

# Fraud Hotline Procedures Manual

Revised February 2026

Office of the City Auditor  
City of San Diego



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**Foreward**

The purpose of this manual is to establish internal policies and procedures for the Office of the City Auditor regarding reports of fraud, waste, and abuse. This manual serves as a reference guide for staff and helps ensure that work related to the Fraud Hotline is conducted in a consistent, fair, and professional manner. This manual is not intended to address every potential contingency. The City Auditor is ultimately responsible for the administration of the Fraud Hotline and directs the work of the Fraud Investigators and audit staff, including any updates to this manual.

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## I. Overview of the Fraud Hotline Program

### A. Introduction

#### 1. Objective

The primary objective of the Fraud Hotline is to provide a means for City of San Diego employees and residents to confidentially report (1) any activity or conduct in which he/she suspects instances of fraud, waste, or abuse and (2) violations of certain local, state, or federal laws and regulations relating to fraud, waste, or abuse as defined at California Government Code §53087.6(f)(4) (Amended by Stats. 2024, Ch. 568, Sec. 5. (AB 2455) Effective January 1, 2025.).

#### 2. City Auditor's Authority

California Government Code 53087.6 establishes the City Auditor's authority to maintain a whistleblower hotline to receive information regarding fraud, waste or abuse. In addition, City Charter §39.2 states:

The City Auditor shall have access to, and authority to examine any and all records, documents, systems and files of the City and/or other property of any City department, office or agency, whether created by the Charter or otherwise. It is the duty of any officer, employee or agent of the City having control of such records to permit access to, and examination thereof, upon the request of the City Auditor or his or her authorized representative. It is also the duty of any such officer, employee or agent to fully cooperate with the City Auditor, and to make full disclosure of all pertinent information. The City Auditor may investigate any material claim of financial fraud, waste or impropriety within any City department and for that purpose may summon any officer, agent or employee of the City, any claimant or other person, and examine him or her upon oath or affirmation relative thereto.

#### 3. Structure

The Office of the City Auditor has contracted with an independent third-party provider to receive Fraud Hotline calls from City employees and the public at 866-809-3500 providing complete confidentiality. The caller can choose to

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remain anonymous. The third-party provider issues a report for each call and submits the reports to the City Auditor for investigation or referral as described below. The third-party provider also offers online reporting. The link to the reporting form is accessible through the Office of the City Auditor’s public web page by following a link labeled “Fraud, Waste, and Abuse Hotline.”

Employees, vendors, and residents may also contact the Office of the City Auditor directly in person, by telephone, email, or by written correspondence. These communications are also treated confidentially.

Records and information obtained directly from whistleblowers, either through the third-party provider or other means will be considered Fraud Hotline records and handled according to the procedures defined in this manual.

#### **4. Reporting**

In compliance with Municipal Code §26.1710(d), the City Auditor issues a quarterly summary report regarding the Fraud Hotline activity and presents it to the Audit Committee to review and accept. The City Auditor’s Quarterly Fraud Hotline Report will include the number, category, and disposition of the reports received. To the extent permissible by California Government Code §53087.6, the report will describe the resolution for the reports made to the Fraud Hotline. The allegations are determined to be either substantiated, corrective action taken, unsubstantiated, or no further action necessary.

When a significant allegation is substantiated, a public Fraud Hotline Investigation Report will be issued. The City Auditor will determine which allegations are significant, and will exercise discretion regarding the nature, timing, and extent of public reports of substantiated Fraud Hotline investigations. The City Auditor will maintain the appropriate level of confidentiality regarding all Fraud Hotline information, including the information provided in public reports. In order to protect the confidentiality and integrity of investigations, whistleblowers who provide an allegation will not be given details or updates regarding the investigation except for the information provided in publicly-issued reports.

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Prior and current Fraud Hotline reports and identified risks relevant to performance audits conducted by the Office of the City Auditor will be reported to the audit team as part of the Government Auditing Standards' requirement to consider fraud risks when planning audit procedures.

## **B. Terms & Definitions**

### **1. Audit Committee**

The Audit Committee is comprised of two members of the City Council and three public members with expertise in accounting, auditing, and financial reporting. See San Diego Municipal Code §26.1701 et seq. and Charter §39.1.

The duties of the Audit Committee are:

- a. To have oversight responsibility over the City's auditing, internal controls and any other financial or business practices required
- b. To direct and review the work of the Office of the City Auditor
- c. To retain and monitor the independent auditor with regard to the presentation of the City's annual financial reports

### **2. Citizen Complaints**

Fraud Hotline reports are not "Citizen Complaints" as defined in the City's Memorandum of Understanding with employee labor organizations and do not trigger notice requirements. Union-represented employees do not have the right to union representation within the context of Fraud Hotline investigations. See Section XI Memorandum of Process Overview.

### **3. Commission on Police Practices**

The Commission on Police Practices:

- a. Provide an independent investigation of officer-involved shootings and in-custody deaths
- b. Provide an unbiased evaluation of all complaints against the San Diego Police Department and its personnel
- c. Conduct investigations and evaluations in processes that are transparent and accountable to the community

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- d. Evaluate and review SDPD policies, practices, training, and protocols and represent the community in making recommendations for changes

See San Diego Municipal Code §26.1101 et seq.

#### **4. Ethics Commission**

The Ethics Commission is a body of appointed volunteer City officials, formed in 2001 for the purpose of monitoring, administering, and enforcing the City's governmental ethics laws. The Commission is also involved with proposing new governmental ethics law reforms, conducting investigations, referring violations to appropriate enforcement agencies, auditing disclosure statements, and advising and educating City officials and the public about governmental ethics laws. The Ethics Commission is composed of seven members appointed by the Mayor from a pool of nominees made by the City Council and City Attorney and confirmed by City Council. The Ethics Commission is an independent department that does not report to the Mayor or City Council. The jurisdiction of the Commission includes "employees of the City, other than classified employees as that term is defined in San Diego City Charter Section 117, who are required to file economic interest disclosure forms pursuant to a conflict of interest code," See San Diego Municipal Code §26.0401 et seq.

#### **5. Fair Political Practices Commission**

The Fair Political Practices Commission is a State commission with a staff that investigates potential violations of the Fair Political Practices Act. Common violations the commission enforces include financial conflicts of interest; laundered campaign contributions; improper use of campaign funds; and false, inadequate, or inaccurate reporting on statements of economic interests, campaign statements, and reports. The Fair Political Practices Commission, rather than the City's Ethics Commission, would be able investigate classified City employees who are required to file economic interest disclosure forms pursuant to a City department's conflict of interest code.

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## **6. Fact-Finding Investigation**

A Fact Finding is an administrative process used to investigate allegations of City employee misconduct that may violate City or department policies and procedures. A Fact Finding is conducted by the department director or designee and involves interviewing the complainant, witnesses, subjects and other employees. According to State law and City policy, there are requirements regarding truthfulness, cooperation in answering questions, rights to legal representation, and other formal procedures related to formal Fact-Finding investigations. According to the City's manual, "The purpose of a Fact Finding is to conduct an unbiased inquiry into an event to determine what actually happened, what role the employees played and what further action, if any, is appropriate." See the City's Dimensions in Discipline manual for more information.

## **7. Fraud Hotline Reports**

Information received from a whistleblower, or Fraud Hotline reporter, is documented in an organized Fraud Hotline report. These reports are disseminated to the City Auditor's designated recipients. Reports that are made directly to the Office of the City Auditor in person, by telephone, email, or by written correspondence are also entered into the Case Management System as a Fraud Hotline report. The Case Management System maintains a record of all Fraud Hotline reports, but the system of record is the Office of the City Auditor's recordkeeping system (electronic and hard copy).

**8. Fraud, Waste, or Abuse**

California Government Code §53087.6(f)(4) defines the terms, “fraud, waste, or abuse” or “improper governmental activity” as follows:

any activity by a local agency, employee, or contractor or subcontractor that may be in violation of any local, state, or federal law, ordinance, or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse or misappropriation of government property, funds, or resources, or willful omission to perform a duty, is economically wasteful, or involves gross misconduct.

For the purposes of the administration of the Fraud Hotline, the Office of the City Auditor will apply the following definitions.

<b>Violation</b>	<b>Definition</b>
Abuse	Official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances
Bribery	The corrupt payment, receipt, or solicitation of a private favor or payment for official action
Coercion	Compulsion by physical force or threat of physical force; threat of taking or withholding official action or causing an official to take or withhold an action
Conversion	The wrongful possession of or interference with the City's property as if it were one's own

<b>Violation</b>	<b>Definition</b>
Corrective Action	If a Fraud Hotline report's allegations could not be substantiated, but the department took corrective, proactive, or preventative measures to reinforce a policy or procedure, improve internal controls, or to improve City operations, the Fraud Hotline report may be closed as "corrective action taken" even though the result of the investigation did not include formal discipline of a City employee.
Corruption	The impairment of a public official's duties, such as by bribery
Fraud	Any intentional act or omission designed to deceive others, resulting in the victim (City of San Diego) suffering a loss and/or the perpetrator achieving a gain. Whether an act is, in fact, fraud is determined through the judicial or other adjudicative system and is beyond Office of the City Auditor's professional responsibility.
Fraudulent claims	A misrepresentation of facts in a claim to receive compensation
Gross misconduct	An indifference to, and a blatant violation of, a legal duty with respect to the rights of others
Malfeasance	Wrongdoing or misconduct by a City official
Malicious prosecution	Intentionally (and maliciously) instituting and pursuing (or causing to be instituted or pursued) a legal action that is brought without probable cause and dismissed in favor of the victim that caused damages

<b>Violation</b>	<b>Definition</b>
Misuse of government property	The wrongful misuse of the City's property
Substantiated	A conclusion based on sufficient and appropriate evidence that fraud, waste, or abuse either has occurred, or is likely to have occurred, based on an allegation, or information obtained during an investigation—not a determination of the guilt or innocence of any person.
Theft of government property	Unauthorized taking into one's possession of property owned by the City
Unsubstantiated	A conclusion that: there is insufficient evidence to determine that an allegation of conduct constituting fraud, waste, or abuse has occurred; there is sufficient and appropriate evidence to conclude that the alleged conduct did not occur; or that extenuating or mitigating circumstances excused the alleged conduct. A conclusion that the allegation was unsubstantiated should not be interpreted as a determination regarding the guilt or innocence of any person.
Waste	Waste is the act of using or expending resources carelessly, extravagantly, or to no purpose, and relates primarily to mismanagement, inappropriate actions, and inadequate oversight.
Willful omission to perform duty	Intentional failure to take action required by law or contract

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## 9. Hotline Intake and Review Committee

The Hotline Intake and Review Committee is composed of the following members or their designees (1) City Auditor, (2) Assistant City Auditor, (3) City Auditor’s Fraud Investigators, (4) Personnel Director, an (5) Human Resources Director.

This committee generally meets every two weeks to review all Fraud Hotline reports received since the prior meeting. A summary of reports that were not in the purview of the Fraud Hotline and investigations to be conducted by the Office of the City Auditor will be provided. In addition, Fraud Hotline reports to be referred to City departments for investigation and the results of prior investigations will be reviewed in detail by the committee. **Fraud Hotline reports to be referred to City departments for investigation include issues such as employee relations not involving management, customer service complaints, policy matters, or labor/management issues that have been made to the Office of the City Auditor either through the Fraud Hotline or by any other means.**

Reports received by the Fraud Hotline that allege certain labor/management issues (at the discretion of the City Auditor) are generally forwarded to the appropriate management function for review with no further action by the City Auditor. The complete facts of each case will determine the disposition, in consultation with HR/Personnel/other relevant agencies, as necessary. However, in order to maintain the integrity of the Fraud Hotline, responses may be requested from City departments even if the matter would not otherwise fall within the definition of fraud, waste, or abuse. For example, a customer service complaint regarding a water bill may be referred to the Public Utilities Department for a response in order for the City Auditor to ensure that the procedures in place to address billing complaints, and prior Performance Audit recommendations, have been implemented and are operating effectively.

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## **10. Resolution**

The resolution to a Fraud Hotline investigation conducted by a City department describes the steps the department took to investigate the allegation, the conclusions of the investigation and any corrective actions taken. Resolutions are determined to be either substantiated, corrective action taken, unsubstantiated, or no further action necessary.

If a report's allegations could not be substantiated, but the department took corrective, proactive, or preventative measures to reinforce a policy or procedure, improve internal controls, or to improve City operations, the Fraud Hotline report may be closed as "corrective action taken" even though the result of the investigation did not include formal discipline of a City employee.

## **11. Third-Party Provider**

The City contracts with an independent third-party company to receive Fraud Hotline reports 24 hours a day, 365 days a year. Live telephone interviewers ask probative questions to assist whistleblowers in obtaining the information deemed necessary to verify and process the reports. This information is then documented in the form of a Fraud Hotline report. If needed, the third-party interview specialists utilize translators to enable them to conduct live interviews in languages other than English. The third-party company also hosts an online web intake form to collect Fraud Hotline reports and documentation.

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## II. Marketing of the Fraud Hotline

To emphasize the importance the City places on addressing fraud, waste, and abuse, the City shares information on the Fraud Hotline and its purpose with City employees and the public in the following manner:

1. The City prints and distributes a Fraud Hotline poster to all City Departments to be displayed both in break areas and within public view using the same distribution list that is used for the Federal and State labor law advisements.
2. The Fraud Hotline is accessible from the home page of the City's website as a drop-down menu.
3. The Fraud Hotline is accessible through a direct link on the City Auditor web page.
4. YouTube videos about the Fraud Hotline and whistleblower protections were published in November 2024 in both English and Spanish.
5. New Employee Orientation trainings include a module on the Fraud Hotline.
6. City TV displays the Fraud Hotline phone number routinely.
7. Quarterly Fraud Hotline Activity Report presentations to the Audit Committee are shown on City TV and recorded.
8. Citywide email communications about the Fraud Hotline are sent throughout the year.
9. The Get It Done app includes a link to the City Auditor's web page for reporting Fraud, Waste, or Abuse as a Frequently Asked Question.
10. Department-specific and City-sponsored training regarding the Fraud Hotline is included in the City's Finance Academy and Procurement Academy.

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### **III. Confidentiality, Whistleblower Protections, and Retaliation Protection**

#### **A. Policy**

1. Allegations that lead to Fraud Hotline investigations usually involve sensitive issues, impact the subject department, are against people in positions of responsibility and trust, and are derogatory in nature.
2. Some reports cannot be resolved without revealing the reporter's identity. The identity of the reporter shall not be disclosed without the written permission of whistleblower as required by California Government Code §53087.6(e). If the reporter does not consent to the disclosure of their identity, investigators should advise the reporter of how this might limit an investigation of their allegations.
3. During an investigation, the investigator should not reveal the names of reporters, witnesses, or subjects to anyone unless it is necessary for the successful conduct of the investigation. The investigator should avoid providing information to the subject department or the responsible authority identifying a Fraud Hotline reporter as the person who submitted the Fraud Hotline report without the reporter's prior written consent.
4. The City's Ethics Ordinance prohibits City Officials (unclassified City employees who are required to file a statement of economic interests) from retaliating against whistleblowers. Specifically, San Diego Municipal Code §27.3573(a) states:

It is unlawful for any City Official to use or threaten to use any official authority or influence to discourage, restrain, or interfere with any other person for the purpose of preventing such person from acting in good faith to report or otherwise bring to the attention of the Ethics Commission or other appropriate agency, office, or department any information which, if true, would constitute...

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5. Covered offenses include a City Official’s violation of any law or regulation, gross waste of City funds, and gross abuse of authority. Retaliation allegations may be filed with the Ethics Commission for investigation.

## **IV. Referral of Hotline Reports from Employees**

### **A. Policy**

1. The City’s Administrative Regulation 95.60, §4.13.1 states that City employees are “strongly encouraged to disclose, to the extent not expressly prohibited by law, improper governmental activities within their knowledge.” City employees may report to “a departmental manager and/or the City’s Fraud Hotline.”
2. All such reports and concerns shall be processed as described in Section V of this manual. Any report that does not fall within the purview of the fraud, waste, and abuse hotline may be closed with no further action at the City Auditor’s discretion, with or without review by the Fraud Hotline Intake and Review committee or may be referred to an appropriate government agency for review and possible investigation.

### **B. Filing of Malicious Reports**

Malicious reports will not be tolerated. The processing of a Fraud Hotline report requires staff time and attention regardless of its appropriateness. Mistaken reports are not considered malicious. However, reports made frivolously, in bad faith, or without factual basis may constitute defamation and may be legally actionable.

Reports that, in the judgement of the City Auditor, appear to be exclusively motivated by bias, discrimination, or retaliation against individuals based on protected characteristics—such as race, color, national origin, sex, gender identity or expression, sexual orientation, religion, disability, age, or any other status protected under California or federal law—may be considered a form of malicious reporting.

Such reports may be segregated in the case management system, omitted from quarterly Fraud Hotline activity reports, and may result in disciplinary

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action in accordance with applicable City policies and procedures, up to and including dismissal. Lodging a malicious Fraud Hotline report is, in itself, a category of unethical behavior.

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## V. Processing of Fraud Hotline Reports

### A. Receipt and Control of Reports

1. A third-party provider receives and records all Fraud Hotline calls through a designated toll-free number (866-809-3500). Information from such calls and online reports is recorded on a Fraud Hotline report. In order to process a report, the following information is helpful:
  1. The alleged misconduct involves a City of San Diego employee, a contractor, or a vendor that has been or is currently doing business with the City of San Diego
  2. Name(s) of the individual(s) involved, if known
  3. Circumstances surrounding how the alleged misconduct occurred
  4. Where, or in what department, the alleged misconduct occurred
  5. When the alleged misconduct occurred
  
2. Upon completion of a reporter's call or online report, the independent third-party provider sends a Fraud Hotline report to the City Auditor who makes the determination of how the report will be investigated. At the time of the call, in the instance where the reporter has identified him/herself, the third-party provider shall ask whether the City Auditor may share his/her identity with persons outside of the Office of the City Auditor.
  
3. A Fraud Investigator will contact the Fraud Hotline reporter to verify if his/her identity may be shared. Identities of Fraud Hotline reporters will not be shared outside of the City Auditor without such permission, in writing via email or text message, and will comply with the California Government Code §53087.6.
  
4. Incomplete reports will result in a request for more information via the third-party provider's case management system and closed if the necessary details are not provided within 30 days of the last message from the Fraud Hotline reporter, or the initial report date if no subsequent information was provided. If the Fraud Hotline system was not used to make the initial report (such as anonymous notes delivered through interoffice mail) the incomplete Fraud Hotline report will be held open for 30 days.

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5. Note that Fraud Hotline reports are not “Citizen Complaints” as defined in the City’s Memorandum of Understanding with employee labor organizations and do not trigger notice requirements. Union-represented employees do not have the right to representation within the context of Fraud Hotline investigations. As such, a Fraud Investigator need not advise employees on the right to, or availability of, employee representation. See Section XI, Sample Fraud Hotline Investigation Admonishment Form, and Section XII, Memorandum of Process Overview.

## **B. Processing of All Reports Received Outside of the Fraud Hotline**

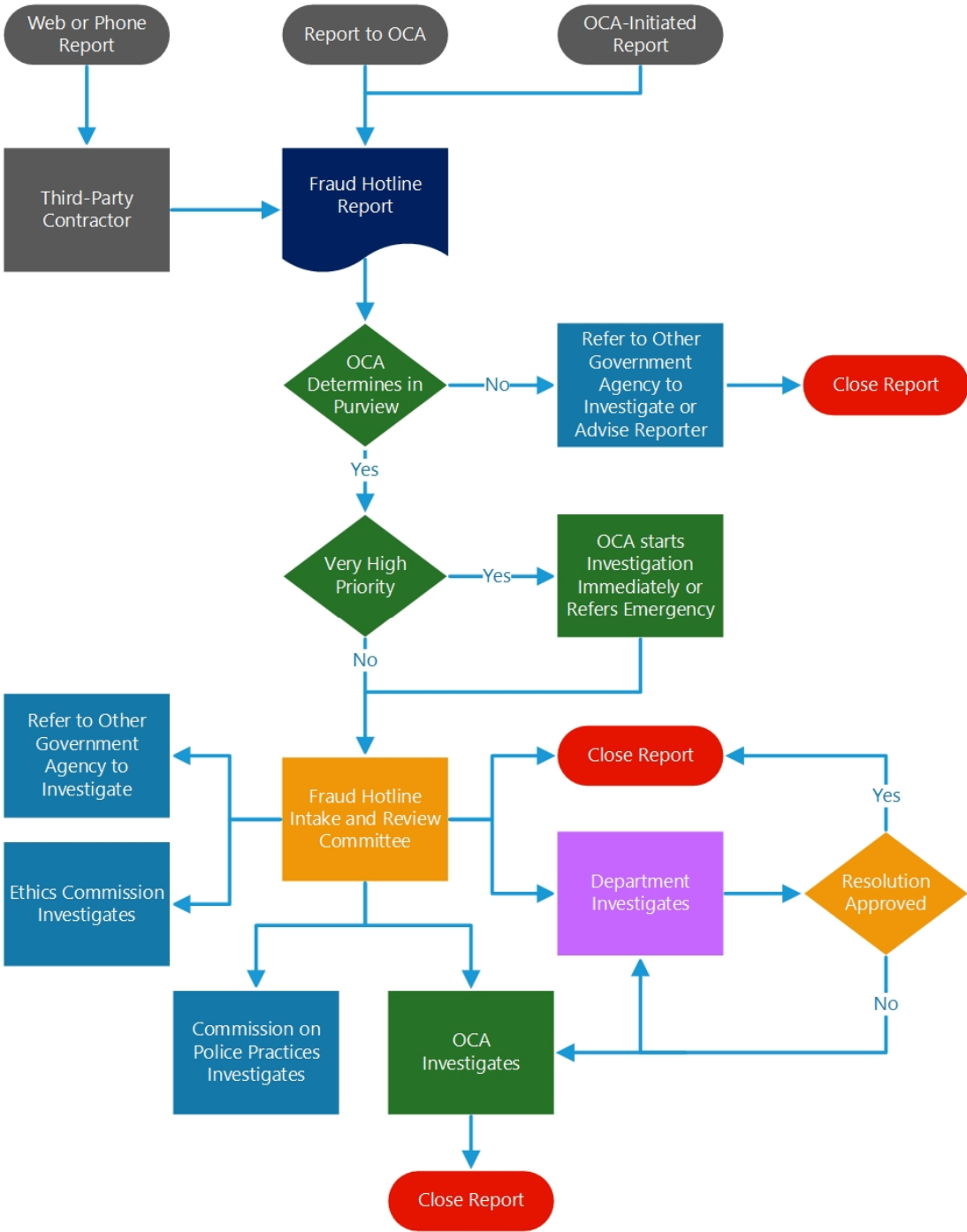
1. The Office of the City Auditor receives communications that can be considered Fraud Hotline reports by means other than through the Fraud Hotline (i.e. in person, email, telephone, or letter). Fraud Hotline reporters may still remain anonymous even though their identities may be known to staff within the Office of the City Auditor.
2. If the communication is provided in person, by telephone, email, or written correspondence, the Fraud Investigator logs, in writing, the factual allegation(s) of the report and attempts to obtain adequate information to facilitate an effective review.
3. A Fraud Investigator, Assistant City Auditor, and City Auditor will review the communication and make the determination whether the communication is a Fraud Hotline report or not.
4. If it is determined that the communication is in the purview of the Fraud Hotline, the report is entered into the third-party provider Case Management System as soon as possible in order to generate a unique Fraud Hotline report number.
5. Once entered into the Case Management System, the report is processed according to procedures as set forth in this section of this manual.

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### **C. City Auditor Self-Initiated Investigations**

- 1.** City Charter §39.2 provides the City Auditor with the authority to initiate investigations into any material claim of financial fraud, waste, or impropriety within any City department. The City Auditor may initiate investigations when information is received during the course of business, such as audit fieldwork, from media reports, or proactively obtained by other means, indicating that potential fraud, waste, or abuse is occurring or has occurred related to City activities.
- 2.** The Fraud Investigators, Assistant City Auditor, and City Auditor will review the information received and determine whether the allegation is in the purview of the Fraud Hotline and warrants an investigation.
- 3.** If it is determined that an investigation is warranted, the information is entered into the third-party provider Case Management System as soon as possible.
- 4.** Once entered into the Case Management System, the case is processed according to procedures as set forth in this section of this manual.

**D. Fraud Hotline Report Process Flow Diagram**



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## **E. Risk Prioritization and Escalation Procedures**

### **1. Prioritization**

The following general guidelines describe the three priority levels for Fraud Hotline investigations.

#### **High Priority**

Important high priority cases may include immediate safety concerns, ongoing, imminent, or recent criminal activity with identified crimes and suspects, or other urgent matters identified in the City's Threat Management Policy (Administrative Regulation 97.10). Based on the discretion of the City Auditor, addressing these allegations take priority over other investigations. The Fraud Hotline is not intended to be used to report emergencies. Emergencies should be reported immediately by calling 911. When a report is received that involves a City employee which is considered a time sensitive/high risk situation or needs immediate attention, it will be referred to the City's Threat Assessment Team as soon as practicable (once City Auditor staff becomes aware of the situation).

#### **Medium Priority**

Allegations that involve significant losses to the City, high-level staff involvement, collusion of multiple wrongdoers, a major department-wide issue, or a need for prompt action to stop a potential major financial fraud, waste, or abuse issue will generally be categorized as medium priority. The priority determination will be made at the discretion of the City Auditor based on several factors. These factors include the level of detail provided by the allegation, access to the whistleblower and corroborating documents, other staff priorities, and how long other allegations have remained open and unresolved. Medium priority allegations will be reviewed in biweekly Fraud Hotline Intake and Review committee meetings and referred to City departments, investigated by the Office of the City Auditor, other government agencies, or closed with no further action, as appropriate.

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### **Low Priority**

Allegations in this category could include a loss to the City of less than \$5,000, isolated instances of time abuse, wasteful practices that would lead to minor gains in efficiencies if corrected, or allegations that lack detail and supporting documentary evidence. Low priority allegations will be reviewed in biweekly Fraud Hotline Intake and Review committee meetings and referred to City departments, investigated by the Office of the City Auditor, other government agencies, or closed with no further action, as appropriate.

## **2. Escalation for High-Risk Threats**

When a report is received that is considered a high risk/threat situation, it may be designated for escalation by the third-party provider. These situations include, but are not limited to, workplace violence or threats, active substance abuse on City time, and retaliation against whistleblowers. Escalation will be triggered if the report received is considered high risk and if it is determined the incident is likely to happen within 24 hours. Officials in the Office of the City Auditor will refer high risk reports to the appropriate authority for a response. When a report is received that involves a City employee which is considered a time sensitive/high risk situation or needs immediate attention, it will be referred to the City's Threat Assessment Team as soon as practicable in accordance with the Threat Management Policy (Administrative Regulation 97.10).

## **F. Hotline Report Investigation Assignments**

Based on the nature of the Fraud Hotline allegation, the City Auditor may investigate or may determine that the report should be investigated by one of the following entities:

### **1. Ethics Commission**

The City Auditor will refer all Fraud Hotline reports involving matters that appear to be under the jurisdiction of the Ethics Commission to the Executive Director of the Ethics Commission. The Ethics Commission's Executive Director will review the referred report to determine if factual allegations exist that suggest a violation of any governmental ethics laws under its

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jurisdiction. If the Ethics Commission’s Executive Director determines that the Fraud Hotline report is not under its jurisdiction or that the report does not include enough information for consideration, the Fraud Hotline report may be returned to the City Auditor for processing.

## **2. Fair Political Practices Commission**

Alleged violations of the Political Reform Act of 1974 will be referred to the California Fair Political Practices Commission, 1102 Q Street, Suite 3050, Sacramento, CA 95811.

## **3. Commission on Police Practices**

Fraud Hotline reports against sworn police officers may be forwarded directly to the Commission on Police Practices based on consultation with the Executive Director and at the discretion of the City Auditor.

## **4. Audit Committee**

Fraud Hotline reports against the City Auditor shall be referred to the Audit Committee Chair for investigation and resolution.

## **5. Intake and Review Committee**

- a. Hotline reports that include issues such as employee relations, customer relations, labor/management issues, and personnel related matters will be reviewed by the Intake and Review Committee. The Intake and Review Committee will determine the appropriate City department for investigation and resolution of the Fraud Hotline report. The Intake and Review Committee will not review Fraud Hotline reports investigated by the Office of the City Auditor. The Intake and Review Committee will be advised of Fraud Hotline reports received that were determined to be outside of the purview of the Fraud Hotline, directly referred to a department due to a time-sensitive issue, and new Fraud Hotline reports to be investigated by the Office of the City Auditor.
- b. A standardized department referral email (see Section VIII of this manual) is sent to the appropriate department director, along with the

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attached Fraud Hotline report, and resolution form (see Section IX) generally within two business days of the Intake and Review Committee’s meeting. The email advises of the filing of the Fraud Hotline report and requests a resolution in 30 days. If the 30 days falls on a weekend or holiday, the next business day will be the due date. The City Auditor will grant extensions on a case-by case basis. The email also advises that the response should be provided by a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the Fraud Hotline report. The email states that no attempt should be made to determine the identity of an anonymous reporter.

- c. The City Auditor may also send a copy of the standardized department referral email to the Deputy Chief Operating Officer or other Appointing Authority, as appropriate.
- d. At the discretion of the City Auditor, based on the facts and circumstances of the report, a Fraud Hotline report may be referred to the appropriate department for action prior to the Intake and Review Committee meeting. Notice to the Intake and Review committee that a referral was made directly to the department director will be given at the next biweekly meeting after the referral is made. All high-risk reports will be addressed promptly, consistent with City policy.
- e. If a report is received by the City Auditor that contains allegations of misconduct or wrongdoing involving a member of the Intake and Review Committee, the member shall be informed that a report has been filed. That member shall recuse him/herself from the review of such report and any resolution provided by the investigating department.
- f. The resolution completed by the City department will be reviewed by the Intake and Review Committee to determine if the investigative actions and disposition are appropriate. The Intake and Review Committee can request additional information or clarification to resolutions. In rare cases, the City Auditor may take over an investigation initially conducted by a City department.

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## **G. Investigation Procedures**

### **1. Department Investigation**

- a. Department directors and any other personnel involved in the investigation of a Fraud Hotline report referred by the Office of the City Auditor or Intake and Review Committee for resolution shall not share the substance of a report with anyone except those individuals who are directly involved in and are essential to conducting the investigation. Any personnel provided with this information are required to hold and maintain all information obtained as confidential.
- b. The department director and those conducting a Fact-Finding investigation will disclose the nature of the allegation(s) only to the extent necessary to receive information sought. Such a disclosure may be made by providing only a summary of the allegation(s). However, care should be taken to provide no information that would compromise the Fraud Hotline reporter's identity as the whistleblower (without the prior written consent of the whistleblower) or otherwise violate applicable confidentiality restrictions. No attempt should be made to determine the identity of an anonymous reporter. Sharing allegations of non-compliance outside of the City Auditor's Intake process may be a violation of State law, and/or the policies and procedures of the City and may constitute cause for an Ethics complaint and/or for a legal claim of defamation, slander, invasion of privacy or other possible legal claims.
- c. Any breaches of confidentiality may result in disciplinary action.
- d. If a report involves a department director that includes but is not limited to issues such as employee relations, customer relations, labor/management issues and personnel related reports, it may be forwarded to the Deputy Chief Operating Officer or other Appointing Authority for investigation and review, or investigated by one or more of the City Auditor's Fraud Investigators.
- e. The Intake and Review Committee generally requires a response within 30 days of receiving the referral email. If the 30 days falls on a weekend or holiday, the next business day will be the due date. See

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Section IX for a sample resolution form. However, the City Auditor will grant extensions on a case-by-case basis.

- f. The Intake and Review Committee will review the resolution forms submitted by the departments at biweekly meetings to determine if the department's responses adequately resolve the allegations made in the reports. If the Intake and Review Committee determines that the resolution is sufficient, the case will be closed. A closing email will be sent to the department director indicating that the case has been closed and no further department action is necessary. See Section X for a sample closing email.
- g. If the Intake and Review Committee determines that the response inadequately addresses the allegation(s) raised in the report, the Intake and Review Committee will communicate their concerns or questions to the department director and request that the department director address the concerns. The department director will be provided with an opportunity to provide further clarification, which may include Fact-Finding reports or other documentation. The City Auditor may elect to take over an investigation that was initially referred to a department for resolution.

## **2. City Auditor Investigations**

- a. The Office of the City Auditor's Fraud Investigators will conduct investigations by following the procedures recommended by the Association of Certified Fraud Examiners' Fraud Examiners Manual for any allegations of improper financial activity and fraud, waste, or abuse. The scope of the investigation will be to determine if the accusations made are valid (including any additional issues identified independently of the initial allegations) and to determine if there are any potential internal control weaknesses that need to be corrected that allowed fraud, waste, or abuse to occur.
- b. The order that cases are worked on often depends on the importance of the cases. Important high priority cases may include safety concerns, criminal activity, significant losses to the City, high-level staff involvement, collusion of multiple wrongdoers, a major department-wide issue, or need for immediate action to stop a potential major

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issue. Based on the discretion of the City Auditor, addressing these items could take priority over other investigations and audits.

- c. For each fraud, waste, or abuse allegation that is determined to be significant, preliminary evidence will be gathered, such as reviewing the information provided via the Fraud Hotline, reviewing other pertinent records, and interviewing appropriate witnesses to assess if the allegation appears to be valid.
- d. The City Auditor will notify and consult with the appropriate law enforcement agency for any allegations that appear to involve criminal activity. Once a referral is made to a law enforcement agency, no investigative contacts will be made without the full concurrence of the law enforcement agency to which the matter has been referred.

State law requires that if a City employee retires while under investigation, the “public employer shall continue the investigation even after the employee retires if the public employer’s investigation indicates that the public employee may have committed a crime.” The law also requires that if the investigation “indicates that a public employee may have committed a crime, the public employer shall refer the matter to the appropriate law enforcement agency and the public employer may then close the investigation.” California Government Code §7522.76 (Added by Stats. 2025, Ch. 388, Sec. 1. (AB 1067) Effective January 1, 2026).

- e. When the Investigator receives a Fraud Hotline matter that is the subject of pending City litigation, investigation, or other legal proceeding, the Investigator should evaluate the impact of an investigation on the legal proceeding, prior to pursuing its own investigation. In some cases, it may be appropriate for the Investigator to cooperate with or conduct concurrent investigations; in other cases, the Investigator should withdraw from the investigation to avoid interfering with the legal proceeding.

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- f. Investigative procedures will generally include:
- i. Developing an investigative plan and determining the type of evidence to pursue based on the facts, circumstances, or indicators of fraud related to the allegation
  - ii. Interviewing potential witnesses and documenting the information gathered (the form included in Section XI of this manual will be used and signed by employees who may be subject to discipline or criminal investigation)
  - iii. Notifying and consulting with the Police Department, Ethics Commission, City Attorney's Office, or other government agencies as appropriate
  - iv. Gathering evidence and performing analysis as is appropriate, such as:
    - 1) Reviewing accounting records, payroll records, and credit card (P-Card) records
    - 2) Downloading and analyzing electronic data
    - 3) Reviewing emails and other forms of electronic correspondence
- g. All records requests will be made under the authority of Charter §39.2
- h. When an investigation by the City Auditor substantiates that fraud, waste, or abuse has occurred, a draft confidential report will be issued to the appropriate City management and the City Attorney's Office for feedback regarding potential factual errors or legal issues. The draft Fraud Hotline report will be forwarded to a level of management that is at least one level above those allegedly involved. The management response should not be provided by any of the individuals named in the Fraud Hotline report. Once the appropriate City management staff has reviewed the facts in the draft report, and provides the City Auditor with a response, the confidential report will be finalized and issued to the appropriate City management. The lack of a response from City management, or disagreement with the factual basis, conclusions, or investigative opinions will not preclude the City Auditor from finalizing the report and publishing a confidential and public version without a formal management response.

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- i. A public Fraud Hotline investigation report will also be issued for all significant substantiated investigations, or if the City Auditor deems that the information is necessary to serve the interests of the public. The public Fraud Hotline report will be posted on the City Auditor’s website. The City Auditor will include the information related to the public report in the Quarterly Report of Fraud Hotline Activities that is provided to the Audit Committee. In some cases, at the discretion of the City Auditor, less significant substantiated Fraud Hotline investigations will only be published in the Quarterly Report of Fraud Hotline Activities.
- j. Pursuant to California Government Code §53087.6(e)(2), the City Auditor has the discretion 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.”
- k. The Fraud Investigators will be given an opportunity to present the evidence obtained to the City staff conducting a Fact-Finding investigation panel if one is formed as a result of the Fraud Hotline investigation. See Section XI, Memorandum of Process Overview.
- l. The City Auditor will maintain the appropriate level of confidentiality regarding all reports and the information provided. Any Fraud Hotline investigative report issued to the public should not include any details of confidential information that cannot be disclosed under applicable laws, such as personnel issues. In accordance with California Government Code §53087.6(e), the identities of individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential, and their identities will not be included in any public reports.

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## H. Law Enforcement Referrals

### 1. Procedures

- a. The following is a summary of the procedures the Office of the City Auditor intends to follow with respect to Fraud Hotline investigations that may involve criminal conduct.
- b. Note that State law requires that if a City employee retires while under investigation, the “public employer shall continue the investigation even after the employee retires if the public employer’s investigation indicates that the public employee may have committed a crime.” The law also requires that if the investigation “indicates that a public employee may have committed a crime, the public employer shall refer the matter to the appropriate law enforcement agency and the public employer may then close the investigation.” California Government Code §7522.76 (Added by Stats. 2025, Ch. 388, Sec. 1. (AB 1067) Effective January 1, 2026).
- c. When information obtained through a Fraud Hotline investigation indicates that criminal acts may have occurred, may be occurring, or may occur in the future, the Office of the City Auditor intends to act in accordance with this manual, and as follows:
  - i) The City Auditor will evaluate the potential impact of the Fraud Hotline investigation on a criminal investigation.
  - ii) The City Auditor will notify and consult with the appropriate law enforcement agency for any allegations that appear to involve criminal activity.
- d. The appropriate law enforcement agency to be contacted for consultation may include the San Diego Police Department, the San Diego County District Attorney's Office, and Federal law enforcement agencies, at the discretion of the City Auditor.
- e. Notice to the City's management of the ongoing criminal investigation will be made in accordance with the wishes of the law enforcement

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agency based on the need to maintain the integrity of the criminal investigation, or other determination by the law enforcement agency.

- f. Once a referral is made to a law enforcement agency, the Office of the City Auditor will make no investigative contacts with City employees who may be subjects of the law enforcement investigation regarding the investigation subject matter without the full concurrence of the law enforcement agency to which the matter has been referred.
- g. In some instances, it may be appropriate for the Office of the City Auditor's Fraud Investigators to work with law enforcement investigators or other legal authorities who are conducting criminal investigations.
- h. In other instances, the Office of the City Auditor may close the Fraud Hotline case based on the referral to law enforcement. A status of "No further action necessary" may be used for public reporting purposes when Fraud Hotline cases are referred to law enforcement for investigation.
- i. Fraud Hotline investigation reports and other information provided to law enforcement by the Office of the City Auditor are subject to the confidentiality provisions of applicable City, State, and Federal statutes, rules, and regulations. The City Auditor will be the point of contact for dissemination of Fraud Hotline investigation documents, including any employee personnel documents, to law enforcement for referrals made by the Office of the City Auditor.
- j. A log of documents requested by a law enforcement agency will be generated and forwarded to the Human Resources Department Director for review and approval, in consultation with the Office of the City Attorney, prior to dissemination in order to ensure that the confidentiality of employee personnel documents is maintained, as required. The log should include the date of request, source of the record, custodian of the record, description of the record, conclusion regarding disclosure (disclose, disclose with redactions, or do not disclose without Court order)

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## **VI. Security for Hotline Reports and Associated Documents**

### **A. Policy**

- 1.** All Fraud Hotline reports, and associated documents received either through the Fraud Hotline, by mail, email, or other means, and those documents or notes of any interviews with City employees or residents, shall remain confidential at all times.
- 2.** Fraud Hotline report contents shall only be discussed with: management and staff in the City Auditor's Office with a need to know, attorneys and investigators from the City Attorney's Office, Law Enforcement regarding actual or potential referrals for investigation, Fraud Hotline Intake and Review committee members related to the work of the committee, and other individuals as determined by the City Auditor. Details regarding fraud risks associated with prior reports may be discussed with City Auditor staff as part of the Audit Planning and Risk Assessment processes. No copies are to be made of any Fraud Hotline reports or other documents except for discussion in Fraud Hotline Intake and Review committee meetings or when reports are forwarded to a department director for investigation and resolution. At the conclusion of each Fraud Hotline Intake and Review committee meeting all copies made for that purpose shall be destroyed and the original reports and associated documents shall be maintained in a secure manner or securely shredded by City Auditor staff. Electronic distribution of Fraud Hotline materials will be secured to prohibit printing and unique passwords will be required to view the files.
- 3.** Fraud Hotline reports or information provided therein shall only be provided to individuals who are responsible and essential for conducting the investigation or reviewing the report. These individuals are required to hold such information in strict confidence.
- 4.** The confidentiality of all reports and associated documents shall be maintained at all times by the Office of the City Auditor and investigating/reviewing departments, who shall take such measures as they determine are reasonable and necessary to maintain the confidentiality of such information and documents.

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5. City Auditor staff and City department staff responsible for investigating allegations made in a Fraud Hotline report can make investigative disclosures of information to the extent necessary for obtaining additional information or information otherwise unavailable.
6. Only the City Auditor, or his/her designee, in conjunction with the Office of City Attorney or outside legal counsel, is authorized to determine the distribution or release of any confidential reports and associated documents, in accordance with the California Government Code §53087.6, and any other applicable law.
7. Departments shall refer to the City Auditor any Public Records Act (PRA) or other requests for information or documents regarding Fraud Hotline reports. Assembly Bill 2455 (Stats. 2024, Ch. 568, Sec. 5. Effective January 1, 2025.) included findings by the Legislature that Fraud Hotline records are exempt from Public Records Act requests (Section 3 of Article I of the California Constitution), finding,

In order to protect whistleblowers, the California State Auditor or Controller, and any designee of the auditor or controller from undue exposure or retaliation while also protecting the actual and perceived integrity of investigations and preventing malfeasance, it is necessary to preserve the confidentiality of this information.

As a result, a standard response to PRA requests for Fraud Hotline records may state,

In response to your request, all responsive, non-exempt records have been uploaded [from the Office of the City Auditor]. Some records have been withheld pursuant to the following California Government Codes exemptions: CA Gov.'t Code Section 53087.6, specifically section (e)(2) says, "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 fraud, waste, or abuse or improper governmental activity and the subject employee or employees shall be kept confidential." Cal. Gov. Code Code § 7927.700

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(formerly Cal. Gov't Code § 6254(c)). The person making this decision to withhold the records is [name here]. This completes our response.

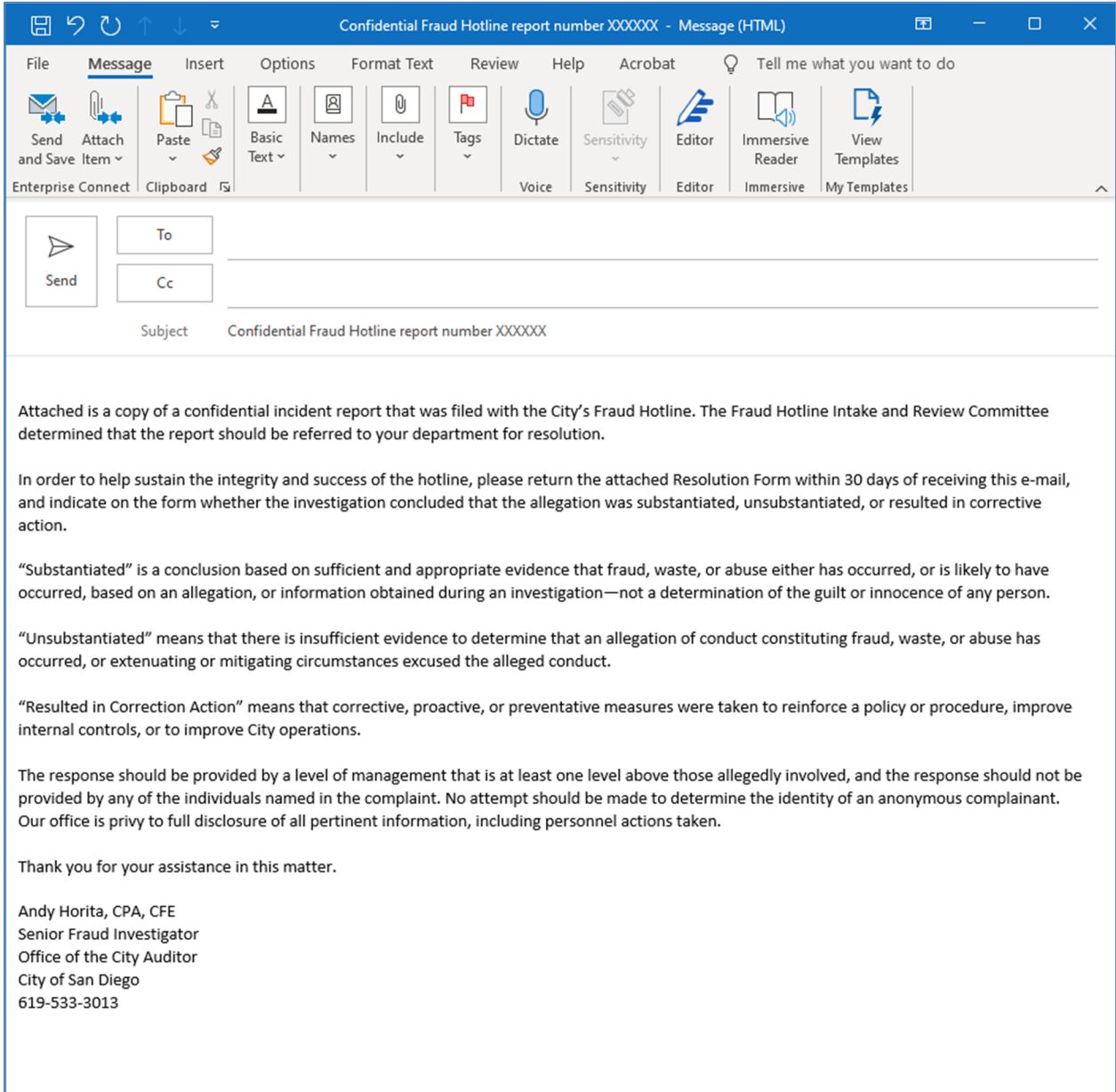
## **B. Confidentiality**

1. The City Auditor will prominently mark all reports and associated documents in both hard copy and electronic formats, concerning the review or investigation of reports as "Confidential." The City Auditor and departments will maintain strict confidentiality throughout the processing of all reports and through disposition of the investigation and thereafter. The City Auditor shall comply with the California Government Code §53087.6 that governs the confidentiality of Fraud Hotline reports filed with municipal governments.
2. In connection with reports and investigations under the Fraud Hotline, the confidentiality of such investigations and results shall be strictly protected by all City employees and officers in accordance with California Government Code §53087.6. Any breaches of the confidentiality provisions of this manual or applicable laws may result in disciplinary action. In the event any subsequent California or local laws or regulations relating to municipal whistleblower hotlines are enacted, all City Officers and employees shall comply with such later enacted applicable laws or regulations, whether or not they are reflected as revisions to this manual.

## **C. Custodian of Documents**

1. The City Auditor shall maintain custody of reports, associated reports, workpapers, emails, and all other pertinent information regarding any investigations of reports. Other parties involved in the investigation shall also retain their own documentation. All such documents shall be retained and or disposed of in accordance with Administrative Regulation 85.10, Records Management, Retention and Disposition, and any other applicable document retention policies of the City.

## VII. Sample Department Referral Email



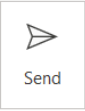
**VIII. Sample Resolution Form**

**City of San Diego**  
**Office of the City Auditor**  
**Confidential Fraud Hotline Resolution**

Report #	Resolution date:
<b>Describe how you resolved the issue/concern below:</b>	
Based on our investigation, the allegation was:	
<input type="checkbox"/> Substantiated <input type="checkbox"/> Unsubstantiated <input type="checkbox"/> Resulted in Corrective Action (specify):	
Name and Title:	
Date:	

Please return to Andy Horita [ahorita@sandiego.gov](mailto:ahorita@sandiego.gov)  
Office of the City Auditor

### IX. Sample Closing Email

 Send	To	
	Cc	
	Bcc	
	Subject	

Our office received your response to the Fraud Hotline Report referenced above. The Intake and Review Committee has reviewed the response and deems the response satisfactory; therefore, our office will close this case, and no further action will be taken regarding this matter.

If you have any questions regarding this report or the process, feel free to contact me.

We appreciate your contributions to improving the City's ethical climate.

Andy Horita, CPA, CFE  
Fraud Investigator  
Office of the City Auditor  
City of San Diego  
600 B Street, Suite 1350  
San Diego, CA 92101  
619-533-3013

## X. Sample Fraud Hotline Investigation Admonishment Form

### Fraud Hotline Investigation Admonishment

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This Fraud Hotline Complaint investigation is being conducted pursuant to California Government Code Section 53087.6 which grants the City Auditor authority to receive calls from persons who have information regarding fraud, waste, or abuse by City employees.

California Government Code Section 53087.6(e)(2) also states: “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 activity, and the subject employee or employees shall be kept confidential.”

The purpose of this questioning is to obtain information to assist the City Auditor in investigating a confidential Fraud Hotline Complaint. The City Auditor is not questioning you for the purpose of instituting criminal proceedings against you. However, during the course of this questioning, if you do disclose information which indicates that you may be guilty of criminal conduct, your self-incriminating statements, and any fruits thereof, may be used against you in any criminal proceeding. You have the right to refuse to answer any questions. However, for administrative purposes only, the evidentiary weight of your refusal to answer an incriminating question may be considered as a factor in the City Auditor’s investigation and subsequent administrative conclusion.

Please be aware that City Charter Section 39.2 sets forth the following: “It is the duty of any officer, employee or agent of the City having control of such records to permit access to, and examination thereof, upon the request of the City Auditor or his or her authorized representative. It is also the duty of any such officer, employee or agent to fully cooperate with the City Auditor, and to make full disclosure of all pertinent information. The City Auditor may investigate any material claim of financial fraud, waste or impropriety within any City Department and for that purpose may summon any officer, agent or employee of the City, any claimant or other person, and examine him or her upon oath or affirmation relative thereto.”

I have read and understand this admonishment.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name, Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness Signature

\_\_\_\_\_  
Printed Name, Title

\_\_\_\_\_  
Date

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## XI. Memorandum of Process Overview



THE CITY OF SAN DIEGO

### M E M O R A N D U M

DATE: September 16, 2016

TO: All Unclassified Employees

FROM: Eduardo Luna, City Auditor  
Judy von Kalinowski, Human Resources Department Director

SUBJECT: Overview of the Process from the Auditor's Office Fraud Hotline Complaint to the City's Administrative Process for Fact Finding Investigations

The information below is intended to provide guidance regarding the interaction between the Fraud Hotline Complaint/Investigation Process and the City's administrative process for Fact Finding Investigations.

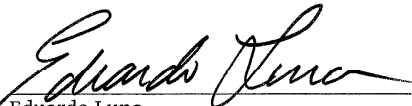
Please forward this memorandum to your Human Resources staff and/or staff who are, or will be, sitting on fact finding panels.

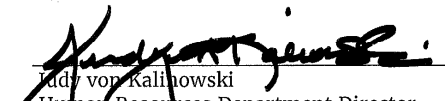
1. The Office of the City Auditor receives a Fraud Hotline Complaint either from a member of the public or internal employee. A complaint may be filed anonymously.
  - a. NOTE – A Fraud Hotline Complaint does not trigger any bargained-for employee notice requirements because it is not a "Citizen Complaint," as that term is used and defined in the City's Memorandum of Understanding with Local 127, MEA, and Teamsters Local 911. The City's Fraud Hotline was opened to the public in August of 2008, after the City's Memoranda of Understanding with Local 127 and MEA were established.
2. The Auditor's Office evaluates and determines if an investigation of the Fraud Hotline Complaint is necessary.
  - a. If an investigation by the Auditor's Office occurs:
    - i. The Auditor's Office need not advise employees on the right to, or availability of, employee representation. Any request for employee representation should be reviewed on an individual basis to determine if the circumstances permit representation.
    - ii. Employees are required to participate in the investigation in accordance with Personnel Regulations and City Charter Section 39.2.
3. The Auditor's Office concludes their investigation.
  - a. Unsubstantiated – Auditor's Office closes out complaint, no additional action needed.
  - b. Substantiated or Fact Finding Recommended – Auditor's Office forwards a memorandum or report indicating the Auditor's Office findings to the applicable Department. The Department will evaluate the Auditor's report and

Page 2  
All Unclassified Employees  
September 16, 2016

- determine if the circumstances warrant a Fact Finding Investigation. The Auditor's report itself may not be used to institute discipline. Discipline may only result from a separate and independent Fact Finding Investigation.
- i. NOTE – The Auditor's Office will redact the name of the complainant (unless written authorization from the complainant is obtained) and any other information consistent with California Government Code section 53087.6 prior to the complaint being forwarded to the Department.
4. If the Department elects to conduct a Fact Finding Investigation based on the Department's review of the Auditor's investigation, the Fact Finding Investigation must comply with the City's policies and procedures.
- a. NOTE – If the Fact Finding panel utilizes the memorandum or report from the Auditor's Office and there are violations of City policies as a result of the Department's Fact Finding then the employee will receive a copy of the redacted memorandum or report attached to the Fact Finding report.
  - b. The City Auditor's Fraud Investigator may request to provide an in-person or written briefing to the Fact Finding panel members on the results of the Fraud Hotline investigation, and to summarize the evidence obtained related to the subject employee.
  - c. The Department will provide a memorandum or close-out notice to the Auditor's Office that their Fact Finding Process has concluded.
  - d. The City Auditor is authorized to access any and all records, including Fact Finding reports under City Charter Section 39.2.
5. If the Department elects not to conduct a Fact Finding, the Department will provide a memorandum or close-out notice to the Auditor's Office. The memorandum should include a summary of the evidence that was considered and the rationale related to the determination that a Fact Finding was not necessary.

If you have any questions, please contact the City Auditor's Office at extension 33165 or your Human Resources Department Liaison.

  
Eduardo Luna  
City Auditor

  
Judy von Kalinowski  
Human Resources Department Director

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## XII. California Government Code Section 53087.6



State of California

GOVERNMENT CODE

Section 53087.6

53087.6. (a) (1) A city, county, or city and county auditor or controller who is elected to office may maintain a whistleblower hotline to receive calls from persons who have information regarding fraud, waste, or abuse or improper governmental activity.

(2) A city, county, or city and county auditor or controller who is appointed by, or is an employee of, a legislative body or the governmental agency that is governed by the city, county, or city and county, shall obtain approval of that legislative body or the governmental agency, as the case may be, prior to establishing the whistleblower hotline.

(3) A city, county, or city and county auditor or controller may identify a designee within the office responsible for the maintenance of the whistleblower hotline pursuant to this section.

(b) The auditor or controller, or the auditor's or controller's designee, may refer calls received on the whistleblower hotline to the appropriate government authority for review and possible investigation.

(c) During the initial review of a call received pursuant to subdivision (a), the auditor or controller, or the auditor's or controller's designee, or other appropriate governmental agency, shall hold in confidence information disclosed through the whistleblower hotline, including the identity of the caller disclosing the information and the parties identified by the caller.

(d) A call made to the whistleblower hotline pursuant to subdivision (a), or its referral to an appropriate agency under subdivision (b), may not be the sole basis for a time period under a statute of limitation to commence. This section does not change existing law relating to statutes of limitation.

(e) (1) Upon receiving specific information regarding fraud, waste, or abuse or improper governmental activity, a city or county auditor or controller, or auditor's or controller's designee, may conduct an investigative audit of the matter. The identity of the person providing the information that initiated the investigative audit shall not be disclosed without the written permission of that person, unless the disclosure is to a law enforcement agency that is conducting a criminal investigation. If the specific information is in regard to fraud, waste, or abuse or improper governmental activity that occurred under the jurisdiction of another city, county, or city and county, the information shall be forwarded to the appropriate auditor or controller for that city, county, or city and county.

(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 fraud, waste, or abuse or improper governmental 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.

(f) For purposes of this section, the following definitions apply:

(1) "Call" means any method of communication by which a person may submit information to the auditor or controller, including, but not limited to, a whistleblower hotline established under this section, that may include in-person notification, telephone call or voicemail, electronic mail, electronic text message, online form submission, facsimile, or other similar means. This paragraph is declaratory of existing law and shall not be construed or interpreted as creating new law or as modifying or changing existing law.

(2) "Contractor or subcontractor" means a person, firm, corporation, partnership, vendor, or association and its responsible managing officer, as well as any directors, owners, coowners, shareholders, partners, supervisors, managers, employees, and other individuals associated with the contractor or subcontractor who has submitted a bid or proposal; seeks to contract with, contracted with, or is in a contractual relationship with; or receives funding, including, but not limited to, grants from a city, county, or city and county, or nonprofit, agency, commission, or department created by the city, county, or city and county.

(3) "Employee" means any individual employed by any county, city, or city and county, including any charter city or county, and any school district, community college district, municipal or public corporation, or political subdivision that falls under the auditor's or controller's jurisdiction.

(4) "Fraud, waste, or abuse" or "improper governmental activity" means any activity by a local agency, employee, or contractor or subcontractor that may be in violation of any local, state, or federal law, ordinance, or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse or misappropriation of government property, funds, or resources, or willful omission to perform a duty, is economically wasteful, or involves gross misconduct.

(5) "Hotline" means any method of communication established by a city, county, or a city and county auditor or controller or the auditor's or controller's authorized representatives, as directed by a legislative body or the governmental agency that is governed by the city, county, or city and county. This paragraph is declaratory of

existing law and shall not be construed or interpreted as creating new law or as modifying or changing existing law.

(Amended by Stats. 2024, Ch. 568, Sec. 5. (AB 2455) Effective January 1, 2025.)