



THE CITY OF SAN DIEGO

DATE: April 4, 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 3

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.

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.

April 4, 2017

Complaints Received in the Third Quarter of Fiscal Year 2017

During the third quarter of Fiscal Year 2017 (January – March 2017), we received 47 Fraud Hotline complaints. Seven new complaints were investigated by the Office of the City Auditor. Twenty-four complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Sixteen 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	Qtr 3	Total FY 17
Discrimination	0	2	0	2
Fraud	2	8	4	14
Miscellaneous	0	0	1	1
Theft of Goods/Services	0	0	1	1
Waste and Abuse	8	4	1	13
Subtotal OCA Investigations	10	14	7	31
City Department Investigations				
Customer Relations	0	1	2	3
Discrimination	2	1	1	4
Employee Relations	2	8	5	15
Fraud	0	2	1	3
Miscellaneous	1	1	0	2
Safety and Sanitation	2	1	0	3
Substance Abuse	0	1	0	1
Theft of Time	2	4	7	13
Waste and Abuse	11	11	8	30
Subtotal Department Investigations	20	30	24	74
Total Complaints Received In Purview of Fraud Hotline	30	44	31	105
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	14	15	16	45
Total Complaints Received in FY 17	44	59	47	150

April 4, 2017

Status of Hotline Complaints

As reported, 47 complaints were filed with the Hotline between January 1, 2017 and March 31, 2017. It was determined that 16 of these complaints were not in the purview of the Fraud Hotline, leaving 31 complaints that were added to the inventory.

In addition to the receipt of 31 new complaints for investigation, 45 City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 76 complaints during the third quarter of Fiscal Year 2017. **Table 2** summarizes the status of Fraud Hotline Complaints for the third 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.

Thirty-eight of the 76 active complaints remain open and unresolved, and 38 were closed. Two City Auditor investigations were found to be substantiated, nine were unsubstantiated or were otherwise resolved. The allegations made in six Department investigations were closed with corrective action, and twenty-one 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 1/1/17	20	25	45	0	45
Received in 3 rd Quarter	7	24	31	16	47
Subtotal – Active Inventory	27	49	76	16	92
Complaints Closed	-11	-27	-38	-16	-54
Substantiated	-2	-0	-2	-0	-2
Corrective Action	-0	-6	-6	-0	-6
Unsubstantiated/other	-9	-21	-30	-16	-46
Unresolved on 3/31/17	16	22	38	0	38

April 4, 2017

City Auditor Investigations Summary

Table 3 summarizes the status of the 27 active City Auditor Fraud Hotline investigations during the third 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	Policy Issues	123214299	Received	3/25/16	Substantiated	3/28/17
	An allegation regarding violations of Procurement Card (P-Card) policies and internal controls was investigated and substantiated. We found that three Department of IT managers violated P-Card internal controls. We recommended that the Assistant Chief Operating Officer take the appropriate corrective action with respect to the employees identified in the confidential version of our report. Management agreed with our recommendation and will take the appropriate corrective action.					
	A public report was issued on March 28, 2017, and can be found at: www.sandiego.gov/sites/default/files/17-017_fraud_hotline_report_of_p-card_abuse_at_the_department_of_information_technology.pdf					
2	Waste and Abuse	123350283	Received	4/18/16	Substantiated	3/28/17
	An allegation regarding P-Card abuse was investigated and substantiated. The results of this investigation were reported as part of Fraud Hotline complaint 123214299, detailed above.					
3	Fraud	123988094	Received	8/16/16	Unsubstantiated	2/27/17
	An allegation regarding poor inventory controls and possible theft of equipment was investigated and found to be unsubstantiated.					
4	Fraud	124464005	Received	11/9/16	Unsubstantiated	1/18/17
	An allegation regarding a fraudulent fundraiser operated by a City Department was investigated and found to be unsubstantiated.					
5	Waste and Abuse	124548894	Received	11/25/16	Unsubstantiated	3/23/17
	An allegation regarding unreimbursed overcharges by a City vendor was investigated and found to be unsubstantiated.					
6	Fraud	124557479	Received	11/28/16	Unsubstantiated	1/23/17
	An allegation regarding unauthorized fee waivers or discounts for recreation activities was investigated and found to be unsubstantiated.					
7	Fraud	124577338	Received	12/1/16	Unsubstantiated	2/2/17
	An allegation regarding fraudulent billing practices was investigated and found to be unsubstantiated.					

City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2017 Quarter 3

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
8	Fraud	124775819	Received	1/9/17	Unsubstantiated	1/20/17
	An allegation regarding an improper San Diego Municipal Code amendment was investigated and found to be unsubstantiated.					
9	Miscellaneous	124896021	Received	1/30/17	Unsubstantiated	2/14/17
	An allegation regarding an improper hiring process at a City Department was investigated and found to be unsubstantiated.					
10	Fraud	122198989	Received	9/30/15	No Further Action Necessary	3/24/17
	An allegation regarding fraud in public works contracting was closed with no further action necessary.					
11	Fraud	124586552	Received	12/2/16	No Further Action Necessary	1/19/17
	An allegation regarding unauthorized program modifications was reviewed and closed with no further action necessary.					
12	Fraud	122751508	Received	1/7/16	Open/Unresolved	
	Allegation regarding theft of registration fees for recreation activities.					
13	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.					
14	Waste and Abuse	124129215	Received	9/12/16	Open/Unresolved	
	An allegation regarding improper hiring at a City Department.					
15	Waste and Abuse	124147126	Received	9/14/16	Open/Unresolved	
	Allegation regarding improper conduct related to public works contracts.					
16	Waste and Abuse	124314493	Received	10/14/16	Open/Unresolved	
	Allegation regarding abuse in the administration of Public Works contracts.					
17	Waste and Abuse	124341972	Received	10/19/16	Open/Unresolved	
	Allegation regarding a building permit.					
18	Fraud	124381731	Received	10/26/16	Open/Unresolved	
	Allegation regarding a theft of funds by a City employee.					
19	Discrimination	124570871	Received	11/30/16	Open/Unresolved	
	Allegation regarding unfair procedures for promotions.					
20	Fraud	124581926	Received	12/2/16	Open/Unresolved	
	Allegation regarding poor purchase and inventory controls related to City equipment.					

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
21	Waste and Abuse	124685157	Received	12/20/16	Open/Unresolved	
	An allegation regarding a City employee wasting City time on charitable activities.					
22	Waste and Abuse	124725681	Received	12/29/16	Open/Unresolved	
	Allegation regarding theft of City equipment.					
23	Fraud	124779537	Received	1/9/17	Open/Unresolved	
	Allegation regarding private businesses conducting recreation activities without permits, insurance, or background checks.					
24	Abuse	124870099	Received	1/25/17	Open/Unresolved	
	Allegation regarding permit processing abuse.					
25	Fraud	125058488	Received	3/1/17	Open/Unresolved	
	Allegation regarding fraud related to a building inspection.					
26	Fraud	125106322	Received	3/9/17	Open/Unresolved	
	Allegation regarding fraud involving a City agency.					
27	Theft of Goods/Services	125191549	Received	3/26/17	Open/Unresolved	
	Allegation regarding theft of City equipment.					

April 4, 2017

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 49 active Fraud Hotline investigations conducted by the Departments during the third 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	Customer Relations	124250093	Received	10/3/16	Corrective Action	1/4/17
	An allegation regarding abusive language used by a City employee was investigated. Although the allegation could not be substantiated, the Department reminded staff of the City's policies and expectations regarding professional conduct at all times when representing the City.					
2	Employee Relations	124483419	Received	11/13/16	Corrective Action	1/4/17
	An allegation regarding unfair overtime allocations was investigated and resulted in corrective action. Overtime policy and procedures were reiterated to managers.					
3	Discrimination	124511175	Received	11/17/16	Corrective Action	1/18/17
	An allegation that City employees were harassing and photographing a disabled City resident while driving was investigated. Although the conduct could not be confirmed, City staff were reminded of the importance of professional conduct while conducting City business.					
4	Miscellaneous	124570304	Received	11/30/16	Corrective Action	1/4/17
	An allegation regarding an unauthorized fundraising solicitation was investigated and resulted in corrective action. The Department sent a reminder that participation in a social event was voluntary.					
5	Theft of Time	124732632	Received	12/30/16	Corrective Action	1/25/17
	An allegation regarding theft of time was investigated and resulted in corrective action. The Department took the appropriate corrective action with respect to the identified employee.					

City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2017 Quarter 3

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
6	Customer Relations	124899209	Received	1/31/17	Corrective Action	3/22/17
	An allegation regarding a City-contracted construction vehicle driver's disrespectful behavior and improper traffic control program was investigated. The reported incident was not confirmed, but City staff reminded the contracted employees working on the project to interact with the public professionally.					
7	Discrimination	123922160	Received	8/3/16	Unsubstantiated	2/22/17
	An allegation regarding discrimination in a hiring process was investigated and found to be unsubstantiated.					
8	Waste and Abuse	123972257	Received	8/12/16	Unsubstantiated	1/25/17
	An allegation regarding abuse of leave time was investigated and found to be unsubstantiated.					
9	Discrimination	124164949	Received	9/18/16	Unsubstantiated	2/8/17
	An allegation regarding unfair treatment of employees was investigated and found to be unsubstantiated.					
10	Employee Relations	124238434	Received	9/30/16	Unsubstantiated	1/25/17
	An allegation regarding verbal abuse by a supervisor was investigated and found to be unsubstantiated.					
11	Waste and Abuse	124246707	Received	10/3/16	Unsubstantiated	1/25/17
	An allegation regarding waste due to the excess use of materials was investigated and found to be unsubstantiated.					
12	Employee Relations	124316836	Received	10/14/16	Unsubstantiated	1/25/17
	An allegation regarding poor employee relations was investigated and found to be unsubstantiated.					
13	Employee Relations	124316124	Received	10/14/16	Unsubstantiated	2/8/17
	An allegation regarding an unfair promotion was investigated and found to be unsubstantiated.					
14	Waste and Abuse	124353868	Received	10/21/16	Unsubstantiated	1/4/17
	An allegation regarding excessive training expenses was investigated and found to be unsubstantiated.					
15	Theft of Time	124427496	Received	11/2/16	Unsubstantiated	1/25/17
	An allegation regarding theft of time was investigated and found to be unsubstantiated.					
16	Fraud	124467372	Received	11/9/16	Unsubstantiated	1/4/17
	An allegation regarding fraudulent time card entries was investigated and found to be unsubstantiated.					
17	Employee Relations	124561780	Received	11/29/16	Unsubstantiated	2/8/17
	An allegation regarding unfair hiring practices was investigated and found to be unsubstantiated.					
18	Waste and Abuse	124605836	Received	12/6/16	Unsubstantiated	1/25/17
	An allegation regarding a waste of City time and resources on personal development classes was investigated and found to be unsubstantiated.					

City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2017 Quarter 3

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
19	Waste and Abuse	124753971	Received	1/4/17	Unsubstantiated	2/8/17
	An allegation regarding an unfair promotion was investigated and found to be unsubstantiated.					
20	Waste and Abuse	124753264	Received	1/4/17	Unsubstantiated	2/22/17
	An allegation regarding abuse related to City-caused damage to a refuse container was investigated and found to be unsubstantiated.					
21	Waste and Abuse	124824988	Received	1/17/17	Unsubstantiated	3/22/17
	An allegation regarding leave time abuse was investigated and found to be unsubstantiated.					
22	Employee Relations	124842318	Received	1/20/17	Unsubstantiated	3/22/17
	An allegation regarding conduct unbecoming was investigated and found to be unsubstantiated.					
23	Waste and Abuse	124425695	Received	11/2/16	No Further Action Necessary	1/4/17
	An allegation regarding abuse of on-time invoice payment metrics was investigated and closed with no further action necessary.					
24	Employee Relations	124691110	Received	12/21/16	No Further Action Necessary	1/4/17
	An allegation regarding verbal abuse by a manager was a redundant complaint. It was forwarded to the Department for informational purposes, and closed with no further action necessary.					
25	Theft of Time	124739356	Received	1/2/17	No Further Action Necessary	2/8/17
	An allegation regarding a supervisor allowing "preferred" employees to leave work early but record a full number of hours lacked specific information. No response to a request for more information was received from the complainant after more than 30 days, and the case was closed with no further action necessary.					
26	Fraud	124973629	Received	2/13/17	No Further Action Necessary	3/22/17
	An allegation regarding a Business Tax assessment fraud was closed with no further action necessary.					
27	Employee Relations	125060132	Received	3/1/17	No Further Action Necessary	3/22/17
	An allegation regarding inaction related to a vacant position resulting in overworked staff was reviewed and closed with no further action necessary since no Fraud, Waste, or Abuse was alleged in the report.					
28	Discrimination	123621050	Received	6/8/16	Open/Unresolved	
	Allegation of unfair promotions.					
29	Theft of Time	124238032	Received	9/30/16	Open/Unresolved	
	Allegation regarding theft of time by a supervisor.					

City Auditor's Quarterly Fraud Hotline Report – Fiscal Year 2017 Quarter 3

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
30	Employee Relations	124329990	Received	10/17/16	Open/Unresolved	
	Allegation regarding an unfair promotion.					
31	Waste and Abuse	124377593	Received	10/25/16	Open/Unresolved	
	Allegation regarding gender discrimination in promotional opportunities.					
32	Theft of Time	124389043	Received	10/27/16	Open/Unresolved	
	Allegation regarding theft of time.					
33	Waste and Abuse	124596299	Received	12/5/16	Open/Unresolved	
	Allegation regarding an unfair promotion process.					
34	Theft of Time	124911725	Received	2/2/17	Open/Unresolved	
	Allegation regarding theft of time by a supervisor.					
35	Customer Relations	124930784	Received	2/6/17	Open/Unresolved	
	Allegation regarding sexual harassment of a resident by a City employee while driving in a City vehicle.					
36	Waste	124983393	Received	2/15/17	Open/Unresolved	
	Allegation regarding wasteful spending on 55 and 60-inch TVs by management.					
37	Waste	124984092	Received	2/15/17	Open/Unresolved	
	Allegation regarding a waste of City resources by mailing notices to City of Coronado residents.					
38	Employee Relations	125018544	Received	2/22/17	Open/Unresolved	
	Allegation regarding rude behavior by an employee.					
39	Theft of Time	125045750	Received	2/27/17	Open/Unresolved	
	Allegation regarding theft of time by a supervisor.					
40	Employee Relations	125073988	Received	3/3/17	Open/Unresolved	
	Allegation regarding favoritism and inappropriate comments in the workplace.					
41	Discrimination	125104714	Received	3/9/17	Open/Unresolved	
	Allegation regarding discrimination in a hiring process.					
42	Theft of Time	125111731	Received	3/10/17	Open/Unresolved	
	Allegation regarding an excessive meal break.					
43	Theft of Time	125109559	Received	3/10/17	Open/Unresolved	
	Allegation regarding theft of time with participation by a manager.					
44	Abuse	125123654	Received	3/13/17	Open/Unresolved	
	Allegation regarding verbal abuse by a supervisor.					

April 4, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
45	Abuse	125135552	Received	3/15/17	Open/Unresolved	
	Allegation regarding abuse of discretion by a Department manager resulting in the elimination of a popular volunteer-run activity.					
46	Theft of Time	125151609	Received	3/18/17	Open/Unresolved	
	Allegation regarding improper overtime payments over three years for a City employee.					
47	Theft of Time	125176174	Received	3/23/17	Open/Unresolved	
	Allegation regarding theft of time by an employee and a supervisor.					
48	Abuse	125206540	Received	3/28/17	Open/Unresolved	
	Allegation regarding abuse by Parking Enforcement.					
49	Employee Relations	125211538	Received	3/29/17	Open/Unresolved	
	Allegation regarding an unfair hiring process.					

April 4, 2017

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 1,831 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