



THE CITY OF SAN DIEGO

DATE: January 10, 2017

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2017 Quarter 2

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, an independent third-party provider, accepts calls from City employees and the public at (866) 809-3500 or online at www.sandiego.gov/fraudhotline. 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.

Complaints Received in the Second Quarter of Fiscal Year 2017

During the second quarter of Fiscal Year 2017 (October – December 2016), we received 59 Fraud Hotline complaints. Fourteen new complaints were investigated by the Office of the City Auditor. Thirty 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 and were referred to the proper authorities. **Table 1** below summarizes the types of complaints received during Fiscal Year 2017.

Table 1 – Complaints Received in Fiscal Year 2017

City Auditor Investigations	Qtr 1	Qtr 2	Total FY 17
Discrimination	0	2	2
Fraud	2	8	10
Waste and Abuse	8	4	12
Subtotal OCA Investigations	10	14	24
City Department Investigations			
Customer Relations	0	1	1
Discrimination	2	1	3
Employee Relations	2	8	10
Fraud	0	2	2
Miscellaneous	1	1	2
Safety and Sanitation	2	1	3
Substance Abuse	0	1	1
Theft of Time	2	4	6
Waste and Abuse	11	11	22
Subtotal Department Investigations	20	30	50
Total Complaints Received In Purview of Fraud Hotline	30	44	74
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	14	15	29
Total Complaints Received in FY 17	44	59	103

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Status of Hotline Complaints

As reported, 59 complaints were filed with the Hotline between October 1, 2016 and December 31, 2016. It was determined that 15 of these complaints were not in the purview of the Fraud Hotline, leaving 44 complaints that were added to the inventory.

In addition to the receipt of 44 new complaints for investigation, 29 City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 73 complaints during the second quarter of Fiscal Year 2017. **Table 2** summarizes the status of Fraud Hotline Complaints for the second quarter of Fiscal Year 2017. Note that during the quarter, the Office of the City Auditor investigated one complaint that had previously been referred to a Department for resolution and was reported as such in the prior quarter.

Forty-five of the 73 active complaints remain open and unresolved, and 28 were closed. Two City Auditor investigations were found to be substantiated and seven were unsubstantiated or were otherwise resolved. The allegations made in four Department investigations were closed with corrective action, and fifteen were unsubstantiated or were otherwise resolved.

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 10/1/16	14	15	29	0	29
Received in 2 nd Quarter	14	30	44	15	59
Subtotal – Active Inventory	28	45	73	15	88
Complaints Closed	-9	-19	-28	-15	-43
Substantiated	-2	-0	-2	-0	-2
Corrective Action	-0	-4	-4	-0	-4
Unsubstantiated/other	-7	-15	-22	-15	-37
Unresolved on 12/31/16	19	26	45	0	45

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City Auditor Investigations Summary

Table 3 summarizes the status of the 28 active City Auditor Fraud Hotline investigations during the second quarter of Fiscal Year 2017, 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
	Allegation/Outcome					
1	Waste and Abuse	123351324	Received	4/19/16	Substantiated	12/14/16
	<p>An allegation regarding a Department Director's improper use of Discretionary Leave (paid time off) was investigated and substantiated. We found that the Department Director improperly paid 114 employees Discretionary Leave on the date in question, for a total of 743 hours, at a cost of \$16,556. We made two recommendations to City Management to improve the City's Internal Controls and hold the Department Director accountable.</p> <p>A public report was issued on December 14, 2016, and can be found at: www.sandiego.gov/sites/default/files/hotline_investigation_of_improper_use_of_discretionary_leave.pdf</p> <p>A detailed confidential report was also provided to City management.</p>					
2	Waste and Abuse	123371674	Received	4/22/16	Substantiated	12/14/16
	<p>An allegation regarding the personal use of a City vehicle was investigated and substantiated. We found that a total of six Public Utilities Department employees, including two managers, used City vehicles for personal purposes for a combined total of 1,151 hours and 56 minutes between October 1, 2015, and June 30, 2016. We made three recommendations to improve City operations and hold the responsible employees accountable. City management agreed to implement all three recommendations.</p> <p>A public report was issued on December 14, 2016, and can be found at: www.sandiego.gov/sites/default/files/hotline_investigation_of_personal_use_of_city_vehicles_at_the_public_utilities_department.pdf</p> <p>A detailed confidential report was also provided to City management.</p>					
3	Waste and Abuse	123958828	Received	8/10/16	Unsubstantiated	11/8/16
	An allegation regarding incorrect payroll entries was investigated and found to be unsubstantiated.					
4	Waste and Abuse	123998060	Received	8/17/16	Unsubstantiated	12/5/16
	An allegation regarding an unfair promotion process for two City employees was investigated and found to be unsubstantiated.					
5	Waste and Abuse	124155860	Received	9/16/16	Unsubstantiated	12/5/16
	An allegation regarding policy violations by management was investigated and found to be unsubstantiated.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
6	Waste and Abuse	124221807	Received	9/28/16	Unsubstantiated	11/9/16
	An allegation regarding abuse of City vehicle privileges by management was investigated and found to be unsubstantiated.					
7	Discrimination	124258097	Received	10/5/16	Unsubstantiated	11/16/16
	An allegation regarding discrimination and Americans with Disabilities Act violations by City-contracted security guards was investigated and found to be unsubstantiated.					
8	Fraud	124318287	Received	10/14/16	Unsubstantiated	11/9/16
	An allegation regarding theft of fuel was investigated and found to be unsubstantiated.					
9	Fraud	124566225	Received	11/29/16	Unsubstantiated	12/5/16
	An allegation regarding a former City employee who is being improperly paid was investigated and found to be unsubstantiated.					
10	Fraud	122198989	Received	9/30/15	Open/Unresolved	
	Allegation regarding fraud in public works contracting.					
11	Fraud	122751508	Received	1/7/16	Open/Unresolved	
	Allegation regarding theft of registration fees for recreation activities.					
12	Policy Issues	123214299	Received	3/25/16	Open/Unresolved	
	Allegation of violations of City policy regarding P-card use.					
13	Waste and Abuse	123350283	Received	4/18/16	Open/Unresolved	
	Allegation regarding P-card abuse.					
14	Waste and Abuse	123608506	Received	6/6/16	Open/Unresolved	
	Allegation that a company that contracts with the City does not hold the required insurance and may have submitted false information.					
15	Fraud	123988094	Received	8/16/16	Open/Unresolved	
	Allegation regarding poor inventory controls and possible theft of equipment.					
16	Waste and Abuse	124129215	Received	9/12/16	Open/Unresolved	
	An allegation regarding improper hiring at a City Department.					
17	Waste and Abuse	124147126	Received	9/14/16	Open/Unresolved	
	Allegation regarding improper conduct related to public works contracts.					
18	Waste and Abuse	124314493	Received	10/14/16	Open/Unresolved	
	Allegation regarding abuse in the administration of Public Works contracts.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
19	Waste and Abuse	124341972	Received	10/19/16	Open/Unresolved	
	Allegation regarding a building permit.					
20	Fraud	124381731	Received	10/26/16	Open/Unresolved	
	Allegation regarding a theft of funds by a City employee.					
21	Fraud	124464005	Received	11/9/16	Open/Unresolved	
	Allegation regarding a fraudulent fundraiser operated by a City Department.					
22	Waste and Abuse	124548894	Received	11/25/16	Open/Unresolved	
	Allegation regarding overcharges by a City contractor.					
23	Fraud	124557479	Received	11/28/16	Open/Unresolved	
	Allegation regarding unauthorized fee waivers or discounts for recreation activities.					
24	Discrimination	124570871	Received	11/30/16	Open/Unresolved	
	Allegation regarding unfair procedures for promotions.					
25	Fraud	124577338	Received	12/1/16	Open/Unresolved	
	Allegation regarding fraudulent billing practices.					
26	Fraud	124586552	Received	12/2/16	Open/Unresolved	
	Allegation regarding unauthorized program modifications.					
27	Fraud	124581926	Received	12/2/16	Open/Unresolved	
	Allegation regarding poor purchase and inventory controls related to City equipment.					
28	Waste and Abuse	124725681	Received	12/29/16	Open/Unresolved	
	Allegation regarding theft of City equipment.					

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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 City operations.

Table 4 below summarizes the status of the 45 active Fraud Hotline investigations conducted by the Departments during the second quarter of Fiscal Year 2017, 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	Waste and Abuse	123186170	Received	3/21/16	Corrective Action	10/5/16
	An allegation regarding workers' compensation abuse was investigated and resulted in corrective action with respect to the identified employee.					
2	Waste and Abuse	124091435	Received	9/4/16	Corrective Action	11/2/16
	An allegation regarding harassment and abuse by management was investigated, and the Department took the appropriate corrective action with respect to the identified employee.					
3	Theft of Time	124188855	Received	9/22/16	Corrective Action	10/19/16
	An allegation regarding inappropriate behavior by City staff was investigated and resulted in corrective action. The Department provided additional training to staff regarding the importance of public perceptions of City employees.					
4	Employee Relations	124208091	Received	9/26/16	Corrective Action	11/16/16
	An allegation regarding unequal treatment was investigated and closed with corrective action. The affected employees were advised that they have access to all legally allowable restrooms.					
5	Waste and Abuse	124146708	Received	9/14/16	Unsubstantiated	11/30/16
	An allegation of abuse by a City employee was investigated and found to be unsubstantiated.					
6	Waste and Abuse	124145846	Received	9/14/16	Unsubstantiated	11/16/16
	An allegation regarding favoritism by a supervisor was investigated and found to be unsubstantiated.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
7	Safety and Sanitation	124201048	Received	9/24/16	Unsubstantiated	11/2/16
	An allegation regarding a Code violation at a private residence was investigated and found to be unsubstantiated.					
8	Safety and Sanitation	124208884	Received	9/26/16	Unsubstantiated	11/2/16
	An allegation regarding an unsafe building was investigated and found to be unsubstantiated.					
9	Waste and Abuse	124216780	Received	9/27/16	Unsubstantiated	11/16/16
	An allegation regarding improper employee parking notifications was investigated and found to be unsubstantiated.					
10	Waste and Abuse	124246989	Received	10/3/16	Unsubstantiated	12/14/16
	An allegation regarding unfair promotions was investigated and found to be unsubstantiated.					
11	Waste and Abuse	124293146	Received	10/11/16	Unsubstantiated	11/2/16
	An allegation regarding improper use of City equipment was investigated and found to be unsubstantiated.					
12	Substance Abuse	124316447	Received	10/14/16	Unsubstantiated	11/30/16
	An allegation regarding substance abuse by two employees was investigated and found to be unsubstantiated.					
13	Employee Relations	124318131	Received	10/14/16	Unsubstantiated	12/14/16
	An allegation regarding harassment and abuse by management was investigated and found to be unsubstantiated.					
14	Theft of Time	124323376	Received	10/17/16	Unsubstantiated	12/14/16
	An allegation regarding a City employee sleeping on City time was investigated and found to be unsubstantiated.					
15	Safety and Sanitation	124328320	Received	10/17/16	Unsubstantiated	11/2/16
	An allegation regarding a collision caused by a City vehicle was investigated and found to have been properly reported.					
16	Employee Relations	124330023	Received	10/17/16	Unsubstantiated	11/30/16
	An allegation regarding an unfair promotion was investigated and found to be unsubstantiated.					
17	Waste and Abuse	124328195	Received	10/17/16	Unsubstantiated	11/16/16
	An allegation regarding unfair favorable treatment of an employee was investigated and found to be unsubstantiated.					
18	Waste and Abuse	124406859	Received	10/31/16	Unsubstantiated	12/14/16
	An allegation regarding redundant positions was investigated and found to be unsubstantiated.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
19	Fraud	124361669	Received	10/23/16	No Further Action Necessary	11/16/16
An allegation regarding a utility billing fraud was closed with no further action necessary.						
20	Discrimination	123621050	Received	6/8/16	Open/Unresolved	
Allegation of unfair promotions.						
21	Discrimination	123922160	Received	8/3/16	Open/Unresolved	
Allegation regarding discrimination in a hiring process.						
22	Waste and Abuse	123972257	Received	8/12/16	Open/Unresolved	
Allegation regarding abuse of leave time.						
23	Discrimination	124164949	Received	9/18/16	Open/Unresolved	
Allegation regarding unfair treatment of employees.						
24	Employee Relations	124238434	Received	9/30/16	Open/Unresolved	
Allegation regarding verbal abuse by a supervisor.						
25	Theft of Time	124238032	Received	9/30/16	Open/Unresolved	
Allegation regarding theft of time by a supervisor.						
26	Waste and Abuse	124246707	Received	10/3/16	Open/Unresolved	
Allegation regarding waste due to the excess use of materials.						
27	Customer Relations	124250093	Received	10/3/16	Open/Unresolved	
Allegation regarding abusive language used by a City employee.						
28	Employee Relations	124316836	Received	10/14/16	Open/Unresolved	
Allegation regarding poor employee relations.						
29	Employee Relations	124316124	Received	10/14/16	Open/Unresolved	
Allegation regarding an unfair promotion.						
30	Employee Relations	124329990	Received	10/17/16	Open/Unresolved	
Allegation regarding an unfair promotion.						
31	Waste and Abuse	124353868	Received	10/21/16	Open/Unresolved	
Allegation regarding excessive training expenses.						
32	Waste and Abuse	124377593	Received	10/25/16	Open/Unresolved	
Allegation regarding gender discrimination in promotional opportunities.						

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
33	Theft of Time	124389043	Received	10/27/16	Open/Unresolved	
	Allegation regarding theft of time.					
34	Theft of Time	124427496	Received	11/2/16	Open/Unresolved	
	Allegation regarding theft of time.					
35	Waste and Abuse	124425695	Received	11/2/16	Open/Unresolved	
	Allegation regarding abuse of on-time invoice payment metrics.					
36	Fraud	124467372	Received	11/9/16	Open/Unresolved	
	Allegation regarding fraudulent time card entries.					
37	Employee Relations	124483419	Received	11/13/16	Open/Unresolved	
	Allegation regarding unfair overtime allocations.					
38	Discrimination	124511175	Received	11/17/16	Open/Unresolved	
	Allegation that City employees were harassing and photographing a disabled City resident while driving.					
39	Employee Relations	124561780	Received	11/29/16	Open/Unresolved	
	Allegation regarding unfair hiring practices.					
40	Miscellaneous	124570304	Received	11/30/16	Open/Unresolved	
	Allegation regarding an unauthorized fundraising solicitation.					
41	Waste and Abuse	124596299	Received	12/5/16	Open/Unresolved	
	Allegation regarding an unfair promotion process.					
42	Waste and Abuse	124605836	Received	12/6/16	Open/Unresolved	
	Allegation regarding a waste of City time and resources on personal development classes.					
43	Waste and Abuse	124685157	Received	12/20/16	Open/Unresolved	
	Allegation regarding a City employee wasting City time on charitable activities.					
44	Employee Relations	124691110	Received	12/21/16	Open/Unresolved	
	Allegation regarding verbal abuse by a manager.					
45	Theft of Time	124732632	Received	12/30/16	Open/Unresolved	
	Allegation regarding theft of time.					

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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 2017, we have applied approximately 1,273 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
Mara Elliott, City Attorney
Andrea Tevlin, Independent Budget Analyst