



THE CITY OF SAN DIEGO

DATE: February 6, 2018

TO: Vic Bienes, Public Utilities Department Director

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

SUBJECT: Hotline Investigation of Attempted Theft of City-Provided Clothing

The Office of the City Auditor received an anonymous Fraud Hotline report alleging that three female Public Utilities Department (PUD) employees conspired with three male PUD employees to obtain clothing, purchased by the City, for which the female employees were not eligible to receive as part of the City's Corporate Apparel Program. Although the PUD employee who administers the corporate apparel program reviewed the forms and prevented the theft, that employee was later verbally abused in retaliation for her intervention by one of the female perpetrators, who is a supervisor.

Our investigation determined that the allegation of attempted theft of City-provided clothing was substantiated. Furthermore, our investigation determined that four supervisors were aware of the incidents, but none of them took any official action to investigate the incident and the verbal abuse that followed. In fact, one of the supervisors joked about the attempted theft. Although the dollar amount of the attempted theft of \$419.88 is not substantial, the unethical conduct by the six PUD employees, and the management response, are concerning.

We made one recommendation and PUD management agreed to implement it.

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The City's Corporate Apparel Program Provides Clothing Annually for Some

Most City positions are not eligible to receive City-provided clothing. Both the Local 127 American Federation of State, County and Municipal Employees, AFL-CIO and San Diego Municipal Employees Association Memoranda of Understanding (MOU) include provisions for a Corporate Apparel Program. Both MOU agreements offer employees in specific job classifications with four clothing items on an annual basis.

Six PUD Employees Conspired to Misappropriate City-Issued Clothing

We interviewed a PUD employee who helped coordinate approximately 250 clothing orders as part of the annual uniform ordering process. During this process, three male employees who were eligible to receive City-provided clothing were found to have submitted clothing order forms for three female PUD employees who were not eligible to receive City-provided clothing.

The employee recalled that the forms submitted by the three male employees were for four pairs of a particular style of women's pants in three different sizes at a cost of \$34.99 each (see **Attachment A** for the catalog listing).

In each case, when the PUD employee identified the orders and denied the unauthorized purchases, the male PUD employees acknowledged that they were attempting to place an order for a female employee. The employees involved have worked for the City for many years, understood the ordering process, and apparently knew that they should not have placed a clothing order for someone else.

Supervisor Used Offensive Language in Retaliation After Being Discovered

After the PUD employee prevented the three male employees from placing City-provided clothing orders for three female employees who were not eligible to receive the benefit, one of the female employees involved, who is a supervisor, directed offensive language toward the PUD employee who discovered and prevented the theft.

Later, an unrelated male supervisor joked about attempting to place an order for women's pants. Our investigation determined that in total, four supervisors were aware of the conduct and could have ensured that a formal fact finding investigation be commenced related to the attempted theft and retaliation which could have resulted in disciplinary action. However, no official action was taken.

A detailed, confidential version of this report was provided to PUD management. State law prohibits the identification of subject employees in public Fraud Hotline reports.

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Conclusion

Our investigation determined that the allegation of attempted theft of City-provided clothing was substantiated.

Based on the \$34.99 catalog price for the pants, the total value of the attempted theft of four pairs of the pants, for three female PUD employees who were not eligible to receive the City-provided clothing was \$419.88. Although the dollar amount of the attempted theft is not substantial, the unethical conduct by the six PUD employees is concerning. As detailed in the confidential version of our report, the staff involved included PUD employees in supervisory positions with long tenures with the City. The male PUD employees all acknowledged that the clothing orders for female employees were not authorized.

Our investigation also determined that four supervisors were aware of the attempted theft, and some were aware of the retaliation, but none of them took official action that could lead to discipline. In fact, one of the supervisors joked about the incident.

According to City policy, specifically Personnel Manual Index Code G-1, the City's Code of Ethics and Conduct, at section II(C):

Each position in our government is one of public trust. Therefore, employees must each perform their duties in a manner which will bring honor and credit to the City government, in accordance with the highest moral and ethical standards.

City management is responsible for setting the "tone at the top" to ensure that the City's ethical standards are met, and that employees are treated with respect. When supervisors take no formal action after learning of misconduct, or joke about the misconduct, they do not convey the message that ethical conduct, professionalism, and compliance with City policies are important. Therefore, our recommendation is that all PUD employees, including the supervisors who became aware and took no official action, be included in PUD's independent investigation to determine if City policies were violated, and take the appropriate corrective action.

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Recommendation and Management's Response (see Attachment B for definitions of Fraud Hotline recommendation priorities)

1. **We recommend that the Public Utilities Department conduct an independent investigation to determine if City policies were violated and take the appropriate corrective action with respect to the identified City employees and supervisors. (Priority 1).**

Management Response: PUD agrees with the recommendation.

PUD will conduct a formal fact-finding investigation to determine if City policies were violated and take the appropriate corrective action with respect to the identified City employees and supervisors.

Target Implementation Date: June 30, 2018

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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

Attachment A – Catalog Listing for Women’s Jeans



**Women's Modern Fit Straight Leg
Stretch Pull-On Denim Jean**
Item #FD421

- Mid-rise, semi-fitted in seat and thigh, straight leg
- 9 oz. Denim, 86% Cotton/13% Polyester1% Spandex
- Hidden elastic waistband for flattering fit

Price: \$34.99/each

Attachment B – Definition of Fraud Hotline Recommendation Priorities

**DEFINITIONS OF PRIORITY 1, 2, AND 3
FRAUD HOTLINE RECOMMENDATIONS**

The Office of the City Auditor maintains a priority classification scheme for Fraud Hotline recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation taking into considerations its priority. The City Auditor requests that target dates be included in the Administration’s official response to the findings and recommendations.

Priority Class ¹	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

¹ The City Auditor is responsible for assigning Fraud Hotline recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.