
CITY AUDITOR'S QUARTERLY FRAUD HOTLINE REPORT

Fiscal Year 2018

Quarter 1

Office of the City
Auditor

City of San Diego



About the Fraud Hotline:

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 resident 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.

NAVEX, 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. NAVEX 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.



THE CITY OF SAN DIEGO

DATE: October 3, 2017
TO: Honorable Members of the Audit Committee
FROM: Eduardo Luna, City Auditor
SUBJECT: **City Auditor's Quarterly Fraud Hotline Report** – Fiscal Year 2018 Quarter 1

Complaints Received in the First Quarter of Fiscal Year 2018

During the first quarter of Fiscal Year 2018 (July – September 2017), we received 55 Fraud Hotline complaints. Ten new complaints were investigated by the Office of the City Auditor. Thirty-five 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 authorities. **Table 1** below summarizes the types of complaints received during Fiscal Year 2018.



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



Table 1:

Complaints Received in Fiscal Year 2018

City Auditor Investigations	Qtr 1	Total FY 18
Fraud	3	3
Waste and Abuse	7	7
Subtotal OCA Investigations	10	10
City Department Investigations		
Customer Relations	1	1
Employee Relations	5	5
Miscellaneous	2	2
Safety and Sanitation	2	2
Theft of Goods	1	1
Theft of Time	6	6
Waste and Abuse	18	18
Subtotal Department Investigations	35	35
Total Complaints Received In Purview of Fraud Hotline	45	45
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	10	10
Total Complaints Received in FY 18	55	55

Status of Hotline Complaints

As reported, 55 complaints were filed with the Hotline between July 1, 2017 and September 30, 2017. It was determined that 10 of these complaints were not in the purview of the Fraud Hotline, leaving 45 complaints that were added to the inventory.

In addition to the receipt of 45 new complaints for investigation, 39 City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 84 complaints during the first quarter of Fiscal Year 2018. **Table 2** summarizes the status of Fraud Hotline Complaints for the first quarter of Fiscal Year 2018.

Of the 84 active complaints in our inventory, 52 remain open and unresolved, and 32 were closed. One City Auditor investigation was found to be substantiated, three resulted in corrective action, and six were unsubstantiated or were otherwise resolved. The allegations made in three Department investigations were found to be substantiated, two were closed with corrective action, and seventeen 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 7/1/17	17	22	39	0	39
Received in 1 ST Quarter	10	35	45	10	55
Subtotal – Active Inventory	27	57	84	10	94
Complaints Closed	-10	-22	-32	-10	-42
Substantiated	-1	-3	-4	-0	-4
Corrective Action	-3	-2	-5	-0	-5
Unsubstantiated/other	-6	-17	-23	-10	-33
Unresolved on 9/30/17	17	35	52	0	52

City Auditor Investigations Summary

Table 3 summarizes the status of the 27 active City Auditor Fraud Hotline investigations during the first quarter of Fiscal Year 2018, 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	124685157	Received	12/20/16	Substantiated	9/25/17
	<p>An allegation regarding a City employee using City time to perform charitable activities was investigated and found to be substantiated. We recommended that appropriate corrective action be taken with respect to the Department Director, and that future charitable activities are documented and formalized to ensure that proper internal controls are in place.</p> <p>A public report was issued on September 25, 2017, and can be found at: www.sandiego.gov/sites/default/files/18-006_hotline_investigation_of_charitable_activities_conducted_on_city_time.pdf</p>					
2	Theft of Goods/Services	125191549	Received	3/26/17	Corrective Action	8/10/17
	<p>An allegation regarding theft of City equipment was investigated and found to be unsubstantiated. However, the department took corrective action with respect to an employee regarding an unauthorized discretionary purchase of equipment.</p>					
3	Fraud	125404696	Received	5/3/17	Corrective Action	8/7/17
	<p>An allegation that a City vendor did not have the required insurance and contractor's license was investigated and resulted in corrective action. The vendor's insurance and contractor's license were both listed as expired and suspended on the State website. City management issued a Stop Work Notification, the vendor provided the necessary documentation to reinstate their suspended license, and the vendor was permitted to resume work.</p>					
4	Waste	125547739	Received	5/30/17	Corrective Action	8/7/17
	<p>An allegation regarding waste of City funds on a facility that is being closed down was investigated and found to be unsubstantiated. However, corrective action was taken to ensure the accuracy of future invoice payments through routine audits by the Office of the City Treasurer.</p>					
5	Abuse	124870099	Received	1/25/17	Unsubstantiated	7/20/17
	<p>An allegation regarding permit processing abuse was investigated and found to be unsubstantiated.</p>					
6	Fraud	125058488	Received	3/1/17	Unsubstantiated	8/28/17
	<p>An allegation regarding fraud related to a building inspection was investigated and found to be unsubstantiated.</p>					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
7	Theft of Time	125151609	Received	3/18/17	Unsubstantiated	8/7/17
	An allegation regarding improper overtime payments over three years for a City employee was investigated and found to be unsubstantiated.					
8	Fraud	125584507	Received	6/6/17	Unsubstantiated	8/7/17
	An allegation regarding City performance data manipulation and inflation was investigated and found to be unsubstantiated.					
9	Abuse	125791161	Received	7/13/17	Unsubstantiated	9/26/17
	An allegation regarding abuse related to a Code Enforcement case was investigated and found to be unsubstantiated.					
10	Abuse	125905910	Received	8/3/17	Unsubstantiated	8/28/17
	An allegation regarding abuse related to the hiring and supervision of spouses of City employees was investigated and found to be unsubstantiated.					
11	Fraud	124381731	Received	10/26/16	Open/Unresolved	
	Allegation regarding a theft of funds by a City employee.					
12	Fraud	124581926	Received	12/2/16	Open/Unresolved	
	Allegation regarding poor purchase and inventory controls related to City equipment.					
13	Fraud	124779537	Received	1/9/17	Open/Unresolved	
	Allegation regarding private businesses conducting recreation activities without permits, insurance, or background checks.					
14	Fraud	125106322	Received	3/9/17	Open/Unresolved	
	Allegation regarding fraud involving a City agency.					
15	Fraud	125248496	Received	4/5/17	Open/Unresolved	
	Allegation regarding possible theft of funds from a City facility.					
16	Abuse	125413607	Received	5/4/17	Open/Unresolved	
	Allegation regarding theft of water from a City hydrant.					
17	Abuse	125512239	Received	5/23/17	Open/Unresolved	
	Allegation regarding abuse of discretion, policy violations, and waste at a City Department.					
18	Abuse	125608281	Received	6/9/17	Open/Unresolved	
	Allegation regarding abuse of the purchasing process.					
19	Fraud	125610382	Received	6/11/17	Open/Unresolved	
	Allegation regarding fraudulent contract and billing practices.					
20	Abuse	125750480	Received	7/6/17	Open/Unresolved	
	Allegation regarding abuse of discretion in Purchase Requisition approvals.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
21	Fraud	125847009	Received	7/24/17	Open/Unresolved	
	Allegation regarding potential fraud in Jury Duty payments for City employees.					
22	Abuse	125907674	Received	8/3/17	Open/Unresolved	
	Allegation regarding abuse of authority related to workplace monitoring.					
23	Abuse	125939634	Received	8/9/17	Open/Unresolved	
	Allegation regarding a City vendor that does not have a valid contractor's license.					
24	Abuse	126050075	Received	8/29/17	Open/Unresolved	
	Allegation regarding abuse and violations of environmental testing standards.					
25	Fraud	126134838	Received	9/14/17	Open/Unresolved	
	Allegation regarding fraudulent financial reporting related to a contract for assets and services.					
26	Abuse	126197651	Received	9/25/17	Open/Unresolved	
	Allegation regarding abuse of discretion related to contract awards.					
27	Fraud	126205519	Received	9/27/17	Open/Unresolved	
	Allegation regarding fraud related to contracts with City vendors.					

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 57 active Fraud Hotline investigations conducted by the Departments during the first quarter of Fiscal Year 2018, 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
1	Employee Relations	125454257	Received	5/12/17	Substantiated	8/9/17
	An allegation regarding inappropriate attire in the workplace was investigated and substantiated. Several employees were found to be in violation of Appearance Guidelines. Supervisors and employees were reminded of the policy.					
2	Safety and Sanitation	125535590	Received	5/27/17	Substantiated	8/9/17
	An allegation regarding a non-emergency City vehicle driving unsafely at approximately 98 mph was investigated and substantiated. The department took the appropriate corrective action with respect to the identified employee.					
3	Abuse	125548118	Received	5/30/17	Substantiated	7/12/17
	An allegation regarding waste related to the erroneous placement of a speed monitoring device near a stop sign was investigated and substantiated. The City's consultant placed the device in error and was not paid for the installation. Additional devices were installed correctly.					
4	Abuse	125510572	Received	5/23/17	Corrective Action	8/9/17
	An allegation regarding the improper handling of a workplace injury was investigated and not substantiated. However, the department took corrective action with respect to an employee.					
5	Employee Relations	125515151	Received	5/24/17	Corrective Action	8/23/17
	An allegation regarding improper restrictions on bathroom access due to vandalism concerns was investigated and resulted in corrective action. Management re-opened the restroom in question and may add secure access in the future, if warranted.					
6	Abuse	125206540	Received	3/28/17	Unsubstantiated	7/26/17
	An allegation regarding abuse by Parking Enforcement was investigated and found to be unsubstantiated.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
7	Waste	125318530	Received	4/18/17	Unsubstantiated	9/20/17
	An allegation regarding unfair treatment by management was investigated and determined to be unsubstantiated.					
8	Theft of Time	125469020	Received	5/15/17	Unsubstantiated	9/20/17
	An allegation of theft of time and violation of City IT acceptable use policy was investigated and found to be unsubstantiated.					
9	Employee Relations	125531925	Received	5/26/17	Unsubstantiated	7/12/17
	An allegation regarding unfair work allocations was investigated and found to be unsubstantiated.					
10	Fraud	125587880	Received	6/7/17	Unsubstantiated	7/12/17
	An allegation regarding a fraudulent job application and workers' compensation claim was investigated and found to be unsubstantiated.					
11	Waste	125598576	Received	6/8/17	Unsubstantiated	7/26/17
	An allegation regarding waste of City funds related to sewer main replacements was investigated and found to be unsubstantiated.					
12	Abuse	125747213	Received	7/6/17	Unsubstantiated	8/23/17
	An allegation regarding theft of time was investigated and found to be unsubstantiated.					
13	Abuse	125747230	Received	7/6/17	Unsubstantiated	8/23/17
	An allegation regarding abuse in a hiring process was investigated and found to be unsubstantiated.					
14	Theft of Time	125818752	Received	7/19/17	Unsubstantiated	9/20/17
	An allegation regarding theft of time was investigated and found to be unsubstantiated.					
15	Waste	125869769	Received	7/28/17	Unsubstantiated	9/20/17
	An allegation regarding waste due to uncollected fees from an other government agency was investigated and found to be unsubstantiated.					
16	Customer Relations	125654157	Received	6/19/17	No Further Action Necessary	7/12/17
	An allegation regarding unpaid contracted services was investigated and closed with no further action is necessary.					
17	Customer Relations	125835382	Received	7/21/17	No Further Action Necessary	8/23/17
	An allegation regarding uncollected refuse resulting in air pollution lacked location information. No response to our request for details was received within 30 days. Per our policy, the Fraud Hotline case was closed with no further action necessary.					
18	Theft of Time	125954135	Received	8/11/17	No Further Action Necessary	8/22/17
	An allegation of theft of time by City management lacked details. The complaint was received by anonymous letter. No further action is warranted.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
19	Employee Relations	126029666	Received	8/25/17	No Further Action Necessary	9/6/17
	An allegation regarding an unfair disciplinary process did not contain new allegations that were within the purview of the Fraud Hotline to investigate and the case was closed.					
20	Employee Relations	126097993	Received	9/7/17	No Further Action Necessary	9/20/17
	A complaint regarding unfair treatment by management was reviewed. The complaint did not contain new allegations that were within the purview of the Fraud Hotline, so the case was closed with no further action necessary.					
21	Waste	126117779	Received	9/11/17	No Further Action Necessary	9/11/17
	An allegation of waste related to bilingual pay did not contain sufficient details to permit an investigation. The complaint was received via an anonymous note. Due to the lack of details, the case was closed with no further action necessary.					
22	Employee Relations	126161427	Received	9/19/17	No Further Action Necessary	9/20/17
	Duplicate complaint.					
23	Employee Relations	125018544	Received	2/22/17	Open/Unresolved	
	Allegation regarding rude behavior by an employee.					
24	Employee Relations	125073988	Received	3/3/17	Open/Unresolved	
	Allegation regarding favoritism and inappropriate comments in the workplace.					
25	Theft of Time	125109559	Received	3/10/17	Open/Unresolved	
	Allegation regarding theft of time with participation by a manager.					
26	Abuse	125381454	Received	4/28/17	Open/Unresolved	
	Allegation that a City employee lacked necessary safety training to perform assigned job duties.					
27	Customer Relations	125403493	Received	5/3/17	Open/Unresolved	
	Allegation regarding an apparent threat to take adverse action regarding a permit due to a conflict with a DSD customer.					
28	Employee Relations	125568779	Received	6/2/17	Open/Unresolved	
	Allegation regarding an abusive manager.					
29	Abuse	125665853	Received	6/21/17	Open/Unresolved	
	Allegation regarding a supervisor who does not perform their duties as required.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
30	Abuse	125695429	Received	6/26/17	Open/Unresolved	
	Allegation regarding abusive workplace monitoring.					
31	Employee Relations	125698653	Received	6/27/17	Open/Unresolved	
	Allegation regarding a workplace conflict.					
32	Abuse	125721724	Received	6/30/17	Open/Unresolved	
	Allegation of abuse of discretion regarding inappropriate product endorsements.					
33	Abuse	125767868	Received	7/10/17	Open/Unresolved	
	Allegation of abuse related to a department's report.					
34	Abuse	125826472	Received	7/20/17	Open/Unresolved	
	Allegation of abuse of discretion, poor hygiene, overtime abuse, and poor information security.					
35	Waste	125869764	Received	7/28/17	Open/Unresolved	
	An allegation of waste related to uncollected water and sewer fees.					
36	Waste	125973159	Received	8/17/17	Open/Unresolved	
	Allegation of waste related to the disposal of recyclable materials.					
37	Theft of Time	125991035	Received	8/18/17	Open/Unresolved	
	Allegation of theft of time by several City employees.					
38	Miscellaneous	125991282	Received	8/18/17	Open/Unresolved	
	Allegation that City employees are improperly parking in handicapped spaces.					
39	Safety and Sanitation	126009549	Received	8/22/17	Open/Unresolved	
	Allegation regarding building code violations.					
40	Theft of Time	126028261	Received	8/24/17	Open/Unresolved	
	Allegation regarding theft of time by a City employee shopping on City time.					
41	Theft of Time	126030248	Received	8/25/17	Open/Unresolved	
	Allegation regarding theft of time related to Internet abuse.					
42	Waste	126030237	Received	8/25/17	Open/Unresolved	
	Allegation of waste related to sending excess undeliverable mail.					
43	Waste	126038931	Received	8/27/17	Open/Unresolved	
	Allegation regarding wasteful expenditures.					
44	Waste	126051416	Received	8/29/17	Open/Unresolved	
	Allegation regarding waste related to the DROP program and under-performing employees.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
45	Waste	126056461	Received	8/30/17	Open/Unresolved	
	Allegation of waste regarding the requirement that all City employees complete Sexual Harassment Prevention Training designed for supervisors.					
46	Employee Relations	126059373	Received	8/30/17	Open/Unresolved	
	Allegation regarding unfair treatment and retaliation by management related to a past report and investigation.					
47	Waste	126062137	Received	8/31/17	Open/Unresolved	
	Allegation regarding waste of time by a manager.					
48	Miscellaneous	126076120	Received	9/2/17	Open/Unresolved	
	Allegation regarding a permit violation.					
49	Abuse	126084732	Received	9/5/17	Open/Unresolved	
	Allegation regarding favoritism and abuse by City management.					
50	Abuse	126137577	Received	9/14/17	Open/Unresolved	
	Allegation regarding a new position with duties that are not consistent with the City's approved job descriptions.					
51	Theft of Goods/Services	126141348	Received	9/15/17	Open/Unresolved	
	Allegation regarding theft of City property.					
52	Theft of Time	126144728	Received	9/15/17	Open/Unresolved	
	Allegation regarding theft of time by a manager.					
53	Abuse	126173766	Received	9/21/17	Open/Unresolved	
	Allegation regarding abuse in a hiring process.					
54	Employee Relations	126182390	Received	9/22/17	Open/Unresolved	
	Allegation regarding conflicting approvals related to leave time.					
55	Safety and Sanitation	126181528	Received	9/22/17	Open/Unresolved	
	Allegation regarding a business operating without proper occupancy permits.					
56	Abuse	126195910	Received	9/25/17	Open/Unresolved	
	Allegation regarding abuse and nepotism in hiring.					
57	Abuse	126226435	Received	9/29/17	Open/Unresolved	
	Allegation regarding City employees parking illegally and smoking in City vehicles.					

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 2018, we have applied approximately 798 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
Mara Elliott, City Attorney
Andrea Tevlin, Independent Budget Analyst
