



## THE CITY OF SAN DIEGO

DATE: August 18, 2016

TO: Herman Parker, Park and Recreation Department Director

FROM: Eduardo Luna, CIA, CGFM, City Auditor  
Office of the City Auditor

SUBJECT: Hotline Investigation of Park and Recreation Department Activity Fee  
Collection Abuse

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### Summary of Investigative Results

The Office of the City Auditor received an anonymous Fraud Hotline report alleging that City employees were enrolling their children and grandchildren in Park and Recreation Department activities without paying the required fees. The anonymous complainant noted that this was apparently a long-standing and secret practice.

Our investigation consisted of interviews with City staff, a review of activity registration records, and a review of City policies. The evidence we found substantiated the allegation of abuse of City policies through the intentional failure to pay the required fees. We learned that the practice may have been in place for several decades.

Specifically, we found that **Park and Recreation Department staff failed to pay a total of \$1,312 in fees owed in the first six months of 2016.** The unpaid fees were associated with activities for nine children and grandchildren of six Park and Recreation Department employees.

As a result of our investigation, all fees owed were either subsequently paid or formally waived through the City's approved fee waiver process. We provided a detailed confidential version of this report to the Park and Recreation Department, and the Department agreed to implement both of our recommendations.



## Hotline Investigation of Park and Recreation Department Activity Fee Collection Abuse

### **Background**

There is no City policy exempting the children and grandchildren of Park and Recreation Department staff from paying recreation activity fees. Each year, the City updates the schedule of fees for services as part of the budget process. The City imposes these fees in order to recover the full cost of providing the service to the recipients. The Park and Recreation Department's Fee Schedule was last updated in September of 2015.

The Department's Fee Schedule includes a provision for low income fee waivers based on annual income limits that City staff verifies based on tax return information. There are no exceptions or special provisions in the Fee Schedule for City staff or their family members. However, staff and their family members are eligible for low income fee waivers provided they are City of San Diego residents and they meet the income guidelines as set forth in the Fee Schedule.

Informal fee waivers by City staff for their children and grandchildren may violate the City Charter. Specifically, Charter Section 93 prohibits gifts of public funds when there is no public purpose or consideration exchanged.

### **Investigation**

Our interviews with Park and Recreation Department staff revealed that there has been a long-standing practice of staff enrolling their children and grandchildren in City-sponsored recreation activities without paying the required fees. We relied on interviews with City staff to determine that the practice has been in place for several decades. Management was not aware of the practice and assumed that staff was paying the required fees. In fact, a direct manager of one of the involved Park and Recreation Department employees assumed that the Fraud Hotline allegation was not true when we discussed it. The manager's opinion was based, in part, on the City employee's attention to detail and history as a hard worker.

With cooperation from the Department, including information provided by implicated staff, we determined that nine children and grandchildren of six Park and Recreation Department employees participated in recreation activities without paying the required fees. The total dollar loss for the first six months of 2016 was \$1,312. We focused our investigation on the first half of 2016 based on the availability of class registration records in the City's online activity registration system, ActiveNet. We did not compute the overall dollar loss to the City due to the duration of the informal fee waiver practice over several decades.

## Hotline Investigation of Park and Recreation Department Activity Fee Collection Abuse

We found that the failure of Department staff to pay the required fees incurred by their children and grandchildren was facilitated by the fact that the implicated staff were involved in coordinating the recreation activities in question. We learned that staff relied on the long-standing nature of the practice as a rationalization for continuing to not pay the fees, management did not provide the oversight necessary to remove the opportunity to avoid paying the fees, and staff expressed concerns over financial pressures such as low pay and childcare needs. Some of the involved staff referred to the practice of not paying the required fees as a “perk” of the job. Despite the assertion that not paying the fees was justifiable, staff did not make an effort to obtain approval from management and sought to keep the practice a secret. Also, City management did not take steps to verify that staff were paying the appropriate and required activity registration fees for their children and grandchildren.

### **Recommendations and Department Responses**

- 1. We recommend that the Park and Recreation Department develop procedures to ensure that all participants in City-sponsored programs pay all required fees.**

**Management Response:** Agree. By September 1, the Director will issue a memorandum to all department staff reminding them that all participants of City-sponsored programs and events, regardless if outlined in the City's Council adopted Fee Schedule shall pay the appropriate fees. In addition, the Department will work with the City Comptroller's Office to complete a Department Instruction and/or Process Narrative that sets forth a review process to confirm registrations in the on-line registration system (ActiveNet) matches with the actual individuals participating in the class on a representative sampling basis.

**Date to be Completed:** January 1, 2017

- 2. We recommend that the Park and Recreation Department review the information contained in this report, conduct an independent Fact Finding investigation as necessary, and take the appropriate corrective action.**

**Management Response:** Agree. Last month, the Department working with the Human Resources Department staff initiated a fact finding. It is anticipated the fact finding will be completed within the next 60-days. Findings from the report may be used for disciplinary purposes if violations of City policies are found. As with all

Hotline Investigation of Park and Recreation Department Activity Fee Collection Abuse

personnel matters, the outcome of the fact finding investigation and any resultant disciplinary actions taken will not be made public.

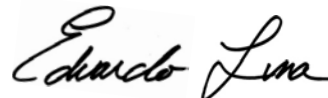
**Date to be Completed:** November 30, 2016

This investigation was conducted under the authority of California Government Code §53087.6 which states:

(e) (2) 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. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential.

(3) Notwithstanding paragraph (2), the auditor or controller may provide a copy of a substantiated audit report that includes the identities of the subject employee or employees and other pertinent information concerning the investigation to the appropriate appointing authority for disciplinary purposes. The substantiated audit report, any subsequent investigatory materials or information, and the disposition of any resulting disciplinary proceedings are subject to the confidentiality provisions of applicable local, state, and federal statutes, rules, and regulations.

We appreciate all of the assistance we received from the Park and Recreation Department during our investigation. Thank you for taking action on this issue.



Eduardo Luna  
City Auditor