



## THE CITY OF SAN DIEGO

DATE: April 1, 2014

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr3 Fiscal Year 2014**

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



**Online Web Form Added to City’s Fraud Hotline**

We have added a secure and customized complaint-reporting capability via the web. As an alternative to placing a phone call, employees and citizens are now able to file a complaint online from a link on the City Auditor’s webpage. We believe that the webpage interface will be more in tune with today’s digital preference for conducting business. The escalation of web-enabled devices such as smart phones and tablets, as well as the more common standard practice of using some form of connected device for most every job will add convenience and functionality to the City’s Fraud, Waste, and Abuse Hotline.

The online Web Form can be accessed by copying and pasting the following URL into your web browser: [www.reportlineweb.com/citysandiegoFraudHotline](http://www.reportlineweb.com/citysandiegoFraudHotline)

**Complaints Received in the Third Quarter of Fiscal Year 2014**

During the third quarter of FY 2014 (January 2014 – March 2014), we received 16 Fraud Hotline complaints. Five (5) complaints were selected for investigation by the Office of the City Auditor. Seven (7) complaints were presented to the Intake and Review Committee, and referred to City Departments for investigation and resolution. Four (4) 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**

<b>City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Total FY 14</b>
Waste and Abuse	0	1	1	2
Customer Relations	0	0	1	1
Employee Relations	0	1	0	1
Policy Issues	0	1	3	4
Safety and Sanitation Issues	1	0	0	1
Fraud	1	0	0	1
Unauthorized Discounts	1	0	0	1
Theft of Time	1	0	0	1
<b>Subtotal OCA Investigations</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>12</b>

<b>Subtotal OCA Investigations - Cont.'d</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>12</b>
<b>City Department Investigations</b>				
Customer Relations	1	1	2	4
Employee Relations	1	0	1	2
Policy Issues	0	0	3	3
Theft of Time	1	1	0	2
Safety and Sanitation Issues	0	0	1	1
Waste and Abuse	0	1	0	1
<b>Subtotal Department Investigations</b>	<b>3</b>	<b>3</b>	<b>7</b>	<b>13</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>7</b>	<b>6</b>	<b>12</b>	<b>25</b>
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	5	8	4	17
<b>Total Complaints Received in FY 14</b>	<b>12</b>	<b>14</b>	<b>16</b>	<b>42</b>

### Status of Hotline Complaints

As reported, 16 complaints were filed with the Hotline between January 2014 and March 2014. It was determined that four (4) complaints were not in the purview of the Fraud Hotline, leaving 12 complaints that were added to inventory.

In addition to the receipt of 12 new complaints for investigation, nine (9) complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 21 complaints during the third quarter of FY 2014. Table 2 on the following page summarizes the status of Fraud Hotline Complaints for the third quarter of FY 2014.

Six (6) of the 21 active complaints remain open and unresolved, and 15 were closed. Two City Auditor investigation substantiated the allegations and one investigation was closed with Corrective Action. The allegations made in the six Department investigations were closed with Corrective Action.

**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 1/01/2014	5	4	9	0	9
Received in 3rd Qtr	5	7	12	4	16
Subtotal – Active Inventory	10	11	21	4	25
Complaints Closed	-6	-9	-15	-2	-17
Substantiated	-2	0	-2	0	-2
Corrective Action	-1	-6	-7	0	-7
Unsubstantiated	-3	-3	-6	-2	-8
Unresolved on 3/31/2014	4	2	6	2	8

**City Auditor Investigations Summary**

Table 3 summarizes the status of the 10 active City Auditor Fraud Hotline investigations during the third 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
<b>Allegation/Outcome</b>						
1	Waste and Abuse	116154489	Received:	1/27/2012	Closed: Substantiated	3/18/2014
<p>Allegation of purchases of unnecessary supplies and equipment was found to be substantiated. The investigation identified \$243,683 of supply item purchases for which no inventory records of the items being received were found. When firm indications of fraud were verified a referral was made to the San Diego Police Department.</p> <p>A public report was issued on 3/18/2014 and can be found at:  <a href="http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-016_PUD_Warehouse_Supply_Purchases.pdf">http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-016_PUD_Warehouse_Supply_Purchases.pdf</a></p> <p>State law prevents the City Auditor from disclosing the identity of the subject employee and the identity of the whistleblower(s) in public reports in which the allegation(s) have been substantiated.</p>						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
2	Theft of Time	118461234	Received:	8/19/2013	Closed: Substantiated	3/26/2014
<p>Allegation of misuse of overtime was found to be substantiated. The investigation determined that the department uses informal procedures to pre-approve overtime which does not comply with the City's Overtime Compensation Administrative Regulations. The investigation also determined that as many as 160 hours entered on the employee's time card may not have represented actual hours that were worked at a cost to the City of \$8,290. In addition, the subject employee admitted making personal calls over 14 months that lasted 14.5 hours at a cost to the City of \$576.</p> <p>A public report was issued on 3/25/2014 and can be found at:  <a href="http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-017_Overtime_and_Telephone_Usage.pdf">http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-017_Overtime_and_Telephone_Usage.pdf</a></p> <p>State law prevents the City Auditor from disclosing the identity of the subject employee and the identity of the whistleblower(s) in public reports in which the allegation(s) have been substantiated.</p>						
3	Theft of Time	116903095	Received:	8/2/2012	Closed: Corrective Action	2/12/2014
<p>Allegation of phantom appointments and misuse of telecommuting policies found to be unsubstantiated by formal Fact-finding investigation. Recommendations to update telecommuting policies, to formalize employee daily work schedules, and to provide refresher training regarding City Administrative Regulations were accepted by department management.</p>						
4	Safety/Sanitation Issues	118570347	Received:	9/11/2013	Closed: Unsubstantiated	1/15/2014
<p>Allegation related to the fees charged per to the City's Clean-Fill Dirt Policy (CFDP) at the landfill was found to be unsubstantiated. It was determined that Council Resolution R-307833 allows for the fees to be adjusted to match landfill needs.</p>						
5	Customer Relations	119140332	Received:	1/14/2014	Closed: Unsubstantiated	2/4/2014
<p>Allegation of excessive online service charge to pay parking violation was found to be unsubstantiated. It was determined that the complainant missed the 21 day appeal period allowed by California State law and that the vehicle tag had been expired for 5 months before being renewed.</p>						
6	Waste and Abuse	119447944	Received:	3/21/2014	Closed: Unsubstantiated	3/26/2014
<p>Allegation of inappropriate evaluation of certificate of eligibles for a City position was found to be unsubstantiated. A review of the list of eligible candidates, criteria for interview selection, and evaluation completed of eligible candidates was completed and found that the Department properly adhered to the process for selecting candidates to interview.</p>						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
7	Policy Issues	117539722	Received:	1/11/2013	Open/Unresolved	
Allegation of permit processing irregularities.						
8	Policy issues	119176970	Received:	1/21/2014	Open/Unresolved	
Department request for Fraud Risk Assessment.						
9	Policy Issues	119139560	Received:	1/13/2014	Open/Unresolved	
Allegation of City Charter violation pertaining to loan write-off.						
10	Policy Issues	119437108	Received:	3/18/2014	Open/Unresolved	
Allegation of Department noncompliance with Special Use Permit.						

**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 11 active Fraud Hotline investigations being conducted by the departments during the third 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
<b>Allegation/Outcome</b>						
1	Waste and Abuse	119055691	Received:	12/23/2013	Closed: Corrective Action	3/13/2014
Allegation of Lease/Use and Occupancy Permit noncompliance was found to be substantiated by allowing vehicle parking in the golf area of the Presidio Hills Golf Course. A public report was issued on 3/13/2014 and can be found at						
<a href="http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-015_Presidio_Hills_Golf_Course_Use.pdf">http://www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-015_Presidio_Hills_Golf_Course_Use.pdf</a>						

No.	Incident Type	Complaint #	Received:	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
2	Customer Relations	118968719	Received:	11/14/2013	Closed: Corrective Action	1/15/2014
Allegation of department inaction with code compliance case was found to involve two issues at the same property location. The department took corrective action and issued Administrative Citation Warnings regarding the both issues. The department also contacted the complainant to advise of the actions taken.						
3	Customer Relations	119126072	Received:	1/10/2014	Closed: Corrective Action	1/29/2014
Allegation of not receiving water bill via email was determined to be caused by the customer registering in the customer portal and not realizing bills would be sent via email. The department took corrective action, contacted the complainant and changed the delivery method to paper bill.						
4	Employee Relations	119152389	Received:	1/16/2014	Closed: Corrective Action	2/26/2014
Allegation of inappropriate behavior among employees was determined to be an issue of interpersonal relations between two employees. The two employees were offered and accepted the opportunity to resolve the issue through a City mediation process conducted by the department Human Resources Manager.						
5	Policy Issues	119277844	Received:	2/12/2014	Closed: Corrective Action:	2/26/2014
Allegation of unauthorized use of a City vehicle was investigated and the employee admitted taking the vehicle out of the assigned area. The department is taking appropriate disciplinary action with the employee.						
6	Employee Relations	118450473	Received:	8/16/2013	Closed: Unsubstantiated	3/12/2014
Allegation of inappropriate demeanor with subordinate employees. Department conducted formal Fact-Finding that did not substantiate the allegations.						
7	Theft of Time	118678631	Received:	10/4/2013	Closed: Corrective Action	3/12/2014
Allegation of failure to observe hours of duty was found to be unsubstantiated. It was, however, recommended that the Department maintain accurate approved work schedules for each employee, and further, that the Department update its Telecommuting policy.						

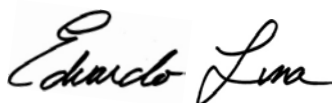
No.	Incident Type	Complaint #	Received:	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
8	Policy Issues	119256806	Received:	2/7/2014	Closed: Corrective Action	3/26/2014
Allegation of unauthorized use of City vehicle was investigated and substantiated by a formal Fact-Finding panel. The department is taking appropriate disciplinary action with the employee.						
9	Policy Issues	119127279	Received:	1/10/2014	Closed: Unsubstantiated	3/27/2014
Allegation of line of authority abuse was found to be unsubstantiated. The Department reviewed reporting assignments and confirmed that the reporting structure allows the supervisor to manage all required tasks which often require adjustments due to current conditions and staffing levels.						
10	Customer Relations	119432187	Received:	3/17/2014	Open/Unresolved	
Allegation of inappropriate demeanor with citizen.						
11	Safety & Sanitation	119127123	Received:	1/10/2014	Open/Unresolved	
Allegation of misuse of restricted pesticides.						

**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 1,190 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