



THE CITY OF SAN DIEGO

DATE: May 21, 2018

TO: Herman Parker, Parks and Recreation Department Director

FROM: Eduardo Luna, CIA, CGFM, City Auditor
Office of the City Auditor

SUBJECT: Fraud Hotline Investigation of Water Theft and Theft of Cleaning Supplies

Our Office received an allegation that a Parks and Recreation Department (Parks) Custodian removed a residential water meter locking device, bypassed the water meter, used a meter that was removed from a nearby residence, and may have stolen City cleaning supplies for home use. We opened a Fraud Hotline investigation and conducted an investigation into both the water meter tampering and theft of City cleaning supplies allegations.

Our investigation determined that the allegations all appear to be substantiated based on our interviews with City staff and our review of records. Public Utilities Department (PUD) records confirm the allegations regarding water meter locking device removal, bypass, and substitution, all of which resulted in the issuance of Administrative Citations totaling \$2,500, in addition to water bill fees and charges. We also identified several industrial cleaning supply items that were left behind in the employee's former rental home. The cleaning supplies were all consistent with brands in use by the City and correspond to an earlier internal investigation by Parks management into missing cleaning supplies that was not successful.

We recommended that Parks management conduct an independent investigation to determine if City policies were violated and take the appropriate corrective action with respect to the identified employee. A detailed, confidential version of this report was provided to Parks management.



OFFICE OF THE CITY AUDITOR
202 C STREET • 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



Fraud Hotline Investigation of Water Theft and Theft of Cleaning Supplies

Parks Employee Received Multiple Citations for Water Theft

The Fraud Hotline complainant provided a detailed timeline of events regarding the City employee's violations of the San Diego Municipal Code (SDMC) related to unauthorized water meter locking device removal, bypassing the water meter using a pipe, and substitution of a water meter with one that was not issued to the residence. We independently confirmed through PUD records that the Administrative Citations listed in **Table 1**, below were issued to the employee, which corroborated the Fraud Hotline complainant's allegations.

Table 1**Summary of Administrative Citations Issued to the Employee for Water Theft**

Citation Date	Description	Amount
Oct. 31, 2017	Tampering with or Obstructing Water System Equipment	\$250.00
Nov. 1, 2017	Tampering with or Obstructing Water System Equipment	\$500.00
Nov. 6, 2017	Tampering with or Obstructing Water System Equipment	\$750.00
Jan. 16, 2018	Regulation of Water System - Water to Pass Through Meter	\$1,000.00
		\$2,500.00

Source: SAP

Fraud Hotline Investigation of Water Theft and Theft of Cleaning Supplies

Industrial Cleaning Supplies Left Behind in Employee's Home

Through our investigation, photographs were provided to us showing several industrial cleaning supply items that the employee abandoned in the rented home after moving out.

Images 1 through 3, below, depict the cleaning supplies that were left behind and confirmed through interviews with Parks staff as being consistent with supplies that are regularly used and had been reported missing more than eight months ago.

Images 1-3

Images of Industrial Cleaning Supplies found at the Employee's Home



Source: Fraud Hotline complainant, images 1-3 (in clockwise order) were dated 3/9/18, 3/14/18, and 3/13/18.

According to Parks management, there was a report of missing cleaning supplies prior to August 15, 2017. At the time, the Building Supervisor position was vacant, and had been for approximately 10 months after the prior Building Supervisor vacated the position on in October 2016.

There may have been an increased risk of theft of cleaning supplies between October 2016 and August 2017, because the Building Supervisor typically performs the inventory monitoring function and tracks the distribution of supplies to the four lead custodians.

The current Building Supervisor stated that there have been no identified issues with missing inventory since he started working for the City in August 2017. He explained that he processes orders for cleaning supplies from Waxie and other vendors based on

Fraud Hotline Investigation of Water Theft and Theft of Cleaning Supplies

past usage and anticipated needs. The supplies are stored in a locked cage, the key to which is maintained in his office. Only the four lead Custodians have access to the key. A log is used to record which items are being removed from inventory, by whom, and to which of three storage locations. Custodians have access to the on-site storage locations with cleaning supplies, but do not have access to the primary locked inventory area. The Building Supervisor stated that he performed his own tests to ensure that the inventory items were being faithfully transported and stored by the lead custodians. After three months of testing, he found no exceptions and focused on other priorities.

We noted that although there is a Waxie showroom that is open to the public at 9353 Waxie Way in Kearny Mesa, the store is far from the employee's former home address. Other closer shopping options would have been much more convenient sources to purchase cleaning supplies. Based on the balance of the evidence, we believe that the most likely explanation is that the Waxie-brand cleaning supplies found in the employee's former home came from the City's supply. Administrative Regulation 45.50 prohibits the personal use of City supplies.

Conclusion

Our investigation determined that the allegations that a Parks Custodian violated SDMC sections related to theft of water through illegal service connections, and used City supplies for personal use in violation of City policy, were substantiated.

We made one recommendation to Parks management, which was to conduct an independent investigation to determine if City policies were violated and take the appropriate corrective action with respect to the identified employee.

Recommendation and Management's Response

(see Attachment A for definitions of Fraud Hotline recommendation priorities)

We recommend that the Parks and Recreation Department:

1. **Conduct an independent investigation to determine whether the identified employee violated City policies, and take the appropriate corrective action (Priority 1).**

Management Response: Agree. The Department agrees to conduct an independent investigation to determine whether the identified employee violated City policies, and take the appropriate corrective action.

Target Implementation Date: July 31, 2018.

Fraud Hotline Investigation of Water Theft and Theft of Cleaning Supplies

The information in this report is being provided to you under the authority of California Government Code §53087.6, which states:

(e) (2) Any investigative audit conducted pursuant to this subdivision shall be kept 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.

(3) Notwithstanding paragraph (2), the auditor or controller may provide a copy of a substantiated audit report that includes the identities of the subject employee or employees and other pertinent information concerning the investigation to the appropriate appointing authority for disciplinary purposes. The substantiated audit report, any subsequent investigatory materials or information, and the disposition of any resulting disciplinary proceedings are subject to the confidentiality provisions of applicable local, state, and federal statutes, rules, and regulations.

Thank you for taking action on this issue.

Respectfully submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive style with a large initial 'E' and 'L'.

Eduardo Luna
City Auditor

Attachment A – Definition of Fraud Hotline Recommendation Priorities

**DEFINITIONS OF PRIORITY 1, 2, AND 3
FRAUD HOTLINE RECOMMENDATIONS**

The Office of the City Auditor maintains a priority classification scheme for Fraud Hotline recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation taking into considerations its priority. The City Auditor requests that target dates be included in the Administration’s official response to the findings and recommendations.

Priority Class¹	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

¹ The City Auditor is responsible for assigning Fraud Hotline recommendation priority class numbers. A recommendation which clearly fits the description for more than one priority class shall be assigned the higher number.