



THE CITY OF SAN DIEGO

DATE: January 8, 2014

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr2 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.



Complaints Received in the Second Quarter of Fiscal Year 2014

During the second quarter of FY 2014 (October 2013 – December 2013), we received 14 Fraud Hotline complaints. Three (3) 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. Eight (8) complaints whose allegations were not in the purview of the Fraud Hotline were referred to the proper authority. Table 1 below summarizes the types of complaints received during FY 2014.

Table 1 – Complaints Received in Fiscal Year 2014

City Auditor Investigations	Qtr 1	Qtr 2	Total FY 14	% of FY2014 Total
Waste and Abuse	0	1	1	
Employee Relations	0	1	1	
Policy Issues	0	1	1	
Safety and Sanitation Issues	1	0	1	
Fraud	1	0	1	
Unauthorized Discounts	1	0	1	
Theft of Time	1	0	1	
Subtotal OCA Investigations	4	3	7	53.8%
City Department Investigations				
Customer Relations	1	1	2	
Employee Relations	1	0	1	
Theft of Time	1	1	2	
Waste and Abuse	0	1	1	
Subtotal Department Investigations	3	3	6	46.2%
Total Complaints Received In Purview of Fraud Hotline	7	6	13	100%
Non-City Complaints or Complaints Not in Purview of Fraud Hotline	5	8	13	NA
Total Complaints Received in FY 14	12	14	26	NA

Status of Hotline Complaints

As reported, 14 complaints were filed with the Hotline between October 2013 and December 2013. It was determined that eight (8) complaints were not in the purview of the Fraud Hotline, leaving six (6) complaints that were added to inventory.

In addition to the receipt of six (6) new complaints for investigation, 12 complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 18 complaints during the second quarter of FY 2014. One (1) non-City related complaint received at the end of last quarter was closed in this current quarter. Table 2 below summarizes the status of Fraud Hotline Complaints for the second quarter of FY 2014.

Nine (9) of the 18 active complaints remain open and unresolved, and nine (9) were closed. One (1) City Auditor investigation was closed with Corrective Action. The allegations made in the eight (8) 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 10/01/2013	8	4	12	1	13
Received in 2nd Qtr	3	3	6	8	14
Subtotal – Active Inventory	11	7	18	9	27
Complaints Closed	-6	-3	-9	-9	-18
Substantiated	0	0	0	0	0
Corrective Action	1	0	1	0	1
Unsubstantiated	5	3	8	9	17
Unresolved on 12/31/2013	5	4	9	0	9

City Auditor Investigations Summary

Table 3 on the following page summarizes the status of the 11 active City Auditor Fraud Hotline investigations during the second quarter of FY 2014, including the incident type, complaint #, 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
Allegation/Outcome						
1	Policy Issues	118828956	Received:	10/4/2013	Closed: Corrective Action	12/18/2013
<p>The Audit Committee requested the City Auditor verify the expenses incurred and paid with City funds for the travel to Paris, France by former Mayor Bob Filner, his companion, and the Executive Protection Detail (EPD) Police Officers assigned to Filner. We found that no City funds were used to pay for the expenses of the former mayor and his companion. However, City funds in the total amount of \$24,641.86 were spent for the two (EPD) officers who accompanied Filner. We also found that two airfare ticket purchases exceeded the transaction limit established by the San Diego Municipal Code (SDMC). We recommended procedures that should be added to the San Diego Police Department’s (SDPD) Executive Protection Detail Operations Manual when the cost of air travel for the EPD exceeds the transaction limit established in the SDMC. The Police Department agreed with the recommendation.</p>						
2	Unauthorized Discounts	118368843	Received:	7/29/2013	Closed: Unsubstantiated	11/4/2013
<p>Allegation of inequities with water billing rates was found to be unsubstantiated. The City tenant that was subject of the allegation pays commercial rates listed on the City’s website for water and the sewer rate is calculated in the same manner as other commercial customers.</p>						
3	Policy Issues	116846151	Received:	7/19/2012	Closed: Unsubstantiated	12/5/2013
<p>Allegations of permit processing irregularities were found to be unsubstantiated. The plan review specialist who approved the plans provided an explanation and rationale for the determinations that were made, and provided SDMC cites to support the determinations. The expansion was made into a previously conforming space with no enlargement to the building envelope, and therefore no parking (SDMC §142.0530) or intensification of use (SDMC §126.0704) considerations were triggered.</p>						

No.	Incident Type	Complaint #	Received	Date	Status/ Outcome	Date
Allegation/Outcome						
4	Policy Issues	116920837	Received:	8/7/2012	Closed: Unsubstantiated	12/5/2013
<p>Allegations of permit processing irregularities were found to be unsubstantiated and/or not in the purview of the Fraud Hotline. The investigation found that the steep hillside determinations made by Development Services Department staff were consistent with the SDMC. The process for paying “in-lieu fees” relating to the Affordable/In-Fill Housing Expedite Program for condominium conversion issue appears to be a policy matter rather than fraud, waste, or abuse. The program has been in place for 10 years and generated over \$60 million in fees. The complaints regarding seismic concerns with the Broadway Complex were determined to be not in the purview of the City’s Fraud Hotline.</p>						
5	Waste and Abuse	118743730	Received:	10/17/2013	Closed: Unsubstantiated	12/5/2013
<p>Allegations of alteration of City contract terms with a vendor were found to be unsubstantiated. The cost of doing business threshold of 40 hours that the complainant believed that the contract was reduced to was determined to be the original rate cited by the vendor in the bid award documentation.</p>						
6	Employee Relations	118985635	Received:	12/9/2013	Closed: Unsubstantiated	12/12/2013
<p>Allegation of missing requirement of possessing four-year degree for specific City position found to be unsubstantiated. Minimum requirements included possession of State of California certification and three years of qualifying experience which produce knowledge, skills, and abilities beyond that of a four-year degree.</p>						
7	Theft of Time	116903095	Received:	8/2/2012	Open/Unresolved	
<p>Allegation of phantom appointments and misuse of telecommuting policies.</p>						
8	Policy Issues	117539722	Received:	1/11/2013	Open/Unresolved	
<p>Allegation of permit processing irregularities.</p>						
9	Waste and Abuse	116154489	Received:	1/27/2012	Open/Unresolved	
<p>Allegation of purchases of unnecessary supplies and equipment.</p>						

No.	Incident Type	Complaint #	Received	Date	Status/ Outcome	Date
Allegation/Outcome						
10	Safety/Sanitation Issues	118570347	Received:	9/11/2013	Open/Unresolved	
Allegation of violation of the Environmental Services Department Clean-Fill Dirt policy at the Landfill.						
11	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 seven (7) active Fraud Hotline investigations being conducted by the departments during the second quarter of FY 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/Outcome	Date
Allegation/Outcome						
1	Employee Relations	118063512	Received:	5/21/2013	Closed: Unsubstantiated	10/23/2013
Allegation of wasteful moving of workstations found to be unsubstantiated. Issue was subject with Meet/Confer negotiations with MEA. Staff moves implemented within management prerogative pursuant to Article 31 of MEA Memorandum of Understanding.						
2	Employee Relations	118073736	Received:	5/23/2013	Closed: Unsubstantiated	10/23/2013
Allegation of wasteful moving of workstations found to be unsubstantiated. Issue was subject with Meet/Confer negotiations with MEA. Staff moves implemented within management prerogative pursuant to Article 31 of MEA Memorandum of Understanding.						

No.	Incident Type	Complaint #	Received:	Date	Status/Outcome	Date
Allegation/Outcome						
3	Employee Relations	117924541	Received:	4/17/2013	Closed: Unsubstantiated	12/4/2013
Allegation of poor work performance. The Department determined the allegations were unsubstantiated.						
4	Employee Relations	118450473	Received:	8/16/2013	Open/Unresolved	
Allegation of inappropriate demeanor with subordinate employees.						
5	Theft of Time	118678631	Received:	10/4/2013	Open/Unresolved	
Allegation of failure to observe hours of duty.						
6	Customer Relations	118968719	Received:	11/14/2013	Open/Unresolved	
Allegation of department inaction with code compliance case.						
7	Waste and Abuse	119055691	Received:	12/23/2013	Open/Unresolved	
Allegation of poor maintenance at City facility.						

Conclusions

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 FY 2014, we have applied approximately 782 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
Scott Chadwick, Chief Operating Officer
Stacey LoMedico, Assistant Chief Operating Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst