



THE CITY OF SAN DIEGO

DATE: April 2, 2015

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr3 Fiscal Year 2015**

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 complaints from City employees and the public at (866) 809-3500, or online at www.sandiego.gov/auditor. Callers can choose to remain anonymous and all information provided via the Hotline remains 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 Third Quarter of Fiscal Year 2015

During the third quarter of Fiscal Year 2015 (January – March 2015), we received 21 Fraud Hotline complaints. Eight complaints were investigated by the Office of the City Auditor. Ten complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Three 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 2015.

Table 1 – Complaints Received in Fiscal Year 2015

City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Total FY 15
Conflict of Interest	0	0	1	1
Customer Relations	1	0	1	2
Employee Relations	0	0	1	1
Fraud	5	2	1	8
Safety and Sanitation	0	0	2	2
Theft of Goods/Services	2	0	0	2
Theft of Time	1	0	0	1
Waste and Abuse	1	4	2	7
Subtotal OCA Investigations	10	6	8	24
City Department Investigations				
Conflict of Interest	0	0	1	1
Customer Relations	3	2	2	7
Employee Relations	2	6	5	13
Fraud	2	4	0	6
Miscellaneous	1	0	1	2
Policy Issues	1	0	0	1
Safety and Sanitation	1	0	0	1
Waste and Abuse	3	2	1	6
Subtotal Department Investigations	13	14	10	37
Total Complaints Received In Purview of Fraud Hotline	23	20	18	61
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	19	5	3	27
Total Complaints Received in FY 15	42	25	21	88

Status of Hotline Complaints

As reported, 21 complaints were filed with the Hotline between January 1, 2015 and March 31, 2015. It was determined that three complaints were not in the purview of the Fraud Hotline, leaving 18 complaints that were added to the inventory.

In addition to the receipt of 18 new complaints for investigation, seventeen City-related complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 35 complaints during the third quarter of Fiscal Year 2015. Table 2 summarizes the status of Fraud Hotline Complaints for the third quarter of Fiscal Year 2015.

Thirteen of the 35 active complaints remain open and unresolved, and 22 were closed. Seven City Auditor investigations were investigated and found to be unsubstantiated. The allegations made in one department investigation were substantiated, four were closed with corrective action, and ten investigations were unsubstantiated or no further action was necessary.

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 1/1/15	9	8	17	0	17
Received in 2 nd Qtr	8	10	18	3	21
Subtotal – Active Inventory	17	18	35	3	38
Complaints Closed	-7	-15	-22	-3	-25
Substantiated	0	-1	-1	0	-1
Corrective Action	0	-4	-4	0	-4
Unsubstantiated/other	-7	-10	-17	-3	-20
Unresolved on 3/31/15	10	3	13	0	13

City Auditor Investigations Summary

Table 3 summarizes the status of the seventeen active City Auditor Fraud Hotline investigations during the third quarter of Fiscal Year 2015, including the incident type, complaint #, date the complaint was received, 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	Waste and Abuse	120512723		11/5/14	Unsubstantiated	1/26/15
	Allegation that a City Department is abusing overtime rules.					
2	Waste and Abuse	120605899		11/25/14	Unsubstantiated	3/10/15
	Allegation that a City Department is over-staffed based on the workload.					
3	Fraud	120610838		11/26/14	Unsubstantiated	3/12/15
	Allegation that City employees are receiving bribes from a contractor.					
4	Waste and Abuse	120639784		12/3/14	Unsubstantiated	3/24/15
	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.					
5	Waste and Abuse	120719053		12/19/14	Unsubstantiated	1/30/15
	Allegation that a contract with a vendor that does business with the City is being violated.					
6	Employee Relations	120887390		1/26/15	Unsubstantiated	3/23/15
	Allegation that a supervisor is abusing their discretion and favoring some employees over others.					
7	Safety and Sanitation	121086351		3/9/15	Unsubstantiated	3/25/15
	Allegation that a City employee is driving a City vehicle without a valid driver's license.					
8	Policy Issues	117539722		1/11/13	Open/Unresolved	
	Allegation of improper building permit process.					
9	Fraud	120092309		8/11/14	Open/Unresolved	
	Allegation of City employees not working for several hours at a time.					
10	Fraud	120266002		9/17/14	Open/Unresolved	
	Allegation of fraud related to the City's contracting process.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
11	Fraud	120338740		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.					
12	Customer Relations	120815061		1/12/15	Open/Unresolved	
	Allegation that employees in a City department are harassing a business owner.					
13	Waste and Abuse	120944327		2/6/15	Open/Unresolved	
	Allegation that there is no oversight of a large contract for services.					
14	Waste and Abuse	120996429		2/17/15	Open/Unresolved	
	Allegation that City policy is not being followed relating to purchases.					
15	Safety and Sanitation	121090635		3/9/15	Open/Unresolved	
	Allegation that an expired permit was accepted by a City department.					
16	Conflict of Interest	121099352		3/9/15	Open/Unresolved	
	Allegation that a vendor who contracts with the City to provide services had an undisclosed conflict of interest.					
17	Fraud	121198718		3/27/15	Open/Unresolved	
	Allegation that a non-profit organization is not following the terms of its contract with the City.					

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 eighteen active Fraud Hotline investigations conducted by the departments during the third 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
Allegation/Outcome						
1	Employee Relations	120842010		1/16/15	Substantiated	3/11/15
	Allegation that City employees were sleeping while on City time was substantiated and appropriate corrective action was taken.					
2	Employee Relations	120717937		12/19/14	Corrective Action	1/28/15
	Allegation that an employee is displaying offensive posters was investigated and the posters in question were removed.					
3	Customer Relations	120827170		1/14/15	Corrective Action	3/11/15
	Allegation regarding a City employee's inappropriate demeanor with a resident was investigated and resulted in corrective action.					
4	Conflict of Interest	120904203		1/29/15	Corrective Action	3/11/15
	Allegation that a non-City official had a conflict of interest and failed to recuse him/herself. The department sent a reminder regarding the relevant Council Policy to all interested parties.					
5	Waste and Abuse	121070682		3/3/15	Corrective Action	3/25/15
	Allegation that City employees are abusing parking privileges resulted in the department issuing a memorandum reminding the staff of parking procedures.					
6	Fraud	120376089		10/8/14	Unsubstantiated	3/25/15
	Allegation that a City official is abusing his authority was referred to the Ethics Commission.					
7	Customer Relations	120429842		10/20/14	Unsubstantiated	1/14/15
	Report of customer service issues regarding water service.					
8	Fraud	120667525		12/9/14	Unsubstantiated	1/27/15
	Allegation that a City inspector made a false report of inspection.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
9	Employee Relations	120722214		12/19/14	Unsubstantiated	2/25/15
Allegation of an unfair promotion in a department.						
10	Customer Relations	120782563		1/5/15	Unsubstantiated	2/25/15
Allegation of unsafe driving by a City employee.						
11	Employee Relations	120814832		1/12/15	Unsubstantiated	2/25/15
Allegation that supervisors and other employees are harassing an employee.						
12	Employee Relations	120819981		1/13/15	Unsubstantiated	3/25/15
Allegation that an employee is performing job duties that should be handled by a lower job classification.						
13	Fraud	120628097		12/1/14	No Further Action Necessary	1/14/15
Allegation that a City employee has filed false workers' compensation claims was referred to the appropriate department for investigation.						
14	Waste and Abuse	120763644		12/31/14	No Further Action Necessary	3/11/15
Allegation that trail construction damaged the environment.						
15	Miscellaneous	120834332		1/15/15	No Further Action Necessary	2/25/15
Allegation that a business is placing their trash dumpsters on another business' property.						
16	Fraud	120376554		10/8/14	Open/Unresolved	
Allegation that a former City official violated the Ethics Ordinance was referred to the Ethics Commission.						
17	Employee Relations	120791658		1/7/15	Open/Unresolved	
Allegation of inappropriate internet use by a City employee.						
18	Employee Relations	120814283		1/12/15	Open/Unresolved	
Allegation that a supervisor is allowing some employees to steal time.						

Update on Prior Fraud Hotline Investigations

As we reported in our Quarterly Fraud Hotline report on April 1, 2014, an allegation of purchases of unnecessary supplies and equipment was found to be substantiated. The investigation identified purchases for which there were no inventory records found. When firm indications of fraud were verified, a referral was made to the San Diego Police Department.

The former City employee was arrested and charged with 7 felony counts. On July 25, 2014, the employee plead guilty to a felony charge under Penal Code § 487 (Grand Theft).

On February 19, 2015, the former City employee was sentenced to 3 years of formal probation, 365 days in custody (to be served as work furlough), and ordered to pay the City \$161,686 in restitution.

A public Fraud Hotline report was issued on March 18, 2014, and can be found at:
www.sandiego.gov/auditor/reports/fy14_pdf/hotline/14-016_PUD_Warehouse_Supply_Purchases.pdf.

State law prevents the City Auditor from disclosing the identity of the subject employee, and the identity of the whistleblower, in public reports.

Conclusion

The Office of the City Auditor is dedicated to ensuring 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 1,067 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