



THE CITY OF SAN DIEGO

DATE: September 25, 2017

TO: Stacey LoMedico, Assistant Chief Operating Officer

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

SUBJECT: Hotline Investigation of Charitable Activities Conducted on City Time

The Office of the City Auditor received an anonymous Fraud Hotline report alleging that a City employee used City time to work on a personal charitable activity that was not part of a recognized nonprofit organization. The employee's activity supplemented existing Departmental programs. Our investigation determined that the allegation regarding the use of City time was substantiated. In addition, we learned that a Department Director approved of the activity as a morale and team-building program.

We found that the City employee's charitable activity was administered informally. We concluded that the Department Director did not ensure that written procedures, internal controls, and formal agreements with outside agencies were in place for the charitable activity. We recommended that appropriate corrective action be taken with respect the Department Director, and that future charitable activities are documented and formalized to ensure that proper internal controls are in place.

Although charitable causes are extremely important, it is our duty to ensure that all City activities performed on City time using City resources are administered in a manner that does not expose the City to unnecessary risks and excessive costs.

Hotline Investigation of Charitable Activities Conducted on City Time

Investigation

We provided a detailed, confidential version of this report as permitted under California Government Code §53087.6. That law prohibits the disclosure of the identity of subject employees in Fraud Hotline investigations.

In summary, our investigation made the following determinations:

- 26 Department employees used City time¹ working on the identified private charitable activity. The Department Director did not set any limits on the amount of City time that could be used, did not require that the time be documented separately, and supported an unlimited number of participants.
- Only a small group of Department employees were invited to participate in the charitable activity that was characterized by the Department Director as a morale and team-building program.
- Approximately one third of the funds raised could not be accounted for due to inadequate recordkeeping and internal controls. We did not investigate whether any of the donated funds associated with the non-City charitable activity were converted to personal use since the private activity was not within the purview of the Fraud Hotline.
- The employee's private charitable activity made implied associations with other organizations that were not supported with formal documentation and were misleading to donors.
- City resources, including City vehicles, a City facility, and City time, were used in relation to the private charitable activity without documented procedures and oversight from the Department's senior management.

Based on the results of our investigation, we made the following recommendation:

¹ The Department employees who spent City time on the activity were not required to specifically record the hours spent on the non-City activity. Department management approved all time entries. We estimated that 11 of the 26 employees collectively spent approximately 22 hours on the activity based on records we obtained during the investigation. Due to the lack of records for the other 15 employees, no time estimate could be made for their activities.

Recommendation and Management's Response:

- 1. We recommend that the Assistant Chief Operating Officer take the appropriate corrective action with respect to the identified Department Director to ensure that future City-sponsored charitable activities are performed according to written procedures, internal controls, and formal agreements with outside agencies.**

Management agrees with the recommendation.

Target Implementation Date: October 30, 2017

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The information in this report is being provided to you 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.

Thank you for taking action on this issue.

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