



## THE CITY OF SAN DIEGO

DATE: May 30, 2013

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr 3 Fiscal Year 2013**

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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.

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.

The Office of the City Auditor has recently updated its manual of Fraud Hotline Policies and Procedures. The purpose of the manual is to outline the City Auditor's policies and procedures for handling hotline calls and complaints. The manual is also designed to assist in maintaining and improving the quality and accountability of the investigative services provided by the Office of the City Auditor. This manual will also assist Department Directors or their designee, Agencies, and anyone involved in the Fraud Hotline or citizen complaint investigations to ensure they understand their responsibilities. The manual is intended to help provide a consistent approach for all parties involved in the management and conduct of Fraud Hotline or citizen complaint investigations.



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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 2013**

During the third quarter of fiscal year 2013 (January 2013 – March 2013), we received 29 Fraud Hotline complaints. Five (5) of the complaints were selected for investigation by the Office of the City Auditor. The Intake and Review Committee referred 17 complaints to City Departments for investigation and resolution. City Auditor staff found that three (3) complaints were not in the purview of the Fraud Hotline and four (4) complaints did not relate to City of San Diego operations. The seven (7) not-in-purview/non-city complainants were referred to the proper authority. Table 1 below summarizes the types of complaints received during FY 2013.

**Table 1 – Complaints Received by Quarter in Fiscal Year 2013**

<b>Office of City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Sum</b>	<b>% of FY2013 Total</b>
Employee Relations	0	1	0	1	
Theft of Goods/Services	1	0	0	1	
Theft of Time	1	0	0	1	
Policy Issues	6	1	2	9	
Waste and Abuse	1	0	2	3	
Falsification of City Records	0	0	1	1	
<b>Subtotal OCA Investigations</b>	<b>9</b>	<b>2</b>	<b>5</b>	<b>16</b>	<b>17%</b>
<b>City Department Investigations</b>					
Accounting/Audit Irregularities	0	0	2	2	
Conflicts of Interest	0	0	1	1	
Customer Relations	5	3	6	14	
Waste and Abuse	2	2	2	6	
Employee Relations	0	1	1	2	
Policy Issues	0	3	1	4	
Safety/Sanitation Issues	0	2	1	3	
Theft of Goods/Services	0	1	1	2	
Theft of Time	0	0	1	1	
Wage/Hour Issues	0	0	1	1	
<b>Subtotal Department Investigations</b>	<b>7</b>	<b>12</b>	<b>17</b>	<b>36</b>	<b>38%</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>16</b>	<b>14</b>	<b>22</b>	<b>52</b>	<b>55%</b>

<b>Non-City Complaints or Complaints Not in Purview of Fraud Hotline</b>					
Referred to Proper Authority	34	1	7	42	45%
<b>Total Complaints Received in Q1 FY 2013</b>	<b>50</b>	<b>15</b>	<b>29</b>	<b>94</b>	<b>100%</b>

**Status of Hotline Complaints**

As reported, 29 complaints were filed with the Hotline between January 2013 and March 2013. It was determined that seven (7) complaints were not in the purview of the Fraud Hotline, leaving 22 complaints that were added to inventory.

In addition to the receipt of 22 new complaints, 15 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.

Twenty-two (22) of the 37 remain open and unresolved, and 15 were closed. Of the 15 that were closed, the allegations in two (2) complaints were substantiated, the allegations in four (4) complaints were not substantiated but the Department took corrective or preventative action based on the information in the complaint, and the allegations made in nine (9) complaints were closed as unsubstantiated.

**Table 2 – Status of Fraud Hotline Complaints**

<b>Complaint Status</b>	<b>City Auditor Investigations</b>	<b>Department Investigations</b>	<b>In Purview Total</b>	<b>Not In Purview</b>	<b>Grand Total</b>	<b>Percent In Purview</b>
<b>Complaints Unresolved as of 12/31/2012</b>	<b>8</b>	<b>7</b>	<b>15</b>	<b>0</b>	<b>15</b>	
Complaints Received In 3rd Quarter	5	17	22	7	29	
Active Inventory	<b>13</b>	<b>24</b>	<b>37</b>	7	44	
Complaints Closed	-3	-12	-15	-6	-21	<b>100%</b>
Substantiated	0	2	2	0	2	13.3%
Unsubstantiated w/Corrective or Preventative Actions	0	4	4	0	4	26.6%
Unsubstantiated/Investigation Not Necessary	3	6	9	6	15	60.0%
<b>Complaints Unresolved as of 3/31/2013</b>	<b>10</b>	<b>12</b>	<b>22</b>	<b>1</b>	<b>23</b>	

**City Auditor Investigations Summary**

Table 3 below summarizes the status of the 13 active City Auditor Fraud Hotline investigations during the third quarter of fiscal year 2013, including the incident type, complaint #, date the complaint was received, and a general description of the complaint, and the case status.

**Table 3 – Status of City Auditor Hotline Investigations**

No.	Incident Type	Particulars
1	Waste and Abuse 117564584 Rec'd 1/17/2013 Closed: 3/4/2013	Allegation of contracting waste and abuse in construction project was found to be unsubstantiated. The Department followed appropriate procedures in the solicitation and selection of the contractor awarded the project.
2	Policy Issues 117070161 Rec'd: 9/13/2012 Closed: 3/4/2013	Allegation of misapplication of land-use policies was made during public hearing process. The appropriate reviews and hearings were being conducted and complaint closed with no further action.
3	Waste and Abuse 117552013 Rec'd: 1/15/2013 Closed: 3/29/2013	Allegation of preferential treatment being given to certain customers was found to be unsubstantiated. A review of sales summaries did not identify any price differentials given to any customers.
4	Waste and Abuse 116154489 Rec'd: 1/27/2012	Allegation of purchases of unnecessary supplies and equipment Open/Unresolved
5	Policy Issues 116666404 Rec'd: 6/4/2012	Allegation of permit processing irregularities Open/Unresolved
6	Policy Issues 116832116 Rec'd 7/16/2012	Allegation of tenant water meter billing inequity Open/Unresolved
7	Policy Issues 116846151 Rec'd 7/19/2012	Allegation of permit processing irregularities Open/Unresolved
8	Theft of Time 116903095 Rec'd 8/2/2012	Allegation of phantom appointments and misuse of telecommuting policies Open/Unresolved

No.	Incident Type	Particulars
9	Waste and Abuse 116915612 Rec'd 8/6/2012	Allegation of permit processing irregularities Open/Unresolved
10	Policy Issues 116920837 Rec'd 8/7/2012	Allegation of permit processing irregularities Open/Unresolved
11	Policy Issues 117539722 Rec'd: 1/11/2013	Allegation of permit processing irregularities Open/Unresolved
12	Policy Issues 117719154 Rec'd:	Allegation of permit processing irregularities Open/Unresolved
13	Falsification of City Records 117767851 Rec'd:	Allegation of redaction of information on reports accessible by the public Open/Unresolved

### City Department Investigations Summary

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 during the third 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	Waste and Abuse 117551984 Rec'd:1/15/2013 Closed: 2/13/2013	Allegation of wasted testing procedures was found to be substantiated. Although the Department is completing daily tests more often than required by regulatory requirement, the intent of the testing is to provide each shift operator with ownership in the quality of the product provided to citizens.
2	Customer Relations 117392102 Rec'd: 12/3/2012 Closed: 3/27/2013	Allegation of overdue refund of fee overpayment was found to be substantiated. The Department originally cancelled first refund check due to error with payee data but reissued subsequent to being notified of the Fraud Hotline complaint.
3	Policy Issues 117434893 Rec'd 12/13/2012 Closed:	Allegation of contested property marks and historical plant damage found to be unsubstantiated but the Department took Corrective Action to ensure proper coordination of potentially historic sites.
4	Employee Relations 117539358 Rec'd: 1/11/2013 Closed: 2/13/2013	Allegation of misuse of Internet access by employee found to be unsubstantiated but Department took preventative action by reviewing appropriate Internet access at Department meeting.
5	Theft of Time 117560446 Rec'd:1/16/2013 Closed: 2/27/2013	Allegation of Theft of Time a duplicate to Complaint # 116225007 which was found to be unsubstantiated with corrective action taken. Complaint also alleged unauthorized disclosure of Fact-finding information but the Department found the employee had discussions prior to being notified of the formal Fact-finding.
6	Customer Relations 117642503 Rec'd: 2/6/2013 Closed: 3/13/2013	Allegation of rude and unprofessional behavior was found to be unsubstantiated after Department interviewed both the employee and complainant involved. The Department took preventative actions by reviewing appropriate methods of communications with the employee.
7	Safety and Sanitation Issues 117452425 Rec'd:12/18/2012 Closed: 2/13/2012	Allegation of illegal dumping of trash found to be unsubstantiated. The Department responded to site in complaint but did not find any items alleged to be illegally dumped.

No.	Incident Type	Particulars
8	Customer Relations 117330076 Rec'd: 11/16/2012 Closed: 2/27/2013	Allegation of rude and unprofessional behavior found to be unsubstantiated after supervisors reviewed audio tapes of conversations with complainant.
9	Waste and Abuse 117463581 Rec'd 12/20/2012 Closed: 2/27/2013	Allegation of misuse of City vehicle found to be unsubstantiated after reviewing vehicle GPS and interviewing the employee. The employee's actions were consistent with related policies and procedures for use of a City vehicle.
10	Customer Relations 117647797 Rec'd: 2/7/2013 Closed: 2/27/2013	Allegation of overdue parking ticket fine issued to wrong citizen was found to be unsubstantiated by Department when Department records show that the overdue notice was sent to the address of the vehicle owner on file with the DMV.
11	Conflicts of Interest 116250575 Rec'd: 2/22/2012 Closed: 2/27/2013	Allegation of violation of Labor Memorandum of Understanding (MOU) found to be unsubstantiated by Department Fact-finding that confirmed union activity followed MOU guidelines.
12	Theft of Goods/Services 117763043 Rec'd: 3/7/2013 Closed: 3/27/2013	Allegation of stealing gas from City pumps found to be unsubstantiated based on proper authorization by Department.
13	Policy Issues 117333348 Rec'd 11/17/2012	Allegation of misuse of City resources Open/Unresolved
14	Waste and Abuse 117661021 Rec'd: 2/11/2013	Allegation of inefficient City Contract Open/Unresolved
15	Employee Relations 117560115 Rec'd:1/16/2013	Allegation of facility mismanagement Open/Unresolved
16	Conflict of Interest 117564988 Rec'd:1/17/2013	Allegations of inappropriate actions regarding employee malfeasance Open/Unresolved

No.	Incident Type	Particulars
17	Employee Relations 117586137 Rec'd:1/23/2013	Allegation of preferential treatment for select customers Open/Unresolved
18	Wage/Hour Issues 117591420 Rec'd:1/24/2013	Allegation of requiring employees to falsify their timecards Open/Unresolved
19	Policy Issues 117660107 Rec'd:2/11/2013	Allegation of misuse of take-home vehicle Open/Unresolved
20	Safety Issues and Sanitation 117676443 Rec'd:2/14/2013	Allegation of reckless operation of City vehicle Open/Unresolved
21	Customer Relations 117707868 Rec'd:2/22/2013	Allegation of improper shut-off of water service Open/Unresolved
22	Accounting/Audit Irregularities 117711046 Rec'd:2/22/2013	Allegation of accounting irregularities with Permittees Open/Unresolved
23	Accounting/Audit Irregularities 117736514 Rec'd:3/1/2013	Allegation of accounting irregularities with Permittees Open/Unresolved
24	Customer Relations 117819636 Rec'd:3/21/2013	Allegation of unauthorized disclosure 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 third quarter of FY 2013, we have applied approximately 1,065 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, flowing style.

Eduardo Luna  
City Auditor

cc: Honorable Mayor Bob Filner  
Honorable Members of the City Council  
Scott Chadwick, Interim Chief Operating Officer  
Nelson Hernandez, Assistant Chief Operating Officer  
Ken Whitfield, City Comptroller  
Jan Goldsmith, City Attorney  
Andrea Tevlin, Independent Budget Analyst