



THE CITY OF SAN DIEGO

DATE: July 25, 2013

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr4 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.

We have been working with our provider, The Network, Inc., to upgrade our ability to receive information regarding allegations of fraud, waste, and abuse. During the first quarter of FY 2014 we plan to add secure and customized self-reporting capabilities via the web. As an alternative to placing a phone call, employees and citizens will be able to file a complaint online from a link on the City Auditor's webpage. We believe that the webpage interface will be more in tune with today's digital preference for conducting business. The escalation of web-enabled devices such as smart phones and tablets, as well as the more common standard practice of using some form of connected device for most every job will add convenience and functionality to the City's Fraud, Waste, and Abuse Hotline.



OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 555 • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • FAX (619) 533-3036

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



Table 1 – Complaints Received by Quarter in Fiscal Year 2013

Office of City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Sum	% of FY2013 Total
Employee Relations	0	1	0	0	1	
Fraud	0	0	0	1	1	
Theft of Goods/Services	1	0	0	0	1	
Theft of Time	1	0	0	0	1	
Policy Issues	6	1	2	0	9	
Waste and Abuse	1	0	2	1	4	
Falsification of City Records	0	0	1	0	1	
Subtotal OCA Investigations	9	2	5	2	18	26.5%
City Department Investigations						
Accounting/Audit Irregularities	0	0	2	0	2	
Conflicts of Interest	0	0	1	1	2	
Customer Relations	5	3	6	3	17	
Waste and Abuse	2	2	2	0	6	
Employee Relations	0	1	1	4	6	
Fraudulent Insurance Claims	0	0	0	1	1	
Policy Issues	0	3	1	0	4	
Safety/Sanitation Issues	0	2	1	1	4	
Theft of Goods/Services	0	1	1	2	4	
Theft of Time	0	0	1	1	2	
Discrimination	0	0	1	0	1	
Wage/Hour Issues	0	0	1	0	1	
Subtotal Department Investigations	7	12	18	13	50	73.5%
Total Complaints Received In Purview of Fraud Hotline	16	14	23	15	68	100%
Non-City Complaints or Complaints Not in Purview of Fraud Hotline	34	1	6	1	42	NA
Total Complaints Received in FY 2013	50	15	29	16	110	NA

Complaints Received in the Fourth Quarter of Fiscal Year 2013

During the fourth quarter of fiscal year 2013 (April 2013 – June 2013), we received 16 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 13 complaints to City Departments for investigation and resolution. City Auditor staff referred one (1) complaint whose allegation was not in the purview of the Fraud Hotline to the proper authority. Table 1 above summarizes the types of complaints received during FY 2013.

Status of Hotline Complaints

Table 2 – Status of Fraud Hotline Complaints

Complaint Status	City Auditor Investigations	Referred to Dept	Total City-Related	Not In Hotline's Purview	Total	Percent
Unresolved on 3/31/2013	10	12	22	1	23	
Inventory 4/01/2013 after Complaint Reclassification *	10	13	23	0	23	
Received in 4th Qtr	2	13	15	1	16	
Subtotal	12	26	38	1	39	
Complaints Closed	-3	-14	-17	-1	-18	100%
Substantiated	0	3	3	0	3	18%
Corrective Action	2	6	8	0	8	47%
Unsubstantiated	1	5	6	0	6	35%
Complaints Not in Purview of Fraud Hotline	0	0	0	1	NA	NA
Unresolved on 6/30/2013	9	12	21	0	21	

As reported, 16 complaints were filed with the Hotline between April 2013 and June 2013. It was determined that one (1) complaint was not in the purview of the Fraud Hotline, leaving 15 complaints that were added to inventory.

In addition to the receipt of 15 new complaints, 23 complaints remained open and unresolved at the end of the previous quarter, for a total active inventory of 38 complaints. Table 2 above summarizes the status of the 38 active complaints.

* Fraud Hotline Complaint # 117850236 received at the end of Quarter Three (3/29/2013) alleged discrimination but was finally determined to be in the purview of the Fraud Hotline and not the EEOC. Correction to 3/31/13 inventory required the subtraction of one Not in Purview and the addition of one to Referred to Department.

Twenty-one (21) of the 38 remain open and unresolved, and 17 were closed. Of the 17 that were closed, the allegations in three (3) complaints were substantiated by department investigations, the allegations in eight (8) complaints were not substantiated but the department took corrective or preventative action based on the information in the complaint, and the allegations made in six (6) complaints were closed as unsubstantiated.

City Auditor Investigations Summary

Table 3 below summarizes the status of the 12 active City Auditor Fraud Hotline investigations during the fourth 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	Complaint #	Received	Date	Closed	Date
Allegation/ Outcome						
1	Policy Issues	116666404	Received:	6/4/2012	Closed:	6/28/2013
	<p>Allegations of permit processing irregularities resulted in a California State Assemblyman requesting that the California State Auditor conduct an independent audit of the permit review process of the City's Development Services Department (DSD). The State Auditor issued a report in April 2013 and the findings and recommendations made by the State Auditor were determined to resolve this Fraud Hotline complaint. The State Audit team made recommendations to the City that included:</p> <ul style="list-style-type: none"> • The City create procedures to ensure that it properly identifies potential historical resources for structures on project sites and conducts reviews in accordance with the municipal code. • The City create procedures to ensure the public receives proper notice of San Diego's environmental determinations. <p>The Mayor responded stating that he would implement all recommendations. Therefore, it is determined that the Department is taking corrective action based on the findings and recommendations made by the State Auditor.</p>					
2	Waste and Abuse	118081206	Received:	5/24/2013	Closed:	6/28/2013
	<p>Allegation of contract noncompliance was found to be substantiated with respect to the contract compliance issue for which the department took corrective action and an additional allegation of excessive travel expenditures was found to be unsubstantiated. The investigation substantiated the allegation that work was authorized before City Council approved a contract amendment. Payments for the work were, however, not made until Council approval could be obtained. The Department did not attempt to cover up the error but took steps to stop work until contract could be reviewed by City Council and no payments were made until City Council approved the City contract amendments. This issue was also discussed with the Comptroller's Office.</p>					

No.	Incident Type	Complaint #	Received	Date	Closed	Date
	Allegation/ Outcome					
3	Fraud	118074460	Received:	5/23/2013	Closed:	6/25/2013
	Allegation of inadequate Fact-Finding investigation was found to be unsubstantiated. The investigation determined that the original Fact-finding panel found no facts to support the allegation that the employee engaged in fraudulent activities, misrepresented time sheets, or accepted gifts from vendors. The investigation determined that the employee was legitimately provided test-gear that could have given the appearance of gifts or favors from vendors.					
4	Waste and Abuse	116154489	Received:	1/27/2012		Open/Unresolved
	Allegation of purchases of unnecessary supplies and equipment.					
5	Policy Issues	116832116	Received:	7/16/2012		Open/Unresolved
	Allegation of tenant water meter billing inequity.					
6	Policy Issues	116846151	Received:	7/19/2012		Open/Unresolved
	Allegation of permit processing irregularities.					
7	Theft of Time	116903095	Received:	8/2/2012		Open/Unresolved
	Allegation of phantom appointments and misuse of telecommuting policies.					
8	Waste and Abuse	116915612	Received:	8/6/2012		Open/Unresolved
	Allegation of permit processing irregularities.					
9	Policy Issues	116920837	Received:	8/7/2012		Open/Unresolved
	Allegation of permit processing irregularities.					
10	Policy Issues	117539722	Received:	1/11/2013		Open/Unresolved
	Allegation of permit processing irregularities.					
11	Policy Issues	117719154	Received:	2/25/2013		Open/Unresolved
	Allegation of permit processing irregularities.					
12	Falsification of City Records	117767851	Received:	3/8/2013		Open/Unresolved
	Allegation that when an employee refused to delete or change his/her comments made in a City record, the employee's comments were deleted by department management.					

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 26 active Fraud Hotline investigations being conducted by the departments during the fourth 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	Complaint #	Received:	Date	Closed:	Date
Allegation/Outcome						
1	Accounting/Audit Irregularities	117711046	Received:	2/22/2013	Closed:	5/22/2013
Allegation of accounting irregularities with an organization holding a Special Use Permit (SUP) issued by the Park and Recreation Department was found to be substantiated. A Deputy Director conducted an audit and made recommendations for the organization to tighten financial controls. A revised SUP was issued through 12/31/2013 to the organization with the understanding that the recommendations to tighten the financial controls would be completed in order to extend the SUP beyond that date.						
2	Accounting/Audit Irregularities	117736514	Received:	3/1/2013	Closed:	5/22/2013
Allegation of accounting irregularities with an organization holding a Special Use Permit (SUP) from the Park and Recreation Department was found to be substantiated. A Deputy Director conducted an audit and made recommendations for the organization to tighten financial controls. A revised SUP was issued through 12/31/2013 to the organization with the understanding that the recommendations to tighten the financial controls would be completed in order to extend the SUP beyond that date.						
3	Policy Issues	117660107	Received:	2/11/2013	Closed:	6/20/2013
Allegation of misuse of take-home vehicle was substantiated due to employee’s inability to respond to alarms in a reasonable time. The employee’s take-home vehicle authority was revoked.						

No.	Incident Type	Complaint #	Received:	Date	Closed:	Date
Allegation/Outcome						
4	Wage/Hour Issues	117591420	Received:	1/24/2013	Closed:	5/22/2013
Allegation of requiring employees to falsify their timecards was found to be unsubstantiated by a Fact-Finding panel. The panel did find that the supervisory staff as well as employees may be interpreting and/or misunderstanding City overtime policies. A training session was held as corrective action to this finding.						
5	Customer Relations	117707868	Received:	2/22/2013	Closed:	6/19/2013
Allegation of improper shut-off of water service by the Public Utilities Department was found to be unsubstantiated, but the investigation determined that the issue was between the tenant and landlord since the landlord was responsible for the water bill prior to the complainant's move-in date. Public Utilities took corrective action and re-submitted a correct bill to the complainant.						
6	Safety Issues and Sanitation	117676443	Received:	2/14/2013	Closed:	6/27/2013
Allegation of reckless operation of City vehicle was found to be unsubstantiated, but department management took preventative action and met with the employee about the importance of exercising extra caution and prudence when driving a City vehicle. The complainant videotaped the City vehicle for several blocks and posted the video on YouTube. A Fact-finding panel identified the employee and viewed the video. The video shows the complainant traveling at 37 mph and concluded that speeds up to 50 mph were not reached. The panel did not observe any reckless weaving on the part of the City vehicle and the City vehicle made a right turn on a yellow, not red light.						
7	Safety Issues and Sanitation	117873611	Received:	4/4/2013	Closed:	5/22/2013
Allegations of illegal wastewater dumping along with photos were provided by complainant. A Transportation/Storm Water Code Compliance Officer contacted the owner of the carpet cleaning business and advised the owner of Municipal Code §§ 43.03 and 12.0301 regarding Notice of Violation and monetary fines for subsequent illegal discharges. The officer also provided educational materials regarding these requirements as corrective actions.						
8	Conflict of Interest	118030714	Received:	5/13/2013	Closed:	5/22/2013
Allegations of inappropriate actions regarding employee malfeasance were found to be unsubstantiated by the department. Although no wrongdoing by the employee was found by a Fact-Finding panel, the panel and management determined that that opportunities for improvement of the appearance of impropriety existed. The department did take corrective action to improve recordkeeping and accountability for City equipment and vendor-provided test gear. This was a duplicate complaint to complaint # 117564988 filed during the period the department was conducting its Fact-finding.						

No.	Incident Type	Complaint #	Received:	Date	Closed:	Date
Allegation/Outcome						
9	Conflict of Interest	117564988	Received:	1/17/2013	Closed:	5/22/2013
<p>Allegations of inappropriate actions regarding employee malfeasance were found to be unsubstantiated by the department. Although no wrongdoing by the employee was found by a Fact-finding panel, the panel and management determined that opportunities for improvement to avoid the appearance of impropriety existed. The department did take corrective action to improve recordkeeping and accountability for City equipment and vendor-provided test gear.</p>						
10	Customer Service	117586137	Received:	1/23/2013	Closed:	5/8/2013
<p>Allegation of preferential treatment for select customers was found to be unsubstantiated by a department Fact-Finding panel. The panel determined that the facility is one of high-demand and permits have been issued to a wide range of adult and youth organizations. The panel found no policy or procedural violations. Management will continue to monitor the activity at this facility to ensure fair and open access. This complaint duplicated the allegation made in complaint #117560115 filed on 1/16/2013.</p>						
11	Waste and Abuse	117661021	Received:	2/11/2013	Closed:	4/10/2013
<p>Allegation of inefficient City Contract that had City staff do the consultant's work was found to be unsubstantiated. The investigation determined that the City has certain responsibilities under the contract that requires City staff to perform certain functions with the consultant's staff. These City responsibilities were at times performed when the consultant was not present or on weekends which could give the false appearance that City staff is doing the consultant's work. In addition, a separate sample was taken by a City employee and contract labor hired which were outside the scope of the contract. An equipment issue that was the result of contract ambiguity was resolved with the consultant providing the equipment and City staff conducting sampling which was considered training on sampling techniques and protocols.</p>						
12	Customer Relations	117819636	Received:	3/21/2013	Closed:	4/10/2013
<p>Allegation of unauthorized disclosure by the ex-spouse of a City employee who is receiving Workers' Compensation payments was determined to be unsubstantiated. The City claims adjuster did not have required identifying information needed provide the ex-spouse with an agreed payment and contacted the ex-spouse's attorney of record with the Workers' Compensation Appeals Board for the required information. The City did not have any information or notice that the attorney of record no longer represented the ex-spouse and therefore did not make an intentional disclosure of information.</p>						

