



THE CITY OF SAN DIEGO

DATE: July 7, 2014

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr4 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 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, 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 Fourth Quarter of Fiscal Year 2014

During the fourth quarter of Fiscal Year 2014 (April 2014 – June 2014), we received 33 Fraud Hotline complaints. Three complaints were investigated by the Office of the City Auditor. Fifteen complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Fifteen 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 2014.

Table 1 – Complaints Received in Fiscal Year 2014

City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total FY 14
Accounting Irregularities	0	0	0	1	1
Customer Relations	0	0	1	0	1
Employee Relations	0	1	0	0	1
Fraud	1	0	0	2	3
Policy Issues	0	1	3	0	4
Safety and Sanitation Issues	1	0	0	0	1
Theft of Time	1	0	0	0	1
Unauthorized Discounts	1	0	0	0	1
Waste and Abuse	0	1	1	0	2
Subtotal OCA Investigations	4	3	5	3	15
City Department Investigations					
Conflict of Interest	0	0	0	1	1
Customer Relations	1	1	2	2	6
Employee Relations	1	0	1	1	3
Policy Issues	0	0	3	3	6
Safety and Sanitation Issues	0	0	1	2	3
Theft of Time	1	1	0	1	3
Waste and Abuse	0	1	0	5	6
Subtotal Department Investigations	3	3	7	15	28
Total Complaints Received In Purview of Fraud Hotline	7	6	12	18	43
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	5	8	4	15	32
Total Complaints Received in FY 14	12	14	16	33	75

Status of Hotline Complaints

As reported, 33 complaints were filed with the Hotline between April 2014 and June 2014. It was determined that 15 complaints were not in the purview of the Fraud Hotline, leaving 18 complaints that were added to inventory.

In addition to the receipt of 18 new complaints for investigation, six City-related complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 24 complaints during the fourth quarter of Fiscal Year 2014. Table 2 summarizes the status of Fraud Hotline Complaints for the fourth quarter of Fiscal Year 2014.

Eleven of the 24 active complaints remain open and unresolved, and 13 were closed. Three City Auditor investigations found that the allegations were unsubstantiated. The allegations made in seven Department investigations were unsubstantiated, and three 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 4/1/14	4	2	6	2	8
Received in 4th Qtr	3	15	18	15	33
Subtotal – Active Inventory	7	17	24	17	41
Complaints Closed	-3	-10	-13	-17	-30
Substantiated	0	0	0	0	0
Corrective Action	0	-3	-3	0	-3
Unsubstantiated/other	-3	-7	-10	-17	-27
Unresolved on 6/30/14	4	7	11	0	11

City Auditor Investigations Summary

Table 3 summarizes the status of the seven active City Auditor Fraud Hotline investigations during the fourth quarter of Fiscal Year 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	Fraud	119704228	Received:	5/15/14	Closed: Unsubstantiated	6/16/14
Allegation of underreported sales by a City leasee.						
2	Policy Issues	119437108	Received:	3/18/14	Closed: Unsubstantiated	6/21/14
Allegation of Department noncompliance with Special Use Permit.						
3	Policy Issues	119139560	Received:	1/13/14	Closed: Unsubstantiated	6/24/14
Allegation of City Charter violation pertaining to loan write-off.						
4	Policy Issues	117539722	Received:	1/11/13	Open/Unresolved	
Allegation of permit processing irregularities.						
5	Policy Issues	119176970	Received:	1/21/14	Open/Unresolved	
Department request for Fraud Risk Assessment.						
6	Accounting/Audit Irregularities	119757157	Received:	5/28/14	Open/Unresolved	
Report of accounting irregularities related to federal seized assets funds.						
7	Fraud	119838941	Received:	6/16/14	Open/Unresolved	
Allegation that a nonprofit that contracts with the City is being mismanaged.						

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 17 active Fraud Hotline investigations being conducted by the Departments during the fourth quarter of Fiscal Year 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	Customer Relations	119432187	Received:	3/17/14	Closed: Corrective Action	5/7/14
Allegation of inappropriate demeanor with citizen. The Department will offer additional training to the employee involved.						
2	Waste	119501309	Received:	4/1/14	Closed: Corrective Action	5/7/14
An allegation of inefficient street repair crew assignment was investigated by the Department. The Department reviewed the incident and found that a crew returning from an unrelated assignment took the initiative to make an immediate repair to correct a hazardous condition. While the repair could have been performed by a smaller crew, the decision was made to address the hazard immediately. The repair crew was reminded of City policies and procedures, the importance of public perception, and the Department's standards of professionalism and efficiency.						
3	Customer Relations	119595701	Received:	4/22/14	Closed: Corrective Action	6/4/14
A parking citation was issued in error. The first appeal was denied, but after a subsequent hearing, the citation was dismissed and the parking fine was reimbursed. The Department provided additional training to the parking enforcement officer and discussed customer service standards with the supervisor. The appeal clerk's error was addressed by the Department.						
4	Safety Issues and Sanitation	119127123	Received:	1/10/14	Closed: Unsubstantiated	4/9/14
Allegation of misuse of restricted pesticides was investigated by the Department and found to be unsubstantiated.						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
5	Waste	119608559	Received:	4/24/14	Closed: Unsubstantiated	6/4/14
Allegation that parking notices addressed to a prior tenant were received by a current tenant for 3 years. The Department bases notifications on the address on file with the Department of Motor Vehicles. The complainant did not wish to provide further information, and the case was closed due to insufficient information available.						
6	Policy Issues	119641435	Received:	5/2/14	Closed: Unsubstantiated	6/4/14
Allegation of inappropriate email use was investigated by the Department and found to be unsubstantiated.						
7	Waste	119702813	Received:	5/15/14	Closed: Unsubstantiated	6/4/14
Allegation of supervisor misusing time was investigated by the Department and found to be unsubstantiated.						
8	Employee Relations	119630509	Received:	4/30/14	Closed: Unsubstantiated	6/18/14
Employee relations concerns were addressed by a formal Department Fact Finding Panel and found to be unsubstantiated.						
9	Substance Abuse	119661835	Received:	5/6/14	Closed: Unsubstantiated	6/18/14
Allegation of alcohol use during working hours was investigated by the Department and found to be unsubstantiated. Staff was reminded of alcohol consumption policy.						
10	Waste and Abuse	119704353	Received:	5/15/14	Closed: Unsubstantiated	6/18/14
Allegation of supervisors wasting City resources on tinted vehicle windows and televisions was found to be unsubstantiated. The Department investigated and found that the tinted windows were in accordance with California Vehicle Code specifications and authorized to protect laptops from excessive heat. Televisions were permitted to maintain awareness of potential emergencies and to effectively manage operations. The televisions are not City owned and are not connected to a cable service.						
11	Customer Relations	119640519	Received:	5/2/14	Open/Unresolved	
Allegation of unwanted email from a City Department.						
12	Safety Issues and Sanitation	119704930	Received:	5/16/14	Open/Unresolved	
Allegation of poor judgment and unsafe behavior by a supervisor.						

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
13	Waste	119756834	Received:	5/28/14	Open/Unresolved	
	Allegation that a City department is building an unnecessary facility.					
14	Conflict of Interest	119787338	Received:	6/4/14	Open/Unresolved	
	Allegation of a conflict of interest in a promotion was referred to the Ethics Commission for investigation.					
15	Miscellaneous	119862557	Received:	6/20/14	Open/Unresolved	
	Allegation that a candidate for a position is not qualified.					
16	Theft of time	119863894	Received:	6/20/14	Open/Unresolved	
	Allegation of personal business being conducted on City time and using City resources; also complaints regarding management.					
17	Policy Issues	119873674	Received:	6/23/14	Open/Unresolved	
	Allegation that a citizen received multiple parking citations due to the unavailability of handicapped parking spaces.					

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 2014, we have applied approximately 1,455 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