



## THE CITY OF SAN DIEGO

DATE: October 13, 2015

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Qtr 1 Fiscal Year 2016

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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 suspects 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."

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. 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.

The Network, an independent third-party provider, accepts calls from City employees and the public at (866) 809-3500 or online at [www.sandiego.gov/fraudhotline](http://www.sandiego.gov/fraudhotline). Callers can choose to remain anonymous and all information provided via the Hotline will remain confidential. 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, or online by following a link labeled "Fraud, Waste, and Abuse Hotline" on the City Auditor's home page.

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



### Complaints Received in the First Quarter of Fiscal Year 2016

During the first quarter of Fiscal Year 2016 (July – September 2015), we received 30 Fraud Hotline complaints. Nine complaints were investigated by the Office of the City Auditor. Twelve complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Nine complaints were not in the purview of the Fraud Hotline and were referred to the proper authority. **Table 1** below summarizes the types of complaints received during Fiscal Year 2016.

**Table 1 – Complaints Received in Fiscal Year 2016**

<b>City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Total FY 16</b>
Accounting/Audit Irregularities	1	1
Conflict of Interest	1	1
Fraud	2	2
Miscellaneous	1	1
Theft of Goods/ Services	1	1
Waste and Abuse	3	3
<b>Subtotal OCA Investigations</b>	<b>9</b>	<b>9</b>
<b>City Department Investigations</b>		
Fraud	2	2
Miscellaneous	1	1
Policy Issues	1	1
Theft of Goods/Services	1	1
Theft of Time	1	1
Waste and Abuse	6	6
<b>Subtotal Department Investigations</b>	<b>12</b>	<b>12</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>21</b>	<b>21</b>
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	9	9
<b>Total Complaints Received in FY 16</b>	<b>30</b>	<b>30</b>

### Status of Hotline Complaints

As reported, 30 complaints were filed with the Hotline between July 1, 2015 and September 30, 2015. It was determined that nine of these complaints were not in the purview of the Fraud Hotline, leaving 21 complaints that were added to the inventory.

In addition to the receipt of 21 new complaints for investigation, sixteen City-related complaints remained open and unresolved at the end of the previous quarter. One complaint from the previous quarter was closed as not in the purview of the Fraud Hotline, which resulted in an active inventory of 36 complaints during the first quarter of Fiscal Year 2016. **Table 2** summarizes the status of Fraud Hotline Complaints for the first quarter of Fiscal Year 2016.

Seventeen of the 36 active complaints remain open and unresolved, and 19 were closed. One City Auditor investigation was found to be substantiated, one resulted in corrective action, and five were unsubstantiated or were otherwise resolved. The allegations made in three Department investigations were found to be substantiated, two were closed with corrective action, and seven were unsubstantiated or were otherwise resolved.

**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 7/1/15	8	7	15	1	16
Received in 1 <sup>st</sup> Quarter	9	12	21	9	30
Subtotal – Active Inventory	17	19	36	10	46
Complaints Closed	-7	-12	-19	-10	-29
Substantiated	-1	-3	-4	0	-4
Corrective Action	-1	-2	-3	0	-3
Unsubstantiated/other	-5	-7	-12	-10	-22
Unresolved on 9/30/15	10	7	17	0	17

### City Auditor Investigations Summary

**Table 3** summarizes the status of the seventeen active City Auditor Fraud Hotline investigations during the first quarter of Fiscal Year 2016, including the incident type, complaint number, date the complaint was received, and a general description of the complaint, case status, and the final resolution.

**Table 3 – Status of City Auditor Hotline Investigations**

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
1	Waste and Abuse	121631069	Received	6/19/15	Substantiated	9/21/15
	Allegation regarding vendors with expired insurance policies was substantiated; however the Purchasing and Contracting Department has taken corrective action to ensure that vendor insurance policies will be current and in compliance with City requirements.					
2	Waste and Abuse	121366749	Received	4/29/15	Corrective Action	9/8/15
	Allegation regarding improper accounting practices related to a contract was not substantiated, but the City Department will take steps to improve documentation practices.					
3	Fraud	121412839	Received	5/8/15	Unsubstantiated	9/2/15
	Allegation that a City program was improperly administered.					
4	Waste and Abuse	121518863	Received	5/29/15	Unsubstantiated	9/14/15
	Allegation regarding overtime abuse at a City Department.					
5	Waste and Abuse	121518690	Received	5/29/15	Unsubstantiated	7/24/15
	Allegation regarding improper management of a City contract.					
6	Miscellaneous	121839191	Received	7/28/15	Unsubstantiated	8/13/15
	Allegation regarding franchise fees paid to the City for residential solar energy customers.					
7	Abuse	121864277	Received	8/2/15	Unsubstantiated	8/27/15
	Allegation regarding personal use of a City vehicle.					
8	Fraud	120338740	Received	10/1/14	Open/Unresolved	
	Allegation that an employee who works for a vendor that does business with the City has committed fraud in the past. [This case will remain open until debarment procedures are in place].					
9	Waste and Abuse	120944327	Received	2/6/15	Open/Unresolved	
	Allegation that there is no oversight of a large contract for services.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
10	Waste and Abuse	121425596	Received	5/11/15	Open/Unresolved	
Allegation that a City agency's travel practices violate the City's Travel policy.						
11	Accounting/Audit Irregularities	121800544	Received	7/21/15	Open/Unresolved	
Allegation of accounting irregularities related to vendor payments.						
12	Theft of Goods/Services	121806224	Received	7/22/15	Open/Unresolved	
Allegation of theft of City property.						
13	Abuse	121842995	Received	7/29/15	Open/Unresolved	
Allegation regarding unfair selection in a City department's hiring process.						
14	Fraud	121953695	Received	8/18/15	Open/Unresolved	
Allegation regarding the City's non-compliance with state law.						
15	Conflict of Interest	122081114	Received	9/10/15	Open/Unresolved	
Allegation regarding a conflict of interest related to outside employment.						
16	Abuse	122199158	Received	9/30/15	Open/Unresolved	
Allegation regarding abuse of discretion in violation of City policy.						
17	Fraud	122198989	Received	9/30/15	Open/Unresolved	
Allegation regarding fraud in public works contracting.						

### 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 nineteen active Fraud Hotline investigations conducted by the Departments during the first quarter of Fiscal Year 2016, 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/Outcome	Date
<b>Allegation/Outcome</b>						
1	Customer Relations	121317094	Received	4/20/15	Substantiated	7/15/15
	An allegation regarding a parking ticket and first-level appeal was referred to the department for investigation and later dismissed by an independent Hearing Officer after a second-level appeal hearing.					
2	Miscellaneous	121716783	Received	7/6/15	Substantiated	9/9/15
	An allegation regarding an employee misusing City equipment was investigated, and the City-issued cell phone was confiscated after it was determined that it was used for non-City business.					
3	Waste and Abuse	122004590	Received	8/27/15	Substantiated	9/9/15
	Allegation regarding water waste by a school was investigated and found to be substantiated. The Public Utilities Department's water conservation staff took action to ensure that the identified leak was repaired.					
4	Safety Issues and Sanitation	121366205	Received	4/29/15	Corrective Action	7/1/15
	Allegation that a City truck transported loose gravel on the highway and caused damage to a vehicle was not substantiated, but resulted in a reminder about safety and safe driving practices.					
5	Miscellaneous	121645698	Received	6/22/15	Corrective Action	7/29/15
	Allegation regarding a business operating without a Business Tax Certificate and an unsafe condition were investigated. No Code violations were identified with respect to the property, but a Business Tax Notice of Violation was issued that included taxes, penalties, and non-compliant surcharge fees.					
6	Waste and Abuse	121746896	Received	7/13/14	Unsubstantiated	9/9/15
	Allegation regarding a vendor's employee was investigated and found to be unsubstantiated.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
7	Customer Relations	121403193	Received	5/6/15	Unsubstantiated	7/15/15
Allegation that a city facility emitted a noxious vapor was investigated and found to be unsubstantiated.						
8	Theft of Goods/Services	121567378	Received	6/8/15	Unsubstantiated	8/26/15
Allegation that a City resident is stealing water from the City was investigated and found to be unsubstantiated.						
9	Waste and Abuse	121760097	Received	7/14/15	Unsubstantiated	8/12/15
Allegation regarding water waste by a City department was investigated and found to be unsubstantiated.						
10	Waste and Abuse	121776413	Received	7/17/15	Unsubstantiated	8/12/15
Allegation regarding excessive travel expenses for a department-sponsored trip was investigated and found to be unsubstantiated.						
11	Waste and Abuse	121576996	Received	6/9/15	No Further Action Necessary	7/15/15
Allegation regarding inefficient street repairs was investigated and it was determined that the repairs were consistent with approved City plans.						
12	Fraud	121870169	Received	8/3/15	No Further Action Necessary	8/26/15
Allegation regarding non-conforming construction by a contractor on a City construction project was closed due to insufficient information to investigate after multiple attempts to contact the complainant and no response received within a reasonable timeframe.						
13	Safety Issues and Sanitation	121605236	Received	6/15/15	Open/Unresolved	
Allegation regarding a Code violation.						
14	Theft of Time	121921674	Received	8/12/15	Open/Unresolved	
Allegation regarding un-necessary overtime created by a City employee.						
15	Theft of Goods/Services	121935290	Received	8/14/15	Open/Unresolved	
Allegation of theft of water.						
16	Abuse	121961101	Received	8/19/15	Open/Unresolved	
Allegation of theft of time.						
17	Fraud	122012538	Received	8/28/15	Open/Unresolved	
Allegation regarding a Building Code violation.						


No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
18	Waste and Abuse	122080559	Received	9/10/15	Open/Unresolved	
Allegation regarding wasteful staffing assignments.						
19	Policy Issues	122102474	Received	9/14/15	Open/Unresolved	
Allegation regarding a City department's hiring process.						

**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. In Fiscal Year 2016, we have applied approximately 467 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 Mayor Kevin Faulconer
- Honorable Members of the City Council
- Scott Chadwick, Chief Operating Officer
- Stacey LoMedico, Assistant Chief Operating Officer
- Jan Goldsmith, City Attorney
- Andrea Tevlin, Independent Budget Analyst