



## THE CITY OF SAN DIEGO

DATE: January 7, 2015

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr2 Fiscal Year 2015**

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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" §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 or online at [www.sandiego.gov/auditor/](http://www.sandiego.gov/auditor/). 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 Second Quarter of Fiscal Year 2015**

During the second quarter of Fiscal Year 2015 (October 2014 – December 2014), we received 25 Fraud Hotline complaints. Six complaints were investigated by the Office of the City Auditor. Fourteen complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Five complaints 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 Fiscal Year 2015.

**Table 1 – Complaints Received in Fiscal Year 2015**

<b>City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Total FY 15</b>
Customer Relations	1	0	1
Fraud	5	2	7
Theft of Goods/Services	2	0	2
Theft of Time	1	0	1
Waste and Abuse	1	4	5
<b>Subtotal OCA Investigations</b>	<b>10</b>	<b>6</b>	<b>16</b>
<b>City Department Investigations</b>			
Customer Relations	3	2	5
Employee Relations	2	6	8
Fraud	2	4	6
Miscellaneous	1	0	1
Policy Issues	1	0	1
Safety and Sanitation Issues	1	0	1
Waste and Abuse	3	2	5
<b>Subtotal Department Investigations</b>	<b>13</b>	<b>14</b>	<b>27</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>23</b>	<b>20</b>	<b>43</b>
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	19	5	24
<b>Total Complaints Received in FY 15</b>	<b>42</b>	<b>25</b>	<b>67</b>

**Status of Hotline Complaints**

As reported, 25 complaints were filed with the Hotline between October 1, 2014 and December 31, 2014. It was determined that 5 complaints were not in the purview of the Fraud Hotline, leaving 20 complaints that were added to the inventory.

In addition to the receipt of 20 new complaints for investigation, sixteen City-related complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 36 complaints during the second quarter of Fiscal Year 2015. Table 2 summarizes the status of Fraud Hotline Complaints for the second quarter of Fiscal Year 2015.

Seventeen of the 36 active complaints remain open and unresolved, and 19 were closed. Five City Auditor investigations were closed with Corrective Action and one was closed with no further action necessary. The allegations made in twelve Department investigations were unsubstantiated or no further action was necessary, and one was closed with Corrective Action.

**Table 2 – Status of Fraud Hotline Complaints**

<b>Complaint Status</b>	<b>City Auditor Investigations</b>	<b>Referred to Dept</b>	<b>Total City-Related</b>	<b>Not In Hotline's Purview</b>	<b>Total</b>
Unresolved on 10/1/14	9	7	<b>16</b>	0	16
Received in 2 <sup>nd</sup> Qtr	6	14	<b>20</b>	5	25
Subtotal – Active Inventory	<b>15</b>	<b>21</b>	<b>36</b>	5	41
Complaints Closed	-6	-13	<b>-19</b>	-5	-24
Substantiated	0	0	0	0	0
Corrective Action	-5	-1	-6	0	-6
Unsubstantiated/other	-1	-12	-13	-5	-18
Unresolved on 12/31/14	<b>9</b>	<b>8</b>	<b>17</b>	0	17

**City Auditor Investigations Summary**

Table 3 summarizes the status of the fifteen active City Auditor Fraud Hotline investigations during the second quarter of Fiscal Year 2015, 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
<b>Allegation/Outcome</b>						
1	Policy Issues	119176970	Received:	1/21/14	Corrective Action	12/23/14
	<p>A Department-requested Fraud Risk Assessment was completed. We made six recommendations to help improve the Fleet Parts Division’s physical security and internal controls in order to reduce the opportunity for fraud to occur. Management agreed to implement all of the recommendations.</p> <p>A public report was issued on 12/23/14 and can be found at:</p> <p><a href="http://www.sandiego.gov/auditor/reports/fy15_pdf/hotline/15-010_Fleet_Services_Fraud_Risk_Assessment.pdf">http://www.sandiego.gov/auditor/reports/fy15_pdf/hotline/15-010_Fleet_Services_Fraud_Risk_Assessment.pdf</a></p> <p>A confidential report was also provided explaining in detail the fraud risks identified and related control weaknesses that should be addressed. The detailed report will not be distributed publically so that the control weaknesses we identified will not be exploited.</p>					
2	Policy Issues	119873674	Received:	6/23/14	Corrective Action	11/25/14
	<p>Allegation that a resident received multiple parking citations due to the unavailability of handicapped parking spaces. A handicapped parking space was installed at a location specified by the resident.</p>					
3	Customer Relations	119975120	Received:	7/16/14	Corrective Action	11/5/14
	<p>Allegation regarding Neighborhood Code Compliance and poor interactions with business owners was investigated and found to be unsubstantiated, but the Department corrected some information on the City's website regarding the citation process.</p>					
4	Theft of Time	120018746	Received:	7/25/14	Corrective Action	10/22/14
	<p>Allegation that an un-identified City employee is working for a different employer while on City time was investigated and found to be unsubstantiated, but the Department discussed City policy with staff.</p>					
5	Fraud	120219954	Received:	9/8/14	Corrective Action	12/3/14
	<p>Allegation that a City official failed to obtain construction permits was investigated and corrective action was taken to require the official to obtain an additional construction permit.</p>					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
6	Fraud	120093378	Received:	8/11/14	No Further Action Necessary	10/29/14
Allegation that cash handling internal controls are not being practiced by an outside entity operating at a City facility was investigated and found to be outside of the City's purview.						
7	Policy Issues	117539722	Received:	1/11/13	Open/Unresolved	
Allegation of improper building permit process.						
8	Fraud	120092309	Received:	8/11/14	Open/Unresolved	
Allegation of City employees not working for several hours at a time.						
9	Fraud	120266002	Received:	9/17/14	Open/Unresolved	
Allegation of fraud related to the City's contracting process.						
10	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.						
11	Waste and Abuse	120512723	Received:	11/5/14	Open/Unresolved	
Allegation that a City Department is abusing overtime rules.						
12	Waste and Abuse	120605899	Received:	11/25/14	Open/Unresolved	
Allegation that a City Department is over-staffed based on the workload.						
13	Fraud	120610838	Received:	11/26/14	Open/Unresolved	
Allegation that City employees are receiving bribes from a contractor.						
14	Waste and Abuse	120639784	Received:	12/3/14	Open/Unresolved	
Allegation that the City is wasting money on a contract for services and City Council authorization is not being obtained to renew the contract as required.						
15	Waste and Abuse	120719053	Received:	12/19/14	Open/Unresolved	
Allegation that a contract with a vendor that does business with the City is being violated.						

**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 twenty-one active Fraud Hotline investigations conducted by the Departments during the second quarter of Fiscal Year 2015, 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	120471769	Received:	10/28/14	Corrective Action	12/17/14
Allegation that a City employee followed the complainant's vehicle in a suspicious manner was investigated and the subject employee was verbally warned about the conduct.						
2	Customer Relations	119970025	Received:	7/15/14	Closed: Unsubstantiated	10/8/14
Allegation that street repair crew left a mess on a resident's property.						
3	Customer Relations	119983611	Received:	7/18/14	Closed: Unsubstantiated	10/22/14
Allegation that the "No Overnight Camping" Municipal Code is not being enforced in a City park.						
4	Waste and Abuse	120029326	Received:	7/28/14	Closed: Unsubstantiated	10/22/14
Allegation that a broken water meter caused a high water bill and the bill was not adjusted after the meter was replaced.						
5	Waste and Abuse	120029415	Received:	7/28/14	Closed: Unsubstantiated	10/22/14
Allegation that an unpaid water bill amounted to \$2,400 before the water service was turned off.						
6	Customer Relations	120146507	Received:	8/22/14	Closed: Unsubstantiated	11/19/14
Allegation that City policy was not followed in a construction contract.						
7	Policy Issues	120222420	Received:	9/9/14	Closed: Unsubstantiated	10/8/14
Allegation regarding personal use of a City vehicle.						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
8	Employee Relations	120386385	Received:	10/10/14	Closed: Unsubstantiated	11/19/14
Allegation that an employee is unfairly being allowed to telecommute.						
9	Waste and Abuse	120438183	Received:	10/21/14	Closed: Unsubstantiated	11/5/14
Report of duplicate street lights.						
10	Employee Relations	120476968	Received:	10/29/14	Closed: Unsubstantiated	11/19/14
Allegation that an employee is receiving special treatment.						
11	Employee Relations	120544392	Received:	11/12/14	Closed: Unsubstantiated	12/3/14
Allegation that an employee is abusing leave time.						
12	Safety Issues and Sanitation	120163468	Received:	8/26/14	Closed: No Further Action Necessary	10/8/14
Allegation of illegal dumping.						
13	Employee Relations	120460935	Received:	10/27/14	Closed: No Further Action Necessary	12/3/14
Allegation of inappropriate personnel management.						
14	Fraud	120376089	Received:	10/8/14	Open/Unresolved	
Allegation that a City official is abusing his authority was referred to the Ethics Commission.						
15	Fraud	120376554	Received:	10/8/14	Open/Unresolved	
Allegation that a former City official violated the Ethics Ordinance was referred to the Ethics Commission.						
16	Customer Relations	120429842	Received:	10/20/14	Open/Unresolved	
Report of customer service issues regarding water service.						
17	Fraud	120628097	Received:	12/1/14	Open/Unresolved	
Allegation that a City employee has filed false workers' compensation claims.						
18	Fraud	120667525	Received:	12/9/14	Open/Unresolved	
Allegation that a City inspector made a false report of inspection.						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
19	Employee Relations	120722214	Received:	12/19/14	Open/Unresolved	
Allegation of an unfair promotion in a department.						
20	Employee Relations	120717937	Received:	12/19/14	Open/Unresolved	
Allegation that an employee is displaying offensive posters.						
21	Waste and Abuse	120763644	Received:	12/31/14	Open/Unresolved	
Allegation that trail construction damaged the environment.						

**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 Fiscal Year 2015, we have applied approximately 686 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