
CITY AUDITOR'S QUARTERLY FRAUD HOTLINE REPORT

Fiscal Year 2017

Quarter 4

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: July 14, 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 4

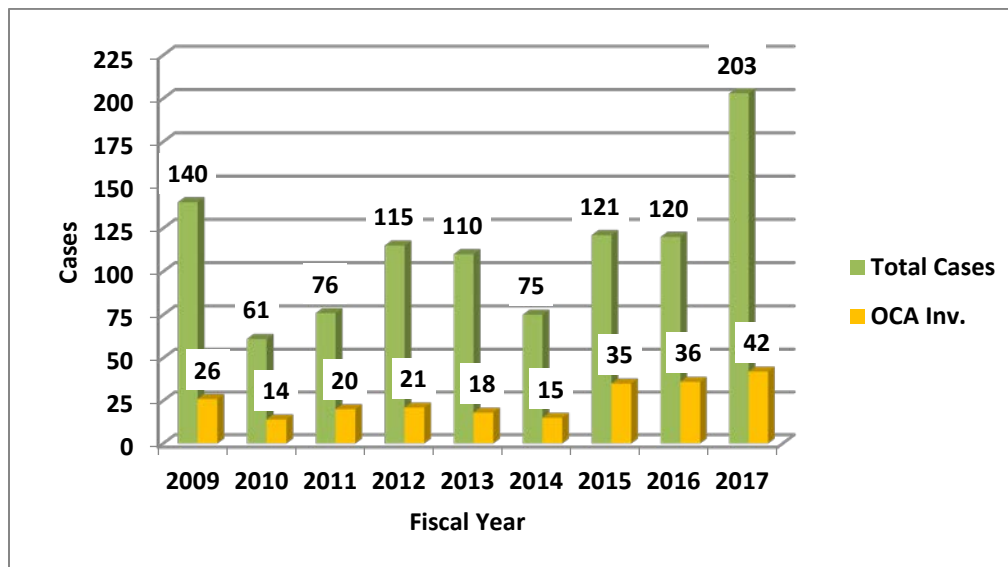
Fraud Hotline Complaints by Fiscal Year

During the fourth quarter of Fiscal Year 2017, the Hotline reached a major milestone by receiving its 1,000th cumulative report. In total, 35 public Fraud Hotline reports have been issued related to substantiated investigations. The Office of the City Auditor made 98 recommendations related to those reports that seek to improve internal controls and City operations.

Chart 1 below illustrates the annual number of Fraud Hotline cases received since the Office of the City Auditor's Fraud Hotline program began. Also depicted is the annual number of investigations conducted by the Office of the City Auditor. The increase in cases may be due to greater awareness of the Fraud Hotline through new posters, presentations at the City's new employee orientation trainings, and online reporting, which was added in the third quarter of Fiscal Year 2014.

Chart 1:

Summary of Fraud Hotline Complaints by Fiscal Year



Complaints Received in the Fourth Quarter of Fiscal Year 2017

During the fourth quarter of Fiscal Year 2017 (April – June 2017), we received 53 Fraud Hotline complaints. Nine new complaints were investigated by the Office of the City Auditor. Twenty-nine 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. Note that in both the second and third quarters, a complaint that was initially referred to a City Department was reclassified as a City Auditor investigation.

Table 1:

Complaints Received in Fiscal Year 2017

City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total FY 17
Discrimination	0	2	0	0	2
Fraud	2	8	4	5	19
Miscellaneous	0	0	1	0	1
Theft of Goods/Services	0	0	1	0	1
Theft of Time	0	0	1	0	1
Waste and Abuse	8	5	1	4	18
Subtotal OCA Investigations	10	15	8	9	42
City Department Investigations					
Customer Relations	0	1	2	3	6
Discrimination	2	1	1	0	4
Employee Relations	2	8	5	6	21
Fraud	0	2	1	1	4
Miscellaneous	1	1	0	1	3
Safety and Sanitation	2	1	0	1	4
Substance Abuse	0	1	0	0	1
Theft of Time	2	4	6	1	13
Waste and Abuse	11	10	8	16	45
Subtotal Department Investigations	20	29	23	29	101
Total Complaints Received In Purview of Fraud Hotline	30	44	31	38	143
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	14	15	16	15	60
Total Complaints Received in FY 17	44	59	47	53	203

Status of Hotline Complaints

As reported, 53 complaints were filed with the Hotline between April 1, 2017 and June 30, 2017. It was determined that 15 of these complaints were not in the purview of the Fraud Hotline, leaving 38 complaints that were added to the inventory.

In addition to the receipt of 38 new complaints for investigation, 38 City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 76 complaints during the fourth quarter of Fiscal Year 2017. **Table 2** summarizes the status of Fraud Hotline Complaints for the fourth 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-nine of the 76 active complaints remain open and unresolved, and 37 were closed. Two City Auditor investigations were found to be substantiated, two resulted in corrective action, and five were unsubstantiated or were otherwise resolved. The allegations made in four Department investigations were found to be substantiated, four were closed with corrective action, and twenty 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 4/1/17	17	21	38	0	38
Received in 4 th Quarter	9	29	38	15	53
Subtotal – Active Inventory	26	50	76	15	91
Complaints Closed	-9	-28	-37	-15	-52
Substantiated	-2	-4	-6	-0	-6
Corrective Action	-2	-4	-6	-0	-6
Unsubstantiated/other	-5	-20	-25	-15	-40
Unresolved on 6/30/17	17	22	39	0	39

City Auditor Investigations Summary

Table 3 summarizes the status of the 26 active City Auditor Fraud Hotline investigations during the fourth 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
1	Fraud	122751508	Received	1/7/16	Substantiated	6/12/17
<p>An allegation regarding theft of registration fees for recreation activities was investigated. We found sufficient evidence to support a finding of waste regarding permit undercharges, and abuse of authority regarding permits issued after the start of the permitted activities. We made five recommendations to improve internal controls and hold the responsible employees accountable. The Park and Recreation Department agreed to implement all five recommendations.</p> <p>A public report was issued on June 12, 2017, and can be found at: www.sandiego.gov/sites/default/files/17-021_recreation_activity_permit_calculation.pdf</p>						
2	Waste and Abuse	123608506	Received	6/6/16	Substantiated	6/26/17
<p>An allegation that a City vendor made material false statements during the bidding process and submitted potentially-fraudulent documents to the City after the contract was awarded was investigated and substantiated. We made four recommendations and City management agreed to implement all four.</p> <p>A public report was issued on June 26, 2017, and can be found at: www.sandiego.gov/sites/default/files/17-022_fraud_hotline_investigation_of_a_city_vendor.pdf</p>						
3	Waste and Abuse	124341972	Received	10/19/16	Corrective Action	6/6/17
<p>An allegation regarding abuse of discretion and potential fraud in a building permit was investigated and found to be unsubstantiated. However, the Development Services Department took corrective action to require compliance with the City's Municipal Code.</p>						
4	Fraud	125312056	Received	4/17/17	Corrective Action	6/27/17
<p>An allegation regarding potential fraud related to City vendor data was investigated. Based on our investigation, the Office of the City Comptroller took corrective action to remove a duplicate vendor record and protect sensitive vendor information.</p>						
5	Waste and Abuse	124129215	Received	9/12/16	Unsubstantiated	5/25/17
<p>An allegation regarding improper hiring at a City Department was investigated and found to be unsubstantiated.</p>						

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
6	Discrimination	124570871	Received	11/30/16	Unsubstantiated	6/5/17
	An allegation regarding unfair procedures for promotions was investigated and found to be unsubstantiated. Additional allegations regarding gender and race-based discrimination were referred to the Equal Employment Investigations Office for investigation.					
7	Waste and Abuse	124725681	Received	12/29/16	Unsubstantiated	6/23/17
	An allegation regarding theft of City equipment was investigated and found to be unsubstantiated.					
8	Waste and Abuse	124147126	Received	9/14/16	No Further Action Necessary	6/23/17
	An allegation regarding improper conduct related to public works contracts was investigated and referred to the appropriate agencies.					
9	Waste and Abuse	124314493	Received	10/14/16	No Further Action Necessary	5/25/17
	An allegation regarding abuse in the administration of Public Works contracts was investigated and closed with no further action necessary because the issues raised have been addressed in a separate, comprehensive Performance Audit.					
10	Fraud	124381731	Received	10/26/16	Open/Unresolved	
	Allegation regarding a theft of funds by a City employee.					
11	Fraud	124581926	Received	12/2/16	Open/Unresolved	
	Allegation regarding poor purchase and inventory controls related to City equipment.					
12	Waste and Abuse	124685157	Received	12/20/16	Open/Unresolved	
	An allegation regarding a City employee wasting City time on charitable activities.					
13	Fraud	124779537	Received	1/9/17	Open/Unresolved	
	Allegation regarding private businesses conducting recreation activities without permits, insurance, or background checks.					
14	Abuse	124870099	Received	1/25/17	Open/Unresolved	
	Allegation regarding permit processing abuse.					
15	Fraud	125058488	Received	3/1/17	Open/Unresolved	
	Allegation regarding fraud related to a building inspection.					
16	Fraud	125106322	Received	3/9/17	Open/Unresolved	
	Allegation regarding fraud involving a City agency.					
17	Theft of Time	125151609	Received	3/18/17	Open/Unresolved	
	Allegation regarding improper overtime payments over three years for a City employee.					

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
18	Theft of Goods/Services	125191549	Received	3/26/17	Open/Unresolved	
	Allegation regarding theft of City equipment.					
19	Fraud	125248496	Received	4/5/17	Open/Unresolved	
	Allegation regarding possible theft of funds from a City facility.					
20	Fraud	125404696	Received	5/3/17	Open/Unresolved	
	Allegation that a City vendor does not have required insurance and contractor's license.					
21	Abuse	125413607	Received	5/4/17	Open/Unresolved	
	Allegation regarding theft of water from a City hydrant.					
22	Abuse	125512239	Received	5/23/17	Open/Unresolved	
	Allegation regarding abuse of discretion, policy violations, and waste at a City Department.					
23	Waste	125547739	Received	5/30/17	Open/Unresolved	
	Allegation regarding waste of City funds on a facility that is being closed down.					
24	Fraud	125584507	Received	6/6/17	Open/Unresolved	
	Allegation regarding City performance data manipulation and inflation.					
25	Abuse	125608281	Received	6/9/17	Open/Unresolved	
	Allegation regarding abuse of the purchasing process.					
26	Fraud	125610382	Received	6/11/17	Open/Unresolved	
	Allegation regarding fraudulent contract and billing practices.					

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 50 active Fraud Hotline investigations conducted by the Departments during the fourth 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	Theft of Time	124389043	Received	10/27/16	Substantiated	5/3/17
	An allegation regarding theft of time was investigated and found to be substantiated. The Department took the appropriate corrective action with respect to the identified employee.					
2	Theft of Time	124911725	Received	2/2/17	Substantiated	4/5/17
	An allegation that an employee was spending most of the working day texting, watching online videos, and reading online was investigated and partially substantiated. The Department took the appropriate corrective action with respect to the identified employee.					
3	Theft of Time	125111731	Received	3/10/17	Substantiated	5/17/17
	An allegation regarding an excessive meal break was investigated and found to be substantiated. Staff were reminded of the need for advance approval for changes to scheduled working hours, and the Department took the appropriate corrective action with respect to the identified employee.					
4	Abuse	125256223	Received	4/6/17	Substantiated	5/3/17
	An allegation regarding outside employment on City time by a manager was investigated and substantiated. The Department took the appropriate corrective action with respect to the identified manager.					
5	Discrimination	123621050	Received	6/8/16	Corrective Action	5/3/17
	An allegation of unfair promotions was investigated and resulted in corrective action. City staff received additional sensitivity training from the Equal Employment Investigations Office.					
6	Customer Relations	124930784	Received	2/6/17	Corrective Action	4/5/17
	An allegation regarding sexual harassment of a resident by a City employee while driving in a City vehicle was investigated. Although the Department was unable to confirm the allegation, staff was reminded of the importance of appropriate behavior.					

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
7	Theft of Time	125176174	Received	3/23/17	Corrective Action	5/3/17
	An allegation regarding theft of time by an employee and a supervisor was investigated and closed with corrective action. Staff was reminded to communicate regarding scheduling and task status.					
8	Abuse	125381417	Received	4/28/17	Corrective Action	5/3/17
	A GPS report indicated that a City employee drove at 90 mph in a City vehicle. The conduct was confirmed, and was not related to a bona fide emergency. However, City management was precluded from taking disciplinary action based on a 2015 agreement with labor organizations because the GPS report was not created in response to a citizen complaint or pre-scheduled vehicle use review. We identified the conduct through a standard over-speed report available in the GPS system. The conduct was discussed with the identified employee in a non-disciplinary context. According to City management, an annual vehicle safety notice will be issued to all City employees, and additional mandatory training will be provided to the identified employee's team.					
9	Theft of Time	124238032	Received	9/30/16	Unsubstantiated	5/3/17
	An allegation regarding theft of time by a supervisor was investigated and found to be unsubstantiated.					
10	Employee Relations	124329990	Received	10/17/16	Unsubstantiated	4/5/17
	An allegation regarding an unfair promotion was investigated and found to be unsubstantiated.					
11	Waste and Abuse	124377593	Received	10/25/16	Unsubstantiated	5/3/17
	An allegation regarding gender discrimination in promotional opportunities was investigated and found to be unsubstantiated.					
12	Waste and Abuse	124596299	Received	12/5/16	Unsubstantiated	4/5/17
	An allegation regarding an unfair promotion process was investigated and found to be unsubstantiated.					
13	Waste	124983393	Received	2/15/17	Unsubstantiated	4/5/17
	An allegation regarding wasteful spending on 55 and 60-inch TVs by management was investigated. The allegation of waste was not substantiated.					
14	Discrimination	125104714	Received	3/9/17	Unsubstantiated	5/17/17
	An allegation regarding discrimination in a hiring process was investigated and found to be unsubstantiated.					
15	Abuse	125135552	Received	3/15/17	Unsubstantiated	4/19/17
	An allegation regarding abuse of discretion by a Department manager resulting in the elimination of a popular volunteer-run activity was investigated and found to be unsubstantiated.					

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
16	Employee Relations	125388245	Received	5/1/17	Unsubstantiated	5/31/17
	An allegation that City employees were required to perform duties outside of their job classifications was investigated and found to be unsubstantiated.					
17	Abuse	125442619	Received	5/10/17	Unsubstantiated	5/31/17
	An allegation regarding a product endorsement in violation of City policy was investigated and found to be unsubstantiated. Council Policy 000-41 prohibits endorsements, "except as approved by City Council and in accordance with a signed agreement between the City and a provider of products or services." In this case, a signed agreement is in place.					
18	Abuse	125480389	Received	5/17/17	Unsubstantiated	6/14/17
	An allegation regarding inappropriate job classifications resulting in pay raises for ineligible employees was investigated and found to be unsubstantiated.					
19	Abuse	125506203	Received	5/22/17	Unsubstantiated	6/14/17
	An allegation regarding manipulation of job descriptions to hire favored candidates was investigated and found to be unsubstantiated.					
20	Abuse	125585263	Received	6/6/17	Unsubstantiated	6/14/17
	An allegation regarding an unfair promotion process was investigated and found to be unsubstantiated.					
21	Waste	124984092	Received	2/15/17	No Further Action Necessary	4/5/17
	An allegation regarding a waste of City resources by mailing notices to City of Coronado residents was investigated. No further action is necessary.					
22	Theft of Time	125045750	Received	2/27/17	No Further Action Necessary	4/5/17
	An allegation regarding theft of time by a supervisor was referred to the relevant Department. The response was reviewed and determined to be sufficient. No further action is necessary.					
23	Abuse	125123654	Received	3/13/17	No Further Action Necessary	4/4/17
	An allegation regarding verbal abuse by a supervisor was a duplicate complaint. It was referred to the Department for information purposes.					
24	Employee Relations	125211538	Received	3/29/17	No Further Action Necessary	5/3/17
	An allegation regarding an unfair hiring process was received, but there was insufficient information to investigate and a request for more information did not yield results after over 30 days.					
25	Customer Relations	125237077	Received	4/3/17	No Further Action Necessary	5/3/17
	An allegation regarding poor customer service and abuse at a Department was investigated and closed with no further action necessary.					

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
26	Waste	125263724	Received	4/7/17	No Further Action Necessary	5/17/17
	An allegation regarding waste due to excess bilingual pay did not contain sufficient information to investigate. No response to a request for more information was received within 30 days. Per our procedures, the case was closed.					
27	Abuse	125585301	Received	6/6/17	No Further Action Necessary	6/14/17
	Duplicate complaint.					
28	Miscellaneous	125621202	Received	6/13/17	No Further Action Necessary	6/14/17
	Duplicate complaint.					
29	Employee Relations	125018544	Received	2/22/17	Open/Unresolved	
	Allegation regarding rude behavior by an employee.					
30	Employee Relations	125073988	Received	3/3/17	Open/Unresolved	
	Allegation regarding favoritism and inappropriate comments in the workplace.					
31	Theft of Time	125109559	Received	3/10/17	Open/Unresolved	
	Allegation regarding theft of time with participation by a manager.					
32	Abuse	125206540	Received	3/28/17	Open/Unresolved	
	Allegation regarding abuse by Parking Enforcement.					
33	Waste	125318530	Received	4/18/17	Open/Unresolved	
	Allegation regarding unfair treatment by management.					
34	Abuse	125381454	Received	4/28/17	Open/Unresolved	
	Allegation that a City employee lacked necessary safety training to perform assigned job duties.					
35	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.					
36	Employee Relations	125454257	Received	5/12/17	Open/Unresolved	
	Allegation regarding inappropriate attire in the workplace.					
37	Theft of Time	125469020	Received	5/15/17	Open/Unresolved	
	An allegation of theft of time and violation of City IT acceptable use policy.					
38	Abuse	125510572	Received	5/23/17	Open/Unresolved	
	Allegation regarding the improper handling of a workplace injury.					

July 14, 2017

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
39	Employee Relations	125515151	Received	5/24/17	Open/Unresolved	
	Allegation regarding restrictions on bathroom access due to vandalism.					
40	Employee Relations	125531925	Received	5/26/17	Open/Unresolved	
	Allegation regarding unfair work allocations.					
41	Safety and Sanitation	125535590	Received	5/27/17	Open/Unresolved	
	Allegation regarding a non-emergency City vehicle driving unsafely at approximately 90 mph.					
42	Abuse	125548118	Received	5/30/17	Open/Unresolved	
	Allegation regarding abuse of authority resulting in waste.					
43	Employee Relations	125568779	Received	6/2/17	Open/Unresolved	
	Allegation regarding an abusive manager.					
44	Fraud	125587880	Received	6/7/17	Open/Unresolved	
	Allegation regarding a fraudulent job application and workers' compensation claim.					
45	Waste	125598576	Received	6/8/17	Open/Unresolved	
	Allegation regarding waste of City funds related to sewer main replacements.					
46	Customer Relations	125654157	Received	6/19/17	Open/Unresolved	
	Allegation regarding unpaid contracted services.					
47	Abuse	125665853	Received	6/21/17	Open/Unresolved	
	Allegation regarding a supervisor who does not perform their duties as required.					
48	Abuse	125695429	Received	6/26/17	Open/Unresolved	
	Allegation regarding abusive workplace monitoring.					
49	Employee Relations	125698653	Received	6/27/17	Open/Unresolved	
	Allegation regarding a workplace conflict.					
50	Abuse	125721724	Received	6/30/17	Open/Unresolved	
	Allegation regarding inappropriate product endorsements.					

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 2,706 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
