaint Status	City Auditor Investigations	Department Investigations	In Purview Total	Not In Purview of Fraud Hotline	Grand Total	Percent In Purview of Hotline
Complaints Unresolved as of 7/01/2012	11	12	23	0	23	
Complaints Received In 4th Quarter	2	12	14	1	15	
Active Inventory	13	24	37	1	38	
Complaints Closed	-5	-17	-22	-1	-23	100%
Substantiated	0	4	4	0	4	18.2%
Unsubstantiated w/Corrective or Preventative Actions	0	4	4	0	4	18.2%
Unsubstantiated/Investigation Not Necessary	5	9	14	1	15	63.6%
Complaints Unresolved as of 9/30/2012	8	7	15	0	15	

City Auditor Investigations Summary – First Quarter of Fiscal Year 2013

Table 3 below summarizes the status of the 13 active City Auditor Fraud Hotline investigations for the second quarter of fiscal year 2013, including the incident type, a general description of the complaint, and the case status.

Table 3 – Status of City Auditor Hotline Investigations

No.	Incident Type	Particulars
1	Accounting/Audit Irregularities 115250128 Rec'd: 5/26/2011 Closed: 12/31/2012	Internal request with recommendation follow-up and to assist with fraud risk assessment. Department revised cash-handling procedures implementing improved segregation of duties. Monitoring of procedure implementation will continue via the Recommendation follow-up process. Allegation of Fraud found to be unsubstantiated.
2	Theft of Goods/ Services 116872912 Rec'd 7/26/2012 Closed: 10/24/2012	Allegation of theft of City property determined to be unsubstantiated. Department provided documentation that missing equipment was removed, refurbished, and returned to service.
3	Policy Issues 116957631 Rec'd 8/16/2012 Closed: 11/6/2012	Allegation of City Council improperly delegating authority to Mayor determined to be unsubstantiated. City Attorney provided guidance for City Council to pass resolutions in order to meet City's statutory obligations.
4	Employee Relations 117260651 Rec'd: 10/31/2012 Closed: 11/13/2012	Allegation of violation of promotion policy determined to be unsubstantiated. Department used appropriate procedures in subject personnel action.
5	Policy Issues 117474272 Rec'd: 12/24/2012 Closed: 12/26/2012	Allegation of improper operation of a City vehicle determined not to have enough information to investigate and therefore, closed no action taken. Complainant provided the date, location, and time of alleged inappropriate use but could not provide any identifying information about the vehicle.
6	Waste and Abuse 116154489 Rec'd: 1/27/2012	Allegation of purchases of unnecessary supplies and equipment Open/Unresolved

No.	Incident Type	Particulars
7	Policy Issues 116666404 Rec'd: 6/4/2012	Allegation of permit processing irregularities Open/Unresolved
8	Policy Issues 116832116 Rec'd 7/16/2012	Allegation of tenant water meter billing inequity Open/Unresolved
9	Policy Issues 116846151 Rec'd 7/19/2012	Allegation of permit processing irregularities Open/Unresolved
10	Theft of Time 116903095 Rec'd 8/2/2012	Allegation of phantom appointments and misuse of telecommuting policies Open/Unresolved
11	Waste and Abuse 116915612 Rec'd 8/6/2012	Allegation of permit processing irregularities Open/Unresolved
12	Policy Issues 116920837 Rec'd 8/7/2012	Allegation of permit processing irregularities Open/Unresolved
13	Policy Issues 117070161 Rec'd 9/13/2012	Allegation of permit processing irregularities Open/Unresolved

City Department Investigations Summary – First Quarter of Fiscal Year 2013

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.

Table 4 below summarizes the status of the 24 active Fraud Hotline investigations being conducted by the departments for the second quarter of fiscal year 2013, including the incident type, a general description of the complaint, and the case status.

Table 4 – Status of Department-Investigated Fraud Hotline Complaints

No.	Incident Type	Particulars
1	Customer Relations 117110597 Rec'd: 9/24/2012 Closed: 12/5/2012	Allegation of collection harassment was determined to be SUBSTANTIATED. The Department mistakenly contacted the complainant for bill incurred by another party and used inappropriate demeanor with the complainant. The matter was rectified and appropriate disciplinary action taken with City employee.
2	Safety/Sanitation 117264463 Rec'd: 11/1/2012 Closed: 12/19/2012	Allegation of Neighborhood Code Compliance violation was determined to be SUBSTANTIATED. A Civil Penalty Notice and Order was issued to ensure the property is brought into compliance.
3	Customer Relations 116752381 Rec'd: 6/26/2012 Closed: 12/30/2012	Allegation of citizen dumping water in park putting trees at risk determined to be SUBSTANTIATED. Department conducted site visit and brought violation to attention of property owner.
4	Policy Issues 117260428 Rec'd: 10/31/2012 Closed: 12/19/2012	Allegation of Neighborhood Code Compliance violation was determined to be SUBSTANTIATED. A Civil Penalty Notice and Order was issued to ensure the property is brought into compliance.
5	Safety Issues and Sanitation 116473070 Rec'd: 4/16/2012 Closed: 10/24/2012	Allegation of misuse of City property was determined to be unsubstantiated but the Department took CORRECTIVE ACTION. Department determined misuse was relating to private property. The Department met with property owner and suggested corrective action.
6	Customer Relations 116630255 Rec'd: 5/25/2012 Closed: 12/20/2012	Allegation of failure to replace broken water meter property was determined to be unsubstantiated but the Department took CORRECTIVE ACTION. Department replaced water meter and adjusted customer bill.

No.	Incident Type	Particulars
7	Customer Relations 116792837 Rec'd: 7/6/2012 Closed: 12/26/2012	Allegation of customer not receiving timely bills was determined to be unsubstantiated but the Department took CORRECTIVE ACTION and provided customer both paper and email copies of current bills.
8	Theft of Services 117250532 Rec'd: 10/29/2012 Closed: 12/31/2012	Allegation of illegal bypass of water meter property was determined to be unsubstantiated but the Department took CORRECTIVE ACTION
9	Waste and Abuse 116912965 Rec'd: 8/6/2012 Closed: 10/24/2012	Allegation of maintenance contract mismanagement was determined to be unsubstantiated. The Department provided service reports that indicated the vendor was meeting the uptime percentages
10	116451284 Theft of Time Rec'd: 4/10/2012 Closed 12/19/2012	Allegation of theft of time was determined to be unsubstantiated. The Department confirmed hours worked with supervisors.
11	Customer Relations 116471149 Rec'd: 4/16/2012 Closed: 12/20/2012	Allegation of overcharging for water by Home Owners' Association (HOA). HOA has third-party that handles individual property owners billings, complaint determined not to be in City purview. No investigation necessary
12	Customer Relations 116692929 Rec'd: 6/11/2012 Closed: 12/20/2012	Allegation of private contractors filing water tanker trucks at fire hydrants was determined to be unsubstantiated. The Department verified that the subcontractor's tanker trucks were authorized to draw water from City fire hydrants. This activity did not impact customer's bill.
13	Wage/Hour Issues 116763722 Rec'd: 6/28/2012 Closed: 12/20/2012	Allegation of overtime being paid for hours not worked was determined to be unsubstantiated. The Department verified that all overtime was authorized at the Superintendent and Deputy Director level.

No.	Incident Type	Particulars
14	Customer Relations 117116874 Rec'd: 9/25/2012 Closed: 12/5/2012	Allegation contesting Code Compliance citation was determined to be unsubstantiated. The Department Deputy Director verified that the appropriate administrative hearings were held regarding the code compliance citation.
15	Waste and Abuse 117195239 Rec'd: 10/15/2012 Closed: 12/5/2012	Allegation of wasteful equipment purchases was determined to be unsubstantiated. The Department evaluated the equipment and process in the complaint as part of an ongoing quality improvement program. The Department determined that the equipment had a minor improvement; the equipment did not meet the expectations.
16	Customer Relations 117145063 Rec'd 10/2/2012 Closed: 11/7/2012	Allegation of City worker on Political You Tube video was determined to be unsubstantiated. The employee was not recorded on City premises or on City time and the employee appearing in the video was not the employee interviewed. City management was not contacted by the maker of the video before the video was made.
17	Customer Relations 117178603 Rec'd: 10/10/2012 Closed: 12/30/2012	Allegation of inappropriate customer service was determined to be unsubstantiated. The Deputy Director reviewed the conversations City employees had with the customer and found the employee's demeanor and advise to the customer to be appropriate. The Department also noted that the customer's bill had a previous spike similar in nature to the spike the customer complained about.
18	Conflicts of Interest 116250575 Rec'd: 2/22/2012	Allegation of violation of Labor Memorandum of Understanding Open/Unresolved
19	Customer Relations 117330076 Rec'd: 11/16/2012	Allegation of rude and unprofessional behavior Open/Unresolved
20	Policy Issues 117333348 Rec'd 11/17/2012	Allegation of misuse of City resources Open/Unresolved

No.	Incident Type	Particulars
21	Customer Relations 117392102 Rec'd 12/3/2012	Allegation of overdue refund of fee overpayment Open/Unresolved
22	Policy Issues 117434893 Rec'd 12/13/2012	Allegation of contested property marks and historical plant damage Open/Unresolved
23	Safety/Sanitation Issue 117452425 Rec'd 12/18/2012	Allegation of illegal dumping of trash Open/Unresolved
24	Waste and Abuse 117463581 Rec'd 12/20/2012	Allegation of misuse of City vehicle Open/Unresolved

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. Through the second quarter of FY 2013, we have applied approximately 652 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,



Eduardo Luna
City Auditor

cc: Honorable Mayor Robert Filner
Honorable Members of the City Council
Jay M. Goldstone, Chief Operating Officer
Nelson Hernandez, Assistant Chief Operating Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst