



THE CITY OF SAN DIEGO

DATE: April 6, 2009
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: Handling of Fraud Hotline Complaints

At the Audit Committee meeting on March 23, 2009, the Audit Committee chairman requested that I address specific concerns regarding my handling of certain fraud-related complaints. During the public comment part of the Audit Committee meeting, a citizen alleged that my office was referring fraud-related complaints to the Hotline Intake Review Committee instead of investigating the complaints to avoid publically reporting out on the findings. These allegations are untrue and without merit.

Background

The Fraud Hotline is open to City employees, contractors, vendors, and the public to report suspected fraud, waste, and abuse involving City operations, programs, and or employees. Currently, the Fraud Hotline also accepts non-fraud related calls, such as employee relation issues or customer relation issues. About 90 percent of the calls to the Fraud Hotline fall into the latter category. Based on information provided by the caller to the Network, Inc, fraud hotline calls are classified in the following categories:

Table with 2 columns: Fraud Related Categories and Non-Fraud Categories. Lists 23 categories of complaints.



The Office of the City Auditor investigates all allegations of improper financial activity and fraud, waste and/or abuse that appear to be material in nature. We have found that some calls classified in a fraud-related category were immaterial, misclassified by the caller, or outside our purview.

The Auditor's Office Refers Complaints To Departments For Review

As shown in the following table, between July and December 2008, the Fraud Hotline received 32 complaints classified by the callers as fraud, conflict of interest, waste and abuse, theft of goods and services, theft of time, accounting/audit irregularities, and falsification of records. Of these fraud related complaints, the Office of the City Auditor initiated 13 investigations and referred or passed on 19 complaints because the complaints were outside our purview, misclassified, or not material in nature.

First and Second Quarter Report Selected Hotline Statistics, FY 2009

Complaint Type	Number Received	City Auditor Investigated	Referred to Departments for Review
Conflict of Interest	7	1	6
Fraud	7	5*	2
Waste and Abuse	5	3	2
Theft of Goods & Services	4	1	3
Theft of Time	4	0	4
Accounting/Audit Irregularities	3	3	0
Falsification of Records	2	0	2
Total	32	13	19

*We originally reported that we investigated 4 fraud complaints, but upon further review we determined that one complaint that had been classified as referred was actually investigated by the Office of the City Auditor.

Some Fraud-Related Complaints Are Immaterial, Misclassified, or Outside The City Auditor's Purview

Since assuming responsibility for the Fraud Hotline in July 2008, we have received complaints that were classified as fraud related that were immaterial, misclassified by the caller or do not fall under our jurisdiction. For example, callers have classified their complaints as fraud related, however, upon our review of the complaints they were actually complaints about hiring decisions, union activities, violations of city policies, timekeeping issues, or our issues outside the City Auditor's purview. Additionally, we have received calls that were fraud related issues, but they are not material enough in nature to warrant the use of our limited audit resources to investigate. In accordance with hotline procedures, we referred these complaints to the respective departments or appropriate entity for review.

The following table provides a general description of the 19 fraud related complaints that were referred to departments for review.

Number	Call Category	General Description of Complaint
1.	Conflict of Interest	Unfair hiring decision
2.	Conflict of Interest	Workplace union activities
3.	Conflict of Interest	Displaying and selling personal items on City site
4.	Conflict of Interest	Improper use of City time
5.	Conflict of Interest	Firm doing work for a City Agency and developers
6.	Conflict of Interest	Unfair hiring decision
7.	Fraud	Structure built without permits. Person lives in California but claims out of state residency
8.	Fraud	Disagreement over Homeowner Association Board Bylaws & Elections
9.	Waste and Abuse	Personal use of work phone and computer
10.	Waste and Abuse	Repair of personal equipment at City facility
11.	Theft of Goods & Services	Violation of policy regarding lost and found items
12.	Theft of Goods & Services	Improper use of City vehicle
13.	Theft of Goods & Services	One time theft of gasoline
14.	Theft of Time	Timecard reporting issue
15.	Theft of Time	Employee took leave of absence and reported the day as worked
16.	Theft of Time	Employee performed an inappropriate job task
17.	Theft of Time	Employee worked unnecessary overtime
18.	Falsification of Records	Employee tricked into signing union petition
19.	Falsification of Records	Examination answer sheets disseminated to employees

Since the complaints referred to departments for review are either personnel related issues or immaterial in nature, the Office of the City Auditor does not prepare reports regarding these complaints that are substantiated because of limited resources and confidentiality requirements of state law.

I will be happy to discuss these issues at the next Audit Committee meeting.



Eduardo Luna
City Auditor