No.	Incident Type	Complaint #	Received:	Date	Closed:	Date
	Allegation/Outcome					
13	Employee Relations	117560115	Received:	1/16/2013	Closed:	5/8/2013
	Allegation of facility mismanagement and preferential treatment for select customers was found to be unsubstantiated by a department Fact-finding panel. The panel determined that the facility is one of high-demand and permits have been issued to a wide range of adult and youth organizations. The panel found no policy or procedural violations. Management will continue to monitor the activity at this facility to ensure fair and open access.					
14	Discrimination	117850236	Received:	3/29/2013	Closed:	5/22/2013
	Allegation of discriminatory personnel selection practices was found to be unsubstantiated. The department verified that for the position in question, a diverse panel conducted interviews of all internal candidates, and asked the same questions in the same order by the panel members. The candidates with the highest scores from the panel were invited for a second interview.					
15	Policy Issues	117333348	Received:	11/17/2012		Open/Unresolved
	Allegation of misuse of City resources.					
16	Theft of Time	117920813	Received:	4/16/2013		Open/Unresolved
	Allegation of using City time to perform activities related to outside employment.					
17	Employee Relations	117924541	Received:	4/17/2013		Open/Unresolved
	Allegation of poor work performance.					
18	Employee Relations	117930713	Received:	4/18/2013		Open/Unresolved
	Allegation of improper customer service.					
19	Theft of Goods/Services	117960318	Received:	4/26/2013		Open/Unresolved
	Allegation of employee stealing City gas.					
20	Fraudulent Insurance Claims	117960393	Received:	4/26/2013		Open/Unresolved
	Allegation of fictitious disability claim.					
21	Theft of Goods/Services	117971457	Received:	4/29/2013		Open/Unresolved
	Allegation of illegal stopping and adjusting water meter.					
22	Customer Relations	118040239	Received:	5/15/2013		Open/Unresolved
	Allegation of inequality in water billing.					

No.	Incident Type	Complaint #	Received:	Date	Closed:	Date
Allegation/Outcome						
23	Employee Relations	118063512	Received:	5/21/2013		Open/Unresolved
Allegation of wasteful moving of workstations.						
24	Customer Relations	118077069	Received:	5/23/2013		Open/Unresolved
Allegations of rude and inconsiderate behavior.						
25	Employee Relations	118073736	Received:	5/23/2013		Open/Unresolved
Allegation of wasteful moving of workstations.						
26	Customer Relations	118123301	Received:	6/4/2013		Open/Unresolved
Allegation of poor workmanship with street lining.						

Table-6 Cumulative FY2013 Status of Fraud Hotline Complaints

FY13 Cumulative Complaint Status	City Auditor Investigations	Referred to Dept	Total City-Related	Not In Hotline's Purview	Total	Percent
Opening Inventory	8	16	24	1	25	
Complaints Received	18	50	68	42	110	
Subtotal	26	66	92	43	135	
Complaints Closed	-17	-54	-71	-43	-114	100.0%
Substantiated	1	9	10	0	10	14%
Corrective Action	5	15	20	0	20	28%
Unsubstantiated	11	30	41	0	41	58%
Complaints Not in Purview	0	0	0	43	43	NA
Complaints Unresolved	9	12	21	0	21	

Table 6 above summarizes the Fraud Hotline activity in FY 2013. Twenty-one (21) of the 135 complaints in active inventory remain open and unresolved, and 114 were closed. Of the 114 that were closed, the allegations in 10 complaints were substantiated, the allegations in 20 complaints were not substantiated, but the department took corrective or preventative action based on the information in the complaint, and the allegations made in 41 complaints were closed as unsubstantiated. Forty-three (43) complaints were determined not to relate to City operations or not in the purview of the Fraud Hotline.

Table 7 below lists the type of caller for the 92 active complaints investigated in FY 2013, the 71 complaints that were closed in FY2013 and the 30 complaints closed in FY2013 whose allegations were substantiated or from which the department took corrective action. Identified caller-type includes employees, citizens, and internal requests for investigation by department

Table-7 Cumulative FY 2013 Caller-Type

Caller Type	All Complaints	%	Closed Complaints	%	Substantiated or Corrective Action	%
Anonymous	54	59%	42	59%	19	63%
Identified	38	41%	29	41%	11	37%
Total	92	100%	71	100%	30	100%

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 fourth quarter of FY 2013, we have applied approximately 1,452 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 Bob Filner
- Honorable Members of the City Council
- Walt Ekard, Interim Chief Operating Officer
- Scott Chadwick, Assistant Chief Operating Officer
- Ken Whitfield, City Comptroller
- Jan Goldsmith, City Attorney
- Andrea Tevlin, Independent Budget Analyst