



THE CITY OF SAN DIEGO

DATE: October 29, 2013

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr1 Fiscal Year 2014**

The Office of the City Auditor administers the City's Fraud Hotline program. The primary objective of the Fraud Hotline is to provide a means for a City employee or citizen to confidentially report any activity or conduct—related to or involving City personnel, resources, or operations—for which he or she suspect instances of fraud, waste, or abuse.

The City's Fraud Waste and Abuse Hotline is operated pursuant to California Government Code §53087.6. The Statute defines , "fraud, waste, or abuse" *as any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct (§53087.6(f)(2)).*

The statute also requires that investigations conducted pursuant to its authority be 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.

The Network Inc., an independent third-party provider, accepts calls from City employees and the public at (866) 809-3500. Callers can choose to remain anonymous, providing complete confidentiality. The Network prepares a report for each complaint received and sends them to the Office of the City Auditor via email. Complaints can also be submitted directly to the Office of the City Auditor.



OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 555 • SAN DIEGO, CA 92101
PHONE (619) 533-3165 • FAX (619) 533-3036

TO REPORT FRAUD, WASTE, OR ABUSE CALL OUR FRAUD HOTLINE (866) 809-3500



Complaints Received in the First Quarter of Fiscal Year 2014

During the first quarter of fiscal year 2014 (July 2013 – September 2013), we received 12 Fraud Hotline complaints. Four (4) of the complaints were selected for investigation by the Office of the City Auditor. Three (3) complaints were presented to the Intake and Review Committee and referred to City Departments for investigation and resolution. City Auditor staff referred five (5) complaints whose allegations were not in the purview of the Fraud Hotline to the proper authority. Table 1 below summarizes the types of complaints received during FY 2014.

Table 1 – Complaints Received in 1st Quarter in Fiscal Year 2014

Office of City Auditor Investigations	Qtr 1	% of FY2014 Total
Safety and Sanitation Issues	1	
Fraud	1	
Unauthorized Discounts	1	
Theft of Time	1	
Subtotal OCA Investigations	4	57.1%
City Department Investigations		
Customer Relations	1	
Employee Relations	1	
Theft of Time	1	
Subtotal Department Investigations	3	42.9%
Total Complaints Received In Purview of Fraud Hotline	7	100%
Non-City Complaints or Complaints Not in Purview of Fraud Hotline	5	NA
Total Complaints Received in Qtr 1FY 2014	12	NA

Status of Hotline Complaints

As reported, 12 complaints were filed with the Hotline between July 2013 and September 2013. It was determined that five (5) complaints were not in the purview of the Fraud Hotline, leaving seven (7) complaints that were added to inventory.

In addition to the receipt of seven (7) new complaints, 21 complaints remained open and unresolved at the end of the previous quarter, for a total active inventory of 28 complaints. Table 2 below summarizes the status of the 28 active complaints.

Twelve (12) of the 28 active complaints remain open and unresolved, and 16 were closed. Of the 16 that were closed, the allegations in one (1) complaint were substantiated. The allegations in six (6) complaints were not substantiated but the department took corrective or preventative actions based on the information in the complaint. The allegations made in nine (9) complaints were closed as unsubstantiated.

Table 2 – Status of Fraud Hotline Complaints

Complaint Status	City Auditor Investigations	Referred to Dept	Total City-Related	Not In Hotline's Purview	Total
Unresolved on 7/01/2013	9	12	21	0	21
Received in 1st Qtr	4	3	7	5	12
Subtotal	13	15	28	5	33
Complaints Closed	-5	-11	-16	-4	-20
Substantiated	0	1	1	0	1
Corrective Action	1	5	6	0	6
Unsubstantiated	4	5	9	4	13
Unresolved on 9/30/2013	8	4	12	1	13

City Auditor Investigations Summary

Table 3 below summarizes the status of the 13 active City Auditor Fraud Hotline investigations during the first quarter of fiscal year 2014, including the incident type, complaint #, date the complaint was received, and a general description of the complaint, the case status, and final resolution.

Table 3 – Status of City Auditor Hotline Investigations

No.	Incident Type	Complaint #	Received	Date	Status	Date
	Allegation/ Outcome					
1	Policy Issues	117719154	Received:	2/25/2013	Closed: Corrective Action	8/28/2013
	Allegation of permit processing irregularities was resolved through the department's corrective actions. Senior management officials for the department responsible for the activity alleged in the complaint terminated their employment with the City, and the department took action to provide more opportunities for public comment on the proposed project.					

No.	Incident Type	Complaint #	Received	Date	Status	Date
	Allegation/ Outcome					
2	Policy Issues	116832116	Received:	7/16/2012	Closed: Unsubstantiated	7/26/2013
	Allegation of tenant water meter billing inequity was found to be unsubstantiated since a process exists to obtain individual metering of multi-family dwelling units. The complainant wanted the onus to collect fees shifted from the landlord to the tenant. The complainant was advised that this action is not in the purview of the City's Fraud Hotline and that the issue can be taken up with Public Utilities or the Independent Rates Oversight Committee.					
3	Fraud	118447407	Received:	5/23/2013	Closed: Unsubstantiated	8/20/2013
	Allegation of mishandling and covering up of personnel matter was found to be a duplicate to complaint # 118074460 which determined that a formal Fact-finding was properly convened and the Fact-finding panel properly investigated the original allegation.					
4	Waste and Abuse	116915612	Received:	8/6/2012	Closed: Unsubstantiated	8/28/2013
	Allegations that the City relied on false site plans to grant a building permit and further, that the construction commenced after the permit was issued caused damage to complainant's property was found to be unsubstantiated.					
5	Falsification of City Records	117767851	Received:	3/8/2013	Closed: Unsubstantiated	8/28/2013
	Allegation that a department manager used an employee's logon credentials to delete or change comments made in a City record was found to be unsubstantiated.					
6	Policy Issues	116846151	Received:	7/19/2012	Open/Unresolved	
	Allegation of permit processing irregularities.					
7	Theft of Time	116903095	Received:	8/2/2012	Open/Unresolved	
	Allegation of phantom appointments and misuse of telecommuting policies.					
8	Policy Issues	116920837	Received:	8/7/2012	Open/Unresolved	
	Allegation of permit processing irregularities.					
9	Policy Issues	117539722	Received:	1/11/2013	Open/Unresolved	
	Allegation of permit processing irregularities.					
10	Waste and Abuse	116154489	Received:	1/27/2012	Open/Unresolved	
	Allegation of purchases of unnecessary supplies and equipment.					

11	Safety/Sanitation Issues	118570347	Received:	9/11/2013	Open/Unresolved	
Allegation of violation of Clean-Fill Dirt policy.						
12	Unauthorized Discounts	118368843	Received:	7/29/2013	Open/Unresolved	
Allegation of inequities with water billing rates.						
13	Theft of Time	118461234	Received:	8/19/2013	Open/Unresolved	
Allegation of misuse of overtime.						

City Department Investigations Summary

The City Auditor, through the Intake and Review Committee, reviews the final resolution of complaints investigated by the departments to ensure that the department has taken the proper actions to resolve the complaint. A complaint whose allegations cannot be substantiated can still result in the department taking corrective, proactive, or preventative measures to reinforce a policy or procedure or to improve customer service.

Table 4 below summarizes the status of the 15 active Fraud Hotline investigations being conducted by the departments during the first quarter of fiscal year 2014, including the incident type, a general description of the complaint, and the case status.

Table 4 – Status of Department-Investigated Fraud Hotline Complaints

No.	Incident Type	Complaint #	Received:	Date	Status	Date
Allegation/Outcome						
1	Customer Relations	118040239	Received:	5/15/2013	Closed: Substantiated	8/14/2013
Allegation of inequality in water billing was found to be substantiated. A department review of the customer account determined that multiple billing periods recorded zero consumption. An onsite check of the meter determined that the meter was not functioning properly. A replacement meter was installed.						
2	Employee Relations	117930713	Received:	4/18/2013	Closed: Corrective Action	8/14/2013
Allegation of improper customer service was resolved by the department before being advised of the Hotline complaint. The department took corrective action before and the complainant was satisfied with the department action.						

No.	Incident Type	Complaint #	Received:	Date	Status	Date
Allegation/Outcome						
3	Customer Relations	118077069	Received:	5/23/2013	Closed: Corrective Action	8/28/2013
Allegations of rude and inconsiderate behavior was found to be unsubstantiated but the department took preventative action by discussing the complaint and counseling employees the importance of conducting themselves professionally at all times.						
4	Theft of Time	118388009	Received:	8/2/2013	Closed: Corrective Action	8/28/2013
Allegation of leaving work before end of shift was found to be unsubstantiated due to legitimate medical appointments. The department took corrective action by training supervisors regarding improved communications and the importance of advising staff regarding schedule and work hours.						
5	Policy Issues	117333348	Received:	11/17/2012	Closed: Corrective Action	9/12/2013
Allegation of misuse of City resources was found to be unsubstantiated when the department determined that the employee performed the Non-City related work offsite and on personal time. The department issued a verbal warning not to conduct or discuss personal business while on duty.						
6	Theft of Goods/Services	117960318	Received:	4/26/2013	Closed: Corrective Action	9/12/2013
Allegation of employee stealing City gas was found to be unsubstantiated since no substantial shortages were evident and no eyewitness observations were available. Department management has taken preventative action by discussing the complaint at group meetings and stressing the importance of employees coming forward with any suspicious observations. Department management is working with the City Attorney and Human Resources with meet-confer issues regarding installing surveillance cameras						
7	Theft of Time	117920813	Received:	4/16/2013	Closed: Unsubstantiated	8/14/2013
Allegation of using City time to perform activities related to outside employment was found to be unsubstantiated. The department had authorized activities of the employee that related to a non-profit organization provides technical assistance to rural communities along with providing refresher training to City employees.						

No.	Incident Type	Complaint #	Received:	Date	Status	Date
Allegation/Outcome						
8	Customer Relations	118123301	Received:	6/4/2013	Closed: Unsubstantiated	8/14/2013
Allegation of poor workmanship with street lining by a City contractor was found to be unsubstantiated when the department performed an onsite inspection.						
9	Theft of Goods/Services	117971457	Received:	4/29/2013	Closed: Unsubstantiated	9/4/2013
Allegation of illegal stopping and adjusting water meter was determined to be unsubstantiated. The department determined that the meter seal had been broken but a review of the consumption pattern did not identify any significant anomalies in the pattern of usage.						
10	Customer Relations	118558891	Received:	9/9/2013	Closed: Unsubstantiated	9/25/2013
Allegation of unprofessional treatment of customer was found to be unsubstantiated. The department determined that the customer was attempting to get City rates for non-City residents by fraudulently using City identification cards.						
11	Fraudulent Insurance Claims	117960393	Received:	4/26/2013	Closed: Unsubstantiated	9/12/2013
Allegation of fictitious disability claim was found to be unsubstantiated. The City Claims Representative stated this type of disability very hard to disprove since there are no witnesses to admissions allegedly made by the employee and no additional information was provided by the complainant.						
12	Employee Relations	117924541	Received:	4/17/2013	Open/Unresolved	
Allegation of poor work performance.						
13	Employee Relations	118063512	Received:	5/21/2013	Open/Unresolved	
Allegation of wasteful moving of workstations.						
14	Employee Relations	118073736	Received:	5/23/2013	Open/Unresolved	
Allegation of wasteful moving of workstations.						

No.	Incident Type	Complaint #	Received:	Date	Status	Date
Allegation/Outcome						
15	Employee Relations	118450473	Received:	8/16/2013	Open/Unresolved	
Allegation of inappropriate demeanor with subordinate employees						

Conclusion

The Office of the City Auditor is dedicated to ensure that all reported claims of fraud, waste, and abuse related to City operations are investigated and properly resolved. During the first quarter of FY 2014, we have applied approximately 436 hours administering the Fraud Hotline, coordinating Intake and Review Committee activities, and investigating Fraud Hotline complaints.

I will be prepared to discuss this report at the next available Audit Committee meeting.

Respectfully submitted,



Eduardo Luna
City Auditor

cc: Honorable Interim Mayor Todd Gloria
Honorable Members of the City Council
Walt Ekard, Interim Chief Operating Officer
Scott Chadwick, Assistant Chief Operating Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst