



## THE CITY OF SAN DIEGO

DATE: July 6, 2015

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Qtr4 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."

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. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential.

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.

OFFICE OF THE CITY AUDITOR  
1010 SECOND AVENUE, SUITE 555, WEST TOWER • SAN DIEGO, CA 92101  
PHONE (619) 533-3165 • FAX (619) 533-3036

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



### Complaints Received in the Fourth Quarter of Fiscal Year 2015

During the fourth quarter of Fiscal Year 2015 (April – June 2015), we received 33 Fraud Hotline complaints. Eleven complaints were investigated by the Office of the City Auditor. Twelve complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Ten 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**

<b>City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>	<b>Qtr 3</b>	<b>Qtr 4</b>	<b>Total FY 15</b>
Conflict of Interest	0	0	1	0	1
Customer Relations	1	0	1	0	2
Employee Relations	0	0	1	0	1
Fraud	5	2	1	4	12
Safety and Sanitation	0	0	2	0	2
Theft of Goods/Services	2	0	0	0	2
Theft of Time	1	0	0	0	1
Waste and Abuse	1	4	2	7	14
<b>Subtotal OCA Investigations</b>	<b>10</b>	<b>6</b>	<b>8</b>	<b>11</b>	<b>35</b>
<b>City Department Investigations</b>					
Conflict of Interest	0	0	1	0	1
Customer Relations	3	2	2	2	9
Employee Relations	2	6	5	1	14
Fraud	2	4	0	0	6
Miscellaneous	1	0	1	2	4
Policy Issues	1	0	0	0	1
Safety and Sanitation	1	0	0	2	3
Theft of Goods/Services	0	0	0	1	1
Theft of Time	0	0	0	1	1
Waste and Abuse	3	2	1	3	9
<b>Subtotal Department Investigations</b>	<b>13</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>49</b>
<b>Total Complaints Received In Purview of Fraud Hotline</b>	<b>23</b>	<b>20</b>	<b>18</b>	<b>23</b>	<b>84</b>
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	19	5	3	10	37
<b>Total Complaints Received in FY 15</b>	<b>42</b>	<b>25</b>	<b>21</b>	<b>33</b>	<b>121</b>

July 6, 2015

**Status of Hotline Complaints**

As reported, 33 complaints were filed with the Hotline between April 1, 2015 and June 30, 2015. It was determined that ten complaints were not in the purview of the Fraud Hotline, leaving 23 complaints that were added to the inventory.

In addition to the receipt of 23 new complaints for investigation, thirteen City-related complaints remained open and unresolved at the end of the previous quarter, totaling an active inventory of 36 complaints during the fourth quarter of Fiscal Year 2015. **Table 2** summarizes the status of Fraud Hotline Complaints for the fourth quarter of Fiscal Year 2015.

Sixteen of the 36 active complaints remain open and unresolved, and 20 were closed. Two City Auditor investigations were found to be substantiated, one resulted in corrective action, and nine were unsubstantiated or were otherwise resolved. The allegations made in two Department investigations were found to be substantiated, one was closed with corrective action and five were unsubstantiated.

**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 4/1/15	10	3	<b>13</b>	0	13
Received in 4 <sup>th</sup> Qtr	11	12	<b>23</b>	10	33
Subtotal – Active Inventory	<b>21</b>	<b>15</b>	<b>36</b>	10	46
Complaints Closed	-12	-8	<b>-20</b>	-10	-30
Substantiated	-2	-2	-4	0	-4
Corrective Action	-1	-1	-2	0	-2
Unsubstantiated/other	-9	-5	-14	-10	-24
Unresolved on 6/30/15	<b>9</b>	<b>7</b>	<b>16</b>	0	16

July 6, 2015

**City Auditor Investigations Summary**

**Table 3** summarizes the status of the twenty-one active City Auditor Fraud Hotline investigations during the fourth quarter of Fiscal Year 2015, including the incident type, complaint number, 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	Fraud	120092309	Received	8/11/14	Substantiated	5/12/15
	An allegation that City employees were taking excessive breaks and spent significant time away from work locations was substantiated. The Department took the appropriate corrective action with respect to the identified employees.					
2	Fraud	121280625	Received	4/13/15	Substantiated	6/24/15
	An allegation that a salaried employee was not complying with City policy regarding annual leave was investigated and substantiated. We made four recommendations to help improve the City's internal controls and to take the appropriate corrective action with respect to the identified employee(s), and management agreed to implement all four recommendations.					
	A public report was issued on 6/24/15 and can be found at: <a href="http://www.sandiego.gov/auditor/reports/fy15_pdf/hotline/15-019_Investigation_Under-Recorded_Leave.pdf">http://www.sandiego.gov/auditor/reports/fy15_pdf/hotline/15-019_Investigation_Under-Recorded_Leave.pdf</a>					
	A detailed confidential report was also provided to the Assistant Chief Operating Officer. Pursuant to our procedures and state law, the identities of the subject employees shall be kept confidential.					
3	Policy Issues	117539722	Received	1/11/13	Corrective Action	6/30/15
	An allegation of improper building permit process was investigated. No fraud, waste, or abuse was substantiated with respect to the permit process. However, at the City's direction, the subject property owner took corrective action to address conditions found during an August 2014 field inspection. According to the responsible departments, all non-compliant work on the subject property has been addressed and the work has been completed to City standards.					
4	Customer Relations	120815061	Received	1/12/15	Unsubstantiated	5/12/15
	Allegation that employees in a City department are harassing a business owner was investigated and found to be unsubstantiated.					
5	Fraud	121198718	Received	3/27/15	Unsubstantiated	5/20/15
	Allegation that a non-profit organization is not following the terms of its contract with the City was investigated and found to be unsubstantiated.					

July 6, 2015

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
6	Safety Issues and Sanitation	121090635	Received	3/9/15	Unsubstantiated	5/26/15
Allegation that a permit was improperly approved by a City department was investigated and found to be unsubstantiated.						
7	Fraud	121229097	Received	4/2/15	Unsubstantiated	6/23/15
Allegation that a City department's contract with a vendor may not have been awarded appropriately was investigated and found to be unsubstantiated.						
8	Waste and Abuse	121438307	Received	5/13/15	Unsubstantiated	6/23/15
Allegation that a City official violated a resident's Civil Rights was investigated and found to be unsubstantiated.						
9	Fraud	120266002	Received	9/17/14	Unsubstantiated	6/30/15
Allegation of fraud related to the City's contracting process was investigated and found to be unsubstantiated.						
10	Waste and Abuse	120996429	Received	2/17/15	Unsubstantiated	6/30/15
Allegation that City policy is not being followed relating to purchases was investigated and found to be unsubstantiated.						
11	Conflict of Interest	121099352	Received	3/9/15	No Further Action Necessary	5/12/15
Allegation that a vendor who contracts with the City to provide services had an undisclosed conflict of interest was closed because not enough information was available to investigate and no further action is necessary.						
12	Fraud	121292879	Received	4/15/15	No Further Action Necessary	5/20/15
Allegation that an un-named City official is abusing his/her authority was closed because not enough information was available to investigate and no further action is necessary.						
13	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.						
14	Waste and Abuse	120944327	Received	2/6/15	Open/Unresolved	
Allegation that there is no oversight of a large contract for services.						
15	Waste and Abuse	121366749	Received	4/29/15	Open/Unresolved	
Allegation regarding improper accounting practices related to a contract.						

July 6, 2015

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
16	Fraud	121412839	Received	5/8/15	Open/Unresolved	
	Allegation that a City program was improperly administered.					
17	Waste and Abuse	121425596	Received	5/11/15	Open/Unresolved	
	Allegation that a City agency's travel practices violate the City's Travel policy.					
18	Waste and Abuse	121511869	Received	5/28/15	Open/Unresolved	
	Allegation that City officials did not inform the community about a proposed business construction permit.					
19	Waste and Abuse	121518863	Received	5/29/15	Open/Unresolved	
	Allegation regarding overtime abuse at a City Department.					
20	Waste and Abuse	121518690	Received	5/29/15	Open/Unresolved	
	Allegation regarding improper management of a City contract.					
21	Waste and Abuse	121631069	Received	6/19/15	Open/Unresolved	
	Allegation regarding vendors with expired insurance policies.					

**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 fifteen active Fraud Hotline investigations conducted by the Departments during the fourth 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	Employee Relations	120791658	Received	1/7/15	Substantiated	6/17/15
	An allegation of inappropriate internet use by a City employee was investigated and substantiated. The Department took the appropriate corrective action.					
2	Miscellaneous	121320525	Received	4/21/15	Substantiated	6/3/15
	The allegation that the City Comptroller was not in compliance with the Municipal Code requiring that employee compensation information be posted on the City's website by April 15 of each year was substantiated and resulted in corrective action. The Comptroller's Office posted a limited version of the report on April 23, 2015, based on data available at the time. The final version of the report was posted on May 4, 2015. For calendar year 2015, the Comptroller's Office will change its process to allow for an earlier start to the reconciliation and preparation process.					
3	Employee Relations	120814283	Received	1/12/15	Corrective Action	4/22/15
	The allegation that a supervisor was allowing some employees to steal time was unsubstantiated. However, the department's investigation resulted in corrective actions to improve the efficiency of operations.					
4	Fraud	120376554	Received	10/8/14	Unsubstantiated	5/18/15
	Allegation that a former City official violated the Ethics Ordinance was referred to the Ethics Commission. After investigating, the Commission dismissed the case on May 14, 2015.					
5	Theft of Time	121233983	Received	4/3/15	Unsubstantiated	6/3/15
	An allegation regarding theft of time was investigated and found to be unsubstantiated.					

July 6, 2015

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
6	Waste and Abuse	121296390	Received	4/16/15	Unsubstantiated	6/17/15
	An allegation that City employees were abusing overtime policies was investigated and found to be unsubstantiated.					
7	Waste and Abuse	121296420	Received	4/16/15	Unsubstantiated	6/17/15
	An allegation that a City vehicle was driving outside of City limits without authorization was investigated and found to be unsubstantiated.					
8	Employee Relations	121342797	Received	4/24/15	Unsubstantiated	6/17/15
	An allegation regarding favoritism by a department supervisor was investigated and found to be unsubstantiated.					
9	Customer Relations	121317094	Received	4/20/15	Open/Unresolved	
	Allegation regarding a parking ticket and appeal.					
10	Safety Issues and Sanitation	121366205	Received	4/29/15	Open/Unresolved	
	Allegation that a City truck transported loose gravel on the highway and caused damage to a vehicle.					
11	Customer Relations	121403193	Received	5/6/15	Open/Unresolved	
	Allegation that a city facility emitted a noxious vapor.					
12	Theft of Goods/Services	121567378	Received	6/8/15	Open/Unresolved	
	Allegation that a City resident is stealing water from the City.					
13	Waste and Abuse	121576996	Received	6/9/15	Open/Unresolved	
	Allegation regarding inefficient street repairs.					
14	Safety Issues and Sanitation	121605236	Received	6/15/15	Open/Unresolved	
	Allegation regarding a Code violation.					
15	Miscellaneous	121645698	Received	6/22/15	Open/Unresolved	
	Allegation regarding a business operating without a Business Tax Certificate and an unsafe condition.					



Honorable Members of the Audit Committee

July 6, 2015

**Conclusion**

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 1,486 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,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive, flowing style.

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