



THE CITY OF SAN DIEGO

DATE: