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# CITY AUDITOR'S QUARTERLY FRAUD HOTLINE REPORT

*Fiscal Year 2019*

*Quarter 2*

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](http://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 report received and sends them to the Office of the City Auditor via email notification. Reports 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: January 15, 2019  
TO: Honorable Members of the Audit Committee  
FROM: Kyle Elser, Interim City Auditor  
SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2019 Quarter 2

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### Reports Received in the Second Quarter of Fiscal Year 2019

During the second quarter of Fiscal Year 2019 (October – December 2018), we received 46 Fraud Hotline reports. We investigated seven new reports and presented 35 reports to the Intake and Review Committee to be referred to City Departments for investigation and resolution. We found that four reports were not in the purview of the Fraud Hotline and they were closed. **Table 1** on the following page summarizes the types of reports received during Fiscal Year 2019.



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



**Table 1:**

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**Reports Received in Fiscal Year 2019**

<b>City Auditor Investigations</b>	<b>Qtr 1</b>	<b>Qtr 2</b>
Abuse	4	4
Accounting/Audit Irregularities	1	0
Conflict of Interest	0	1
Customer Relations	1	0
Fraud	1	1
Safety and Sanitation	1	1
Waste	2	0
<b>Subtotal OCA Investigations</b>	<b>10</b>	<b>7</b>
<b>City Department Investigations</b>		
Abuse	8	15
Accounting/ Audit Irregularities	0	1
Conflict of Interest	2	0
Customer Relations	1	0
Discrimination	2	2
Employee Relations	1	3
Fraud	3	2
Safety and Sanitation	7	1
Theft of Goods/ Services	0	1
Theft of Time	6	7
Waste	2	3
<b>Subtotal Department Investigations</b>	<b>32</b>	<b>35</b>
<b>Total Reports Received in Purview of Fraud Hotline</b>	<b>42</b>	<b>42</b>
Direct Referrals, Non-City Reports or Reports Not in Purview of Fraud Hotline	17	4
<b>Total Reports Received in FY 19</b>	<b>59</b>	<b>46</b>

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### Status of Hotline Reports

A total of 46 reports were filed with the Fraud Hotline between October 1, 2018 and December 31, 2018. We determined that four of these reports were not in the purview of the Fraud Hotline, leaving 42 reports that were added to the inventory.

In addition to the receipt of 42 new reports for investigation, 48 City-related reports remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 90 reports during the second quarter of Fiscal Year 2019. **Table 2**, below, summarizes the Fraud Hotline activity for the second quarter of Fiscal Year 2019.

Of the 90 active reports in our inventory, 62 remain open and unresolved, and 28 were closed. One City Auditor investigation resulted in corrective action, and three were found to be unsubstantiated or were otherwise resolved. The allegations made in three Department investigations were found to be substantiated, four were closed with corrective action, and 17 were unsubstantiated or were otherwise resolved.

**Table 2:**

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### Status of Fraud Hotline Reports

Report Status	City Auditor Investigations	Referred to Dept.	Total City-Related	Not in Hotline’s Purview	Total
Unresolved on 10/1/18 <sup>1</sup>	17	31	48	0	48
Received in 2 <sup>nd</sup> Quarter	7	35	42	4	46
Subtotal – Active Inventory	24	66	90	4	94
Reports Closed	-4	-24	-28	-4	-32
Substantiated	-0	-3	-3	-0	-3
Corrective Action	-1	-4	-5	-0	-5
Unsubstantiated/other	-3	-17	-20	-4	-24
Unresolved on 12/31/18	20	42	62	0	62

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<sup>1</sup> A modification was made to the Fiscal Year 2019 First Quarter ending balance that affected the beginning balance for this report. Fraud Hotline report number 615900573601 was referred to a department after a preliminary OCA investigation.

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### City Auditor Investigations Summary

**Table 3** summarizes the status of the 24 active City Auditor Fraud Hotline investigations during the second quarter of Fiscal Year 2019, including the incident type, report number, date the report was received, a general description of the report, case status, and the final resolution date.

**Table 3:**

#### Status of City Auditor Hotline Investigations

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
	<b>Allegation/Outcome</b>					
1	Fraud	444005909001	Received	6/28/18	Corrective Action	11/23/18
	An allegation regarding theft of cash was investigated and not substantiated, but resulted in corrective action. The department took the appropriate corrective action with respect to the identified employees and has improved internal controls over cash handling.					
2	Fraud	375187332501	Received	4/13/18	Unsubstantiated	11/23/18
	An allegation regarding potential undisclosed outside employment was investigated and determined to be unsubstantiated.					
3	Abuse	453697746101	Received	8/22/18	Unsubstantiated	11/23/18
	An allegation of abuse of discretion related to a Developer Impact Fee project was investigated and determined to be unsubstantiated.					
4	Safety and Sanitation	816027872601	Received	10/4/18	Unsubstantiated	11/23/18
	An allegation that the City is not reactivating traffic signals in a timely manner due to abuse of discretion was investigated and determined to be unsubstantiated.					
5	Abuse	126265359	Received	10/6/17		
	Allegation regarding Public Records Act violations.					
6	Waste	126298451	Received	10/13/17		
	Allegation regarding waste related to trash service being provided to short-term rental properties and Transient Occupancy Tax not being assessed.					
7	Fraud	126877325	Received	2/4/18		
	Allegation regarding fraudulent use of City data for personal profit.					
8	Waste	854457253701	Received	4/30/18		
	An allegation regarding waste due to an unoccupied City facility.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
9	Fraud	843756019701	Received	5/2/18		
	Allegations of grant compliance issues, violations of the Brown Act, and conflicts of Interest at a City agency.					
10	Waste	996832837501	Received	5/17/18		
	An allegation regarding waste due to vehicle acquisition costs.					
11	Abuse	227771438101	Received	6/7/18		
	Allegation regarding abuse related to excessive downtown parking expenses for City employees and waitlists for City-owned lots.					
12	Abuse	799055242101	Received	6/26/18		
	Allegation regarding improper shift differential payments. Case moved to OCA investigation on 9/19/18.					
13	Fraud	931671643001	Received	6/29/18		
	Allegation regarding waste and abuse at a City department.					
14	Abuse	588924337901	Received	7/18/18		
	Allegation regarding hiring abuse.					
15	Abuse	305599739801	Received	8/16/18		
	Allegation that a vendor was awarded a contract without being required to follow the City's competitive bidding process.					
16	Waste	391912227801	Received	8/22/18		
	Allegation regarding waste related to a software implementation.					
17	Waste	894746686401	Received	9/18/18		
	Allegation that the City has provided water to a non-residential customer for years without charge.					
18	Fraud	772200703501	Received	9/19/18		
	Allegation regarding fraudulent contracting activities by a vendor.					
19	Conflict of Interest	759695719501	Received	10/8/18		
	Allegation regarding a conflict of interest by a Classified employee.					
20	Abuse	430648675501	Received	10/8/18		
	Allegation regarding abuse of discretion in grant awards by a City agency.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
21	Abuse	337824194201	Received	10/12/18		
	Allegation regarding abuse related to a contract for services.					
22	Abuse	684357487601	Received	11/8/18		
	Allegation of abuse by management in response to a report regarding a safety concern.					
23	Fraud	475887559101	Received	11/15/18		
	Allegation of fraud perpetrated by City contractors.					
24	Abuse	514126239501	Received	11/20/18		
	Allegation regarding an attempt to induce a financial contribution from a developer.					

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### City Department Investigations Summary

The City Auditor, through the Intake and Review Committee, reviews the final resolution of reports investigated by the departments to ensure that the department has taken the proper actions to resolve the report. A report whose allegations cannot be substantiated can still result in the department taking corrective, proactive, or preventative measures to reinforce a policy or procedure, improve internal controls, or to improve City operations.

**Table 4** below summarizes the status of the 66 active Fraud Hotline investigations conducted by the Departments during the second quarter of Fiscal Year 2019, including the incident type, a general description of the report, and the case status.

**Table 4:**

#### Status of Department-Investigated Fraud Hotline Reports

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
1	Theft of Time	603150067701	Received	7/31/18	Substantiated	10/17/18
	An allegation of theft of time by a City employee was investigated and found to be substantiated. The Department took the appropriate corrective action with respect to the identified employee.					
2	Theft of Time	551716949101	Received	9/18/18	Substantiated	11/28/18
	An allegation regarding theft of time after prior reports was investigated and substantiated. The department took the appropriate corrective action with respect to the identified employee.					
3	Employee Relations	925846318401	Received	10/2/18	Substantiated	11/28/18
	An allegation regarding a workplace conflict between two employees was investigated and substantiated. The department took the appropriate corrective action with respect to the identified employee.					
4	Customer Relations	723259042401	Received	9/19/18	Corrective Action	12/12/18
	An allegation of an excessive water bill after discussions with PUD staff was investigated and resulted in corrective action. The customer's bill was thoroughly analyzed and the customer agreed to pay the adjusted amount owed.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
5	Safety and Sanitation	928726424801	Received	9/20/18	Corrective Action	10/17/18
	An allegation regarding unsafe driving by a City sanitation vehicle was investigated but could not be substantiated. The Department took the appropriate corrective action to address the issue and will provide safety training to all its employees.					
6	Theft of Time	365429965401	Received	9/26/18	Corrective Action	11/28/18
	An allegation of theft of time was investigated and resulted in corrective action. The department reminded staff that skipping breaks in order to leave early was not permitted.					
7	Accounting/Audit Irregularities	582962155001	Received	10/13/18	Corrective Action	12/12/18
	An allegation regarding accounting irregularities at a non-City agency was reviewed and will result in additional procedures as part of the scope of the next audit of the identified entity.					
8	Accounting/Audit Irregularities	615900573601	Received	7/4/18	Unsubstantiated	10/31/18
	An allegation regarding improper financial reporting by a City agency was investigated and determined to be unsubstantiated.					
9	Abuse	440762441201	Received	8/9/18	Unsubstantiated	10/3/18
	An allegation regarding favoritism in a promotion process was investigated and determined to be unsubstantiated.					
10	Waste	774307017201	Received	8/20/18	Unsubstantiated	10/3/18
	An allegation of waste of City time related to City staff taking time off from work to jump off of the Ocean Beach pier or watch their coworkers jump off the pier was investigated and determined to be unsubstantiated. All of the Unclassified employees who participate in this activity are expected to complete a full work week and accomplish all of their assigned duties regardless of whether they participate in this activity. All Classified employees are expected to submit a leave slip for work-time missed if they participate. There was no allegation that specific City employees participated in the activity while on City time.					
11	Safety and Sanitation	548297371701	Received	8/23/18	Unsubstantiated	10/3/18
	An allegation that swimming pool chemicals were added to occupied pools was investigated and determined to be unsubstantiated. Chemicals were added to the system and were diluted before entering the pool. Children were told to move to other side of the pool as an extra precaution, but were not in danger at any time.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
12	Safety and Sanitation	503027131701	Received	8/30/18	Unsubstantiated	11/28/18
	An allegation regarding valve maintenance activities that are not being conducted was investigated and determined to be unsubstantiated.					
13	Abuse	791245493301	Received	9/19/18	Unsubstantiated	12/12/18
	An allegation regarding witness tampering related to a department Fact Finding investigation was investigated and determined to be unsubstantiated.					
14	Abuse	401971540401	Received	9/19/18	Unsubstantiated	11/28/18
	An allegation regarding a supervisor who does not perform regular job duties was investigated and found to be unsubstantiated.					
15	Abuse	574677469001	Received	9/24/18	Unsubstantiated	11/28/18
	An allegation regarding abuse related to software licenses was investigated and determined to be unsubstantiated.					
16	Abuse	252853241301	Received	10/15/18	Unsubstantiated	10/31/18
	An allegation regarding hiring abuse was investigated and found to be unsubstantiated.					
17	Employee Relations	318937118501	Received	10/18/18	Unsubstantiated	11/28/18
	An allegation regarding bullying by a supervisor was investigated and determined to be unsubstantiated.					
18	Theft of Time	983212840801	Received	10/26/18	Unsubstantiated	12/12/18
	An allegation regarding theft of time permitted by a supervisor was investigated and determined to be unsubstantiated.					
19	Abuse	490378281901	Received	10/29/18	Unsubstantiated	11/28/18
	An allegation regarding abuse of discretion and violations of the Brown Act was investigated and determined to be unsubstantiated.					
20	Abuse	264264164301	Received	11/26/18	Unsubstantiated	12/12/18
	An allegation regarding abuse of discretion regarding Code Enforcement was investigated and determined to be unsubstantiated.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
21	Safety and Sanitation	700833787401	Received	8/28/18	No Further Action Necessary	10/3/18
	An allegation regarding a Code violation that is ongoing after repeated requests was referred to a department for a response. The City has no landscape maintenance requirements for single unit zones; therefore, no further action is necessary.					
22	Abuse	285739904501	Received	9/26/18	No Further Action Necessary	10/31/18
	An allegation regarding abuse by a supervisor could not be investigated because the complainant did not provide responses to our requests to use their name in the course of an investigation. Therefore, the case was closed with no further action.					
23	Abuse	789248469501	Received	11/2/18	No Further Action Necessary	11/28/18
	An allegation regarding potential future improper interdepartmental billing was reviewed by the Fraud Hotline Intake and Review committee. The committee determined no further action is necessary.					
24	Fraud	278341558401	Received	11/6/18	No Further Action Necessary	11/26/18
	Duplicate of 983212840801.					
25	Fraud	125610382	Received	6/11/17		
	An allegation regarding fraudulent contract and billing practices was referred to a department for additional investigation based on our preliminary findings on 9/12/18.					
26	Employee Relations	126921143	Received	2/12/18		
	Allegation regarding an abusive manager.					
27	Fraud	925710384501	Received	4/22/18		
	Allegation regarding theft of time and other misconduct by a City employee.					
28	Abuse	776747495901	Received	5/21/18		
	An allegation regarding threatening and abusive behavior by City employees.					
29	Theft of Time	594908044101	Received	7/25/18		
	Allegation regarding theft of time and violations of State law.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
	<b>Allegation/Outcome</b>					
30	Employee Relations	866218201801	Received	8/6/18		
	Allegation regarding abuse and hostility from a group of employees.					
31	Fraud	621787172401	Received	8/27/18		
	Allegation of leave abuse by a City employee.					
32	Theft of Time	583697690101	Received	8/27/18		
	Allegation of theft of time by City employees.					
33	Safety and Sanitation	392272861801	Received	8/28/18		
	Allegation of a zoning violation.					
34	Discrimination	216243920501	Received	8/28/18		
	Allegation of discrimination based on race.					
35	Abuse	657316623501	Received	9/18/18		
	Allegation of unfair treatment of employees who are being required to work under very bad working conditions.					
36	Abuse	975601782201	Received	9/21/18		
	Allegation regarding theft of time by a supervisor who fails to perform job duties.					
37	Discrimination	611870448101	Received	9/21/18		
	Allegation regarding unfair treatment and promotions based on ethnicity.					
38	Fraud	803555576101	Received	9/26/18		
	Allegation of Workers' Compensation fraud.					
39	Fraud	575361556601	Received	9/26/18		
	Allegation of fraud related to unnecessary pay related to confined space entries.					
40	Theft of Time	347551526201	Received	9/27/18		
	Allegation regarding a City employee frequently sleeping in a City vehicle for over an hour at a time.					
41	Theft of Goods/Services	934175314401	Received	10/8/18		
	Allegation of theft of supplies from a City facility by an employee.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
	<b>Allegation/Outcome</b>					
42	Employee Relations	853718629301	Received	10/9/18		
	Allegation regarding a violation of the City's EEO policy.					
43	Theft of Time	962748255701	Received	10/9/18		
	Allegation regarding a supervisor who approves eight hours of work for employees who only work two to three hours.					
44	Theft of Time	726228329801	Received	10/23/18		
	Allegation regarding overtime abuse.					
45	Discrimination	466915466901	Received	10/30/18		
	Allegation regarding unfair and discriminatory conduct by a supervisor during an investigation.					
46	Theft of Time	625782672801	Received	11/2/18		
	Allegation regarding a City employee who appears to take long breaks and may be underworked.					
47	Theft of Time	879291457901	Received	11/7/18		
	Allegation regarding overtime abuse.					
48	Abuse	886390935801	Received	11/8/18		
	Allegation regarding improper add-on payments to an ineligible employee.					
49	Abuse	876958924101	Received	11/8/18		
	Allegation regarding abuse related to performance evaluations that were never performed, as required.					
50	Discrimination	488920137801	Received	11/14/18		
	Allegation of discrimination based on race.					
51	Abuse	607640633901	Received	11/15/18		
	Allegation of theft of time and falsified job application.					
52	Waste	881085928501	Received	11/21/18		
	Allegation of personal use of City vehicles.					
53	Abuse	978068560501	Received	11/26/18		
	Allegation of discrimination against employees based on national origin.					

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
54	Abuse	615193708201	Received	11/30/18		
	Allegation regarding discrimination based on race.					
55	Fraud	607769495001	Received	12/3/18		
	Allegation regarding theft of time and overtime abuse by a supervisor.					
56	Abuse	279415407301	Received	12/4/18		
	Allegation of theft of time by a supervisor.					
57	Waste	358401955501	Received	12/4/18		
	Allegation of theft of time by a City employee.					
58	Abuse	542409283601	Received	12/7/18		
	Allegation regarding worker's compensation insurance fraud.					
59	Theft of Time	814140237601	Received	12/12/18		
	Allegation of theft of time by a supervisor and subordinate.					
60	Waste	791471703101	Received	12/12/18		
	Allegation regarding waste of resources by City staff riding together when enough vehicles are available.					
61	Abuse	237850064101	Received	12/17/18		
	Allegation of invoice approvals without adequate review.					
62	Theft of Time	346902598001	Received	12/21/18		
	Allegation of theft of time through excessive personal internet use.					
63	Abuse	913836767901	Received	12/27/18		
	Allegation regarding micromanagement and false accusations by a supervisor.					
64	Safety and Sanitation	744366160201	Received	12/27/18		
	Allegation regarding unsafe driving by a City vehicle.					
65	Abuse	748808830701	Received	12/31/18		
	Allegation that a supervisor frequently brings their children in to work, even when the children are sick.					
66	Abuse	574095018401	Received	12/31/18		
	Allegation regarding excess discretionary leave awards.					

**Not in Purview Reports Summary**

**Table 5**, below, summarizes the results of the four Fraud Hotline reports that were received during the second quarter of Fiscal Year 2019, but were determined to be not within the purview of the Fraud Hotline and were closed.

**Table 5:**

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**Status of Not in Purview Fraud Hotline Reports**

No.	Incident Type	Report #	Received	Date	Status/Outcome	Date
<b>Allegation/Outcome</b>						
1	Waste	270916674701	Received	11/9/18	No Further Action Necessary	11/14/18
Duplicate of 391912227801.						
2	Abuse	934689210501	Received	11/14/18	No Further Action Necessary	11/16/18
Duplicate of 318937118501.						
3	Fraud	916014853901	Received	11/28/18	No Further Action Necessary	11/28/18
An allegation of Workers' Compensation fraud by a non-City employee was referred to the appropriate agency and closed.						
4	Abuse	668821743101	Received	12/13/18	No Further Action Necessary	12/20/18
An allegation regarding a non-City-related business was not in the purview of the Fraud Hotline.						

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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 2019, we have applied approximately 1,137 hours administering the Fraud Hotline, coordinating Intake and Review Committee activities, and investigating Fraud Hotline reports. A total of 3,100 hours was budgeted for the year.

I will be prepared to discuss this report at the next available Audit Committee meeting.

Respectfully submitted,



Kyle Elser  
Interim City Auditor

cc: Honorable Mayor Kevin Faulconer  
Honorable Members of the City Council  
Mara Elliott, City Attorney  
Kris Michell, Chief Operating Officer  
Ron Villa, Acting Assistant Chief Operating Officer  
Andrea Tevlin, Independent Budget Analyst

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