



THE CITY OF SAN DIEGO

DATE: April 13, 2020

TO: Kris Michell, Chief Operating Officer

FROM: Kyle Elser, Interim City Auditor
Office of the City Auditor

SUBJECT: Hotline Investigation of Gifts Received by a City Employee

On September 30, 2015, the Office of the City Auditor received a Fraud Hotline Report alleging fraud by a City employee. The case was referred to law enforcement for additional investigation, and on March 11, 2019, we reopened the case after obtaining the documents related to that investigation. Prior to that date, the information contained in the law enforcement documents could not be disclosed to City management. The law enforcement investigations were ultimately closed without criminal charges. The information contained in the law enforcement documents relates to undisclosed gifts to a City employee from contractors the employee managed.

Our investigation determined that a City employee:

- received over \$3,000 in gifts from vendors
- managed employees who supervised the vendors
- covertly advised the vendors to increase revenues on City contracts
- awarded option contracts worth millions to the vendors
- acknowledged receiving the gifts only after questioning by law enforcement
- failed to disclose the gifts and under-reported the amounts on disclosure forms by over \$1,600

A detailed confidential version of this report was provided to City management. For the purposes of this report, the subject vendors will be referred to as Vendor A and Vendor B. Management agreed to implement our four recommendations.



Hotline Investigation of Gifts Received by City Employee

The Ethics Commission's Jurisdiction Excludes Classified Employees

The City of San Diego Ethics Ordinance (Ordinance) includes the laws governing financial disclosures and conflicts of interest. This Ordinance is codified in §27.3501 – §27.3595 of the San Diego Municipal Code (SDMC) and includes provisions mirroring the laws contained in California's Political Reform Act of 1974 (CPRA). The CPRA is implemented in California Code of Regulations (CCR), Title 2, Division 6, §18110 - 18997 and is administered and enforced by the Fair Political Practices Commission (FPPC).

Among other requirements, the SDMC and the CPRA require certain public employees to file a Form 700 Statement of Economic Interests (SEI) disclosing various forms of income. The purpose is to allow the public to examine the potential conflicts of interest of an employee. The FPPC developed the SEI to be used when disclosing a person's financial interests. The Ordinance requires designated City employees to file an SEI annually, and identifies filers as falling into two categories: (1) High Level Filers and (2) Local Code Filers. High Level Filers include the Mayor, members of the City Council, the City Attorney, the City Treasurer, the City Auditor, and other positions as identified in the Ordinance. City employees who are not considered High Level Filers may be designated as Local Code Filers. For Local Code Filers, the City Council has adopted a Conflict of Interest Code tailoring the disclosure requirements for each position within the City to the types of governmental decisions a person holding that position would make. This investigation pertains to a Local Code Filer.

The City's Ethics Commission was established in SDMC §26.0401, with the following purpose and intent:

The purposes of the Commission shall be to monitor, administer, and enforce the City's governmental ethics laws, propose new governmental ethics law reforms, conduct investigations, refer violations to appropriate enforcement agencies, audit disclosure statements, and advise and educate City officials and the public about governmental ethics laws.

Classified employees are specifically exempt from the Ethics Commission jurisdiction in SDMC §26.0413(a)(4). The subject City employee was a Local Code Filer and was required by their department's Conflict of Interest Code to file an SEI

Hotline Investigation of Gifts Received by City Employee

annually. However, the City employee was also a classified employee which meant this employee was not under the jurisdiction of the Ethics Commission and was not required to attend Ethics training.

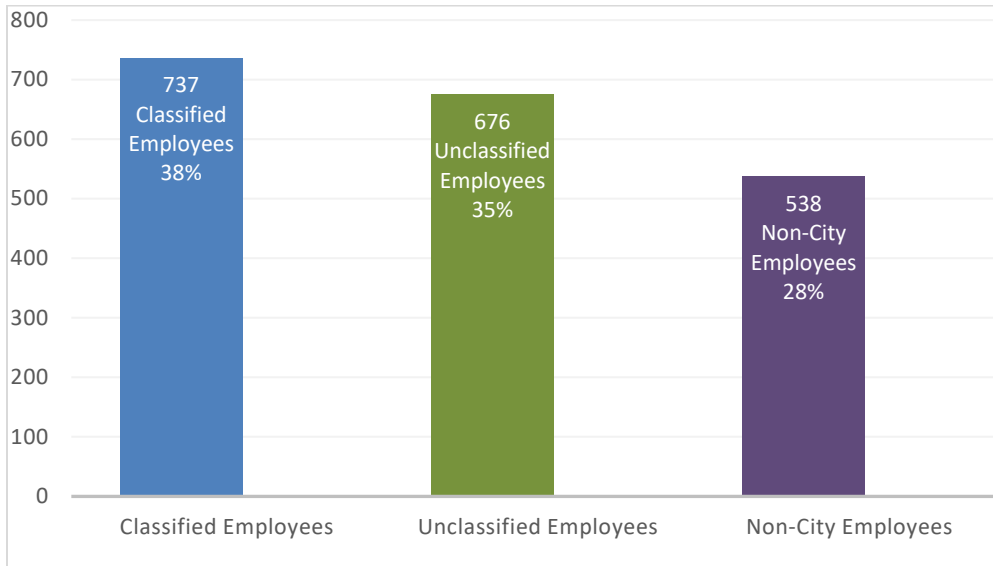
In 2007, the Commission sought to expand its jurisdiction to include classified employees. In a memorandum dated October 2, 2007, the Ethics Commission recommended that the Commission be expanded for both education and enforcement purposes. The Ethics Commission argued that it is not good public policy to dedicate its resources to education without also ensuring the public that there will be oversight and investigations of apparent violations. During its deliberations, the Ethics Commission received input from the City's Labor Relations Manager and the San Diego Municipal Employees Association (MEA), who agreed that the issue would be subject to the "meet and confer" process between the City and its labor unions.

The Ethics Commission noted at that time that there were approximately 750 classified employees that were required to file SEIs but were not within the jurisdiction of the Ethics Commission. However, the suggested amendment to the SDMC was tabled by the City Council and has not been revisited since that time.

Our analysis of the Calendar Year (CY) 2018 SEI filings by Classified, Unclassified, and Non-City employees revealed that Classified employees are the largest group of employees that are required to file SEIs. Non-City employees are board and commission members who may be required to file an SEI and are under the jurisdiction of the Ethics Commission.

Table 1, below, summarizes the City employees who filed an SEI in CY 2018.

Table 1
Summary of Employees Who File a Statement of Economic Interests¹



Source: Auditor generated

According to the Ethics Commission, equivalent agencies in the cities of Los Angeles, Oakland and San Francisco all have jurisdiction over classified employees in addition to unclassified employees.

Ethics Ordinance Sets Gift Limits and SEI Reporting Threshold

Gifts are defined in the Ordinance as anything of value that confers a personal benefit on the recipient. SDMC §27.3520 (f) states:

It is unlawful for a Local Code Filer to accept gifts from any single source in any calendar year with a total value of more than \$440 if the Local Code Filer would be required to report the receipt of the gift from that source on his or her statement of economic interests.

¹ Non-City employees are board and commission members; percentages are rounded.

Hotline Investigation of Gifts Received by City Employee

The gift threshold limitations are amended biennially in CCR Title 2, Section 18940.2 and incorporated in the Ordinance by reference. **Table 2** below shows the gift thresholds for the past ten years.

Table 2
Annual Gift Limitations Increase Every Two Years

Period	Gift Limitation
January 1, 2011 - December 31, 2012	\$420
January 1, 2013 - December 31, 2014	\$440
January 1, 2015 - December 31, 2016	\$460
January 1, 2017 - December 31, 2018	\$470
January 1, 2019 - December 31, 2020	\$500

Source: CCR Title 2, Section 18940.2

In addition to gift threshold limitations, the CCR Section 18940 (d) states:

...any gift, or combination of gifts, received from any source is reportable by the official if the value of the gift, or the cumulative value of multiple gifts, received from the source in the reporting period is \$50 or more.

The gift limitations and the \$50 reportable threshold are both explained in the FFPC Form 700 Instructions to Schedule D Income – Gifts.

Hotline Investigation of Gifts Received by City Employee

The City reiterates its Ethics policies regarding the acceptance of gifts in its Administrative and Personnel regulations. Administrative Regulation 95.60 Conflict of Interest and Employee Conduct, dated May 23, 1990, Section 3.4 Acceptance of Favors, Gifts, and Gratuities states:

Persons shall not accept gifts, gratuities or favors of any kind which might reasonable [sic] be interpreted as an attempt to influence their actions with respect to City business.

Personnel Regulations go further than the Ordinance. Specifically, Section G-1 Code of Ethics and Conduct, dated February 1, 2001, states in paragraph D, "City employees shall not accept gifts from persons doing business or seeking to do business with the City or from persons regulated by the City."

City Policies Prohibit Conflicts of Interest

In addition to the limiting acceptance of gifts, City policy also prohibits conflicts of interest. The City of San Diego Administrative Regulation 95.60, dated December 1, 2017, titled Conflict of Interest and Employee Conduct, paragraph 4.5.2a. states:

Pursuant to Council Policy 000-4, employees shall not engage in any collateral employment or business activity which is incompatible or in conflict with the duties, functions, or responsibilities of the City.

Paragraph 4.5.2.a.i. lists activities that may constitute a conflict and states:

An employee shall not engage in any collateral business activity or employment, which, by its nature, hours, or physical demands, would impair the required quality or quantity of the employee's work with the City, impair the employee's independence of judgement or action in the performance of official duties, reduce the effectiveness or efficiency of the employee's department, reflect discredit on the City...

Lack of Business Integrity Is Grounds for Debarment

Vendors who violate state law and the municipal code and demonstrate a lack of integrity may be permanently debarred according to City policy. Administrative Regulation 25.90 subsection 4.3.1 states:

A department may recommend to the Chief Operating Officer to permanently debar a bidder or contractor. The recommendation must be in writing and include evidence to support at least one of the grounds for debarment listed in Chapter 2, Article 2, Division 8 of the San Diego Municipal Code.

The SDMC §22.0807 (a) Grounds for Permanent Debarment, (1) (B) states, “any offense, action, or inaction indicating a lack of business integrity or business honesty.”

Additionally, the SDMC §22.3004(a) states:

Prior to awarding a contract, the City shall make a determination that the bidder has the capability to fully perform the contract requirements and the business integrity to justify the award of public funds. The factors the City may consider include, but are not limited to... (6) A satisfactory record of compliance with applicable statutes and regulations.

Finally, the SDMC §22.3004(e) states, “Violations of the provisions of this Section may be reported to the City Manager who shall investigate such complaint.”

Investigation

Our review of documents obtained from the law enforcement investigation uncovered emails on the employee’s personal email account discussing various gifts and activities with two City vendors. The investigation revealed that the employee accepted the following gifts from two vendors: a paid trip to attend a professional sporting event in the San Francisco Bay Area, free contracting work performed at their residence, two tickets to a Las Vegas show, annual entry fees to a golf tournament, and amusement park tickets for their family. The employee admitted

Hotline Investigation of Gifts Received by City Employee

to receiving these gifts after being questioned about them by law enforcement, then reported the gifts on their SEI forms.

Unreported Free Trip to Professional Sporting Event

During a law enforcement interview, the subject employee admitted that they attended a professional sporting event which included round-trip airfare, hotel, and game ticket. In an email found in the employee's personal email account, Vendor A had forwarded the reservation information to the employee for a Southwest flight from San Diego to Oakland with the message, "Here are the updated flights." The trip was not reported in the employee's SEI prior to questioning.

Unreported Free Home Construction Work

The employee was shown an email from their personal email account where Vendor B wrote, "...let me know when you want the saw cut and demo done and I'll take care of ASAP." The employee replied:

How's Monday, Tues, or Wed next week for the concrete cutting. I included some photos. I need the concrete cut and removed.

On the following Wednesday, the employee sent the following email to Vendor B:

The guys did a great job! And, they even removed the weed pile I had to clean up to uncover the pool deck...Thanks!!!!

Included in the personal emails between the employee and Vendor B were before and after photos of the area where a large section of concrete was removed.

After reviewing the email, the employee admitted to receiving the concrete cutting, removal and disposal services at their house from Vendor B. However, the employee stated they didn't consider it a gift. When the interviewer asked if they considered it a favor from a friend, the employee replied, "Yes." The gift was not reported in the employee's SEI filed at the time.

Hotline Investigation of Gifts Received by City Employee

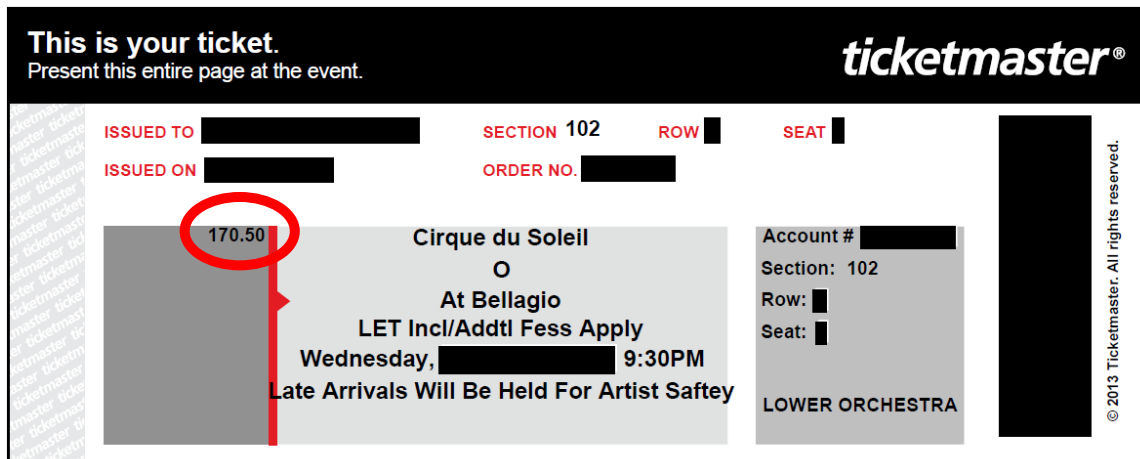
Unreported Free Theater Tickets in Las Vegas

The employee was shown another email from their personal email account with the subject line, "Fwd: Tickets Attached." The email contained a PDF file with two tickets to Cirque du Soleil's show "O" at the Bellagio in Las Vegas. The tickets were issued to Vendor B with a face value of \$170.50 each. Later that same night, the night of the show, the employee sent another email to Vendor B which simply said, "Killer seats!!" When asked, the employee stated that they attended the show with a second person and had forgotten that they received the tickets. The gift was not reported in the employee's SEI prior to questioning.

Image 1 below, is the ticket to Cirque du Soleil's show "O" at the Bellagio in Las Vegas emailed to the employee's personal account by Vendor B.

Image 1

Ticket to Cirque du Soleil's Show "O" at the Bellagio Las Vegas for \$170.50



Source: Employee's personal email account

Hotline Investigation of Gifts Received by City Employee

Unreported Free Golf

When asked specifically about golfing with vendors, the employee admitted to participating in an annual golf tournament at least four times. The employee explained that Vendor A would buy a foursome for the tournament and include the subject employee in the foursome. The employee said they did not consider it a gift because Vendor A invited other agencies to participate in the foursome.

Emails were found in the employee's personal email account accepting invitations from Vendor A to attend an annual golf tournament each year for a five-year period. An email showed that Vendor A purchased the Platinum Golf Package for \$450. None of the gifts were reported in the employee's SEI filed during the relevant time periods prior to questioning.

Unreported Television

The employee was shown an email from their personal email account sent from Vendor A discussing winning a television. The employee explained that they won a television at the golf tournament raffle that year and Vendor A had donated the television. When asked, the employee explained they were joking when they wrote, "...you guys should have just signed the TV over to me instead of giving those people false hope." It is unknown if the television was won in a valid raffle, and it was not reported on the employee's SEI prior to questioning.

Unreported Amusement Park Tickets

After being asked twice by law enforcement if a vendor ever gave them amusement park tickets as a gift, the employee admitted that they had received tickets for their family. When asked if this was considered a gift, the employee replied, "I guess it was a gift but not for favors." The gift was not reported in the employee's SEI prior to questioning.

Hotline Investigation of Gifts Received by City Employee

Employee's Explanation

The employee told law enforcement that they file the SEI form each year but never claimed any of the gifts they received prior to questioning. The employee said they have never attended any Ethics Commission training nor been given any guidance on how to fill out the SEI. The employee was adamant that they never reciprocated for the gifts received and explained that they were not in charge of payments to vendors and not involved in contract awards. Since the City uses a sealed bid process and awards contracts to the lowest bidder in a public bid opening, the employee claimed they did not have any way of steering contracts to particular vendors.

Although the employee did not attend any formal Ethics Commission training, the SEI does include detailed instructions. The SEI instructions give common examples of reportable gifts and explains the \$50 reportable limit as well as the maximum dollar limit that can be accepted from a single source during that reporting period. The first two examples listed under Commonly Reportable Gifts are "Tickets/passes to sporting or entertainment events" and "Tickets/passes to amusement parks." The employee signed and certified each SEI as to its accuracy.

The City Employee had Authority to Financially Benefit the Vendors

The employee's statements about not being involved in payments to vendors or awarding contracts are contradicted by the evidence we obtained. The employee had the authority to approve or reject vendor invoices before they were submitted for payment. The employee could approve thousands of dollars in contracts and had discretion to authorize additional expenditures that were not specifically addressed in the contract.

Our review of the department's contracting records indicated that Vendor A was awarded millions of dollars in contracts.

The City Employee's Emails Reveal They Communicated With Vendor Representatives Without Subordinate City Employee Knowledge

A review of the employee's email contacts with subordinate employees, and representatives of Vendor A and Vendor B, revealed that the subject employee circumvented the City's efforts to manage contracts by communicating with contractor representatives on their personal email about contract issues without other City employees' knowledge. From as far back as 2011, we found emails from the employee's personal email account communicating with vendor representatives about issues discussed in City communications which the employee forwarded to the vendor representatives to discuss privately. The employee covertly advised Vendor A and Vendor B representatives to give them an advantage when dealing with the City on contract issues and warned them not to tell other City employees about their communications.

In one email, a City employee from another department discussed an issue with Vendor A about an invoice submitted for work not completed. That employee forwarded their email discussion to the subject employee and stated that they cannot pay a bid item for the full amount if the work has not been completed. The subject employee replied with their solution to let Vendor A bill for substantially all of the work, even though not all the work had been completed, and stated that it was not a problem unless the vendor is claiming they are over on a bid item.

The subject employee then forwarded their email conversation with the other department employee to Vendor A and advised the Vendor A representative to not tell any other City staff that the two had talked.

The Employee Covertly Advised Vendors on How to Increase Their Revenues on City Contracts

The subject employee acted as a consultant to Vendor A and Vendor B by reviewing and editing their invoices, bids, and correspondence. They also advised them on how to deal with the City on contract issues, even after the employee transferred to another City department. We found emails where the employee revised Vendor A's bid item to increase their revenues.

Hotline Investigation of Gifts Received by City Employee

In an email obtained from the employee's personal account, the employee reviewed a Vendor A invoice and revised it to increase the vendor's revenues. Vendor A sent an Excel spreadsheet file to the employee's personal email account and wrote, "I made this sheet for you to look at." The employee sent back a revised spreadsheet that increased some of the proposed costs by a total of \$37,000.

We found another email where the employee revised Vendor A's bid item to increase their revenues. Vendor A emailed the employee at their personal email account to ask a question about a contract line item. The employee wrote back:

...but you may have noticed I significantly bumped up a few lump sum bid items to your benefit and I changed the one contract you bid [increasing the cost to the City]

In an email exchange between the employee on their personal email account and Vendor B, the employee increased Vendor B's proposed rates on a job, without a subordinate employee's apparent knowledge, and told Vendor B not to tell the subordinate employee about their arrangement. The employee wrote:

It's on. Bill me [increased cost to City]. Please schedule it. Don't tell [subordinate employee]. I'm removing him from this contract. Too many issues. I'm assigning a newbie I just hired. Thanks!!

The Vice President (VP) of Vendor B also reached out to the subject employee for advice on issues with the City. The VP of Vendor B sent an email to the employee's personal email account with the subject line, "draft let me know your thoughts." The email contained a letter the VP wrote to a City official about a billing issue with the City. The employee responded to Vendor B:

I sent my edited e-mail through my secret account, [redacted]. There's no way I'm taking a chance on you guys somehow including my info on the email to [a City official].

The City Employee Continued to Covertly Advise Contractors After Transferring Out of the Department

During the timeframe of our investigation, the employee transferred from their department to a different City department. Although the employee no longer had responsibilities managing contracts, our investigation revealed that they continued to communicate with representatives of Vendor A and Vendor B and provide advice on their contracting issues with the City. Additional details are contained in the confidential version of our report. However, all the following quotes were from the employee's personal email account to the two vendors after the employee transferred to a different department:

- I'll write you up an e-mail to fix this crap they're trying to pull on you [referring to the employee's former subordinates].
- DON'T DO IT. The old bait and switch. You can't trust that group anymore. Too many chefs in the kitchen and none of them know what they're doing. I'll work on this.
- I told you...he's freaking out about the award timeline. Don't provide any cost estimates.
- They're all screwed over there and pissed off. And, they're FREAKING out that you haven't returned the EOC pages. DON'T return the pages until they give you the pricing you want.

Interviews of Vendor A and Vendor B Representatives Confirmed That Gifts Were Given

In a law enforcement interview, a Vendor A representative confirmed that they were friends with the employee and went to lunch together occasionally. The Vendor A representative also stated that the lunches were usually paid for with the Vendor A credit card. After being shown an email discussing airline tickets to attend a professional sporting event, the representative acknowledged that Vendor A paid for the employee to travel to attend the event. The Vendor A representative also

Hotline Investigation of Gifts Received by City Employee

stated that the employee participated in more than one golf tournament with Vendor A.

Law enforcement interviewed a Vendor B representative who stated that they had lunch with the employee a few times in the past. After being shown an email with attached photos discussing concrete cutting and removal at the employee's house, the representative recalled doing that job for the employee and characterized it as a favor for a friend. The Vendor B representative estimated the value of the job at \$1,500 to \$2,000. In regard to the purchase of two tickets to a Las Vegas show for the employee, the representative said the Vice President of Vendor B ordered the tickets for the employee as a thank you for all the help and advice. When asked if Vendor B gave any other gifts to the employee, the representative recalled that Vendor B gave the employee amusement park tickets one year at Christmas.

The City Employee Under-Reported Gifts Received

After being interviewed, the employee disclosed the gifts that they admitted to receiving. In summary, the employee received \$3,315 in gifts from Vendor A and Vendor B, but underreported them by \$1,675 based on information we obtained as part of this investigation. In addition to the items disclosed on their SEI, the employee did not disclose any lunches received in excess of \$50 per vendor per year. An analysis of the employee's personal emails and City calendar schedules for lunch dates shows they attended lunch on at least 21 occasions with Vendor A. The Vendor A representative stated that the lunches with the employee were usually paid for with the Vendor A company credit card. If we use the cost of an average lunch at \$10, the employee would have reached the SEI reportable \$50 threshold after five lunches.

The television that the employee won at the golf tournament raffle may be reportable if the donation is regarded the same as a donation to a government raffle. If it is reportable, the employee exceeded the gift limit from Vendor A in that year. On the FPPC website under Frequently Asked Questions: Form 700 Disclosure, Question 32 states:

Q: Do prizes donated to a governmental agency by an outside source constitute gifts under the Act if they were received by city employees in a

Hotline Investigation of Gifts Received by City Employee

drawing conducted by the city for all city employees participating in the city's charitable food drive?

A: Yes. The prizes are gifts if donated by an outside source and subject to the Act's limits and reporting requirements.

Further analysis by the FPPC is warranted to determine if the employee should have reported the value of the television.

Hotline Investigation of Gifts Received by City Employee

Conclusion

Our investigation determined that an employee accepted gifts from vendors who did business with the City and did not disclose the gifts on annual SEI disclosures until the gifts were revealed in the investigation. In some of the years, the gifts exceeded the legal limit as set forth in the California Code of Regulations. In addition, the employee failed to disclose all the gifts received on their SEIs, and they under-reported the value of the gifts by over \$1,600.

We also found that the employee favored Vendor A and Vendor B when communicating with vendor representatives on a personal email account about contract issues without other City employees' knowledge, and when acting as a consultant to the vendor on contracting issues with the City. As a classified employee, the employee is not under the jurisdiction of the Ethics Commission. Classified employees who are required to file an SEI make up the largest group of City employees who file SEIs.

Our four recommendations are designed to hold the employee and the vendors responsible and to improve City operations. The following is a summary of our recommendations and management's responses.

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

- 1. We recommend that the Chief Operating Officer present a revision of SDMC §26.0413(a)(4) to the City Council to include Classified employees who file SEIs be under the jurisdiction of the Ethics Commission for both education and enforcement purposes. (Priority 2)**

Management Response: Agree

Target Implementation Date: Given the current work situation related to COVID-19 we expect to present a draft ordinance to Committee in December, 2020.

- 2. We recommend that the Chief Operating Officer review the details from our Confidential report, conduct an independent investigation, and take the appropriate corrective action with respect to any identified City employees. (Priority 1)**

Management Response: Agree

Target Implementation Date: Fact Finding will begin no later than May 1, to be concluded by July 1st. Appropriate personnel actions will be initiated upon conclusion of the Fact Finding investigation.

Hotline Investigation of Gifts Received by City Employee

- 3. We recommend that the Chief Operating Officer consider permanent debarment for Vendor A for lack of business integrity. Under SDMC 22.0807 Grounds for Permanent Debarment, (1) (B) states, "any offense, action, or inaction indicating a lack of business integrity or business honesty." (Priority 1)**

Management Response: Agree

Target Implementation Date: COO will determine if debarment proceedings are to be initiated by July 1st. If proceedings are to be initiated, they will commence within 30 days of the COO's determination.

- 4. We recommend that the Chief Operating Officer consider permanent debarment for Vendor B for lack of business integrity. Under SDMC 22.0807 Grounds for Permanent Debarment, (1) (B) states, "any offense, action, or inaction indicating a lack of business integrity or business honesty." (Priority 1)**

Management Response: Agree

Target Implementation Date: COO will determine if debarment proceedings are to be initiated by July 1st. If proceedings are to be initiated, they will commence within 30 days of the COO's determination.

Hotline Investigation of Gifts Received by City Employee

This investigation was conducted by Fraud Investigator Gina Rouza under the authority of California Government Code Section 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 "Kyle Elser". The signature is written in a cursive, flowing style.

Kyle Elser
Interim 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 priority.