



THE CITY OF SAN DIEGO

DATE: March 29, 2018

TO: Herman Parker, Parks and Recreation Department Director

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

SUBJECT: Fraud Hotline Investigation of City Youth Sports League Referee
Background Checks

During the course of our Hotline Investigation of Recreation Activity Permit Calculation Errors and Abuse, we identified potential non-compliance with legal requirements and City policies related to City youth sports league referee background checks.

In general, there are Citywide procedures to require individuals to complete background checks prior to working with children. However, we determined that the Parks and Recreation Department does not perform criminal background checks for a City-sponsored youth sport's referees. The Department's rationale was that since the service provider was not supervising children or patrons, and would not be left alone with them, criminal background checks were not required.

The recreation service providers work during City-sponsored activities, in City recreation facilities, without contracts or permits in place. We found that there appears to be a State law that may require these recreation service providers to undergo criminal background checks. We also determined that the City would be better protected if the recreation service providers were required to provide indemnity and insurance coverage, either through a permit or contract.

Our investigation did not learn of any allegations that any of the recreation service providers named in the confidential version of our report engaged in any misconduct related to interactions with children. If any allegations had been brought to our attention, we would have notified Law Enforcement, and City management immediately.

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We made one recommendation to require contracts that would include background checks and better protect the City from liability. City management agreed to implement the recommendation and is already in the process of seeking Requests for Qualifications for “qualified contractors to provide specialized services for youth, adults and seniors which include but are not limited to class instruction, performing arts, sports programs, and sports officials.” The contract solicitation process was initiated independent of this investigation. According to a Department memorandum, the need for direct contracts was related to a “transition of recreation council financial activities from recreation council control to City administration and management.”

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

- 1. We recommend that the Parks and Recreation Department require City youth sports league referees to operate under contracts that include background checks for all staff, and insurance coverage (Priority 1).**

Management Response: Agree. As part of a recently released Request for Statement of Qualifications (RFSQ), the Parks and Recreation Department will require by June 30, 2018, that all contracted City youth sports league referees undergo a background check and provide proof of insurance coverage. This will make the backgrounding requirements of contract referees consistent with those of City staff who referee City youth sport activities.

Target Implementation Date: August 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 – 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 Class¹	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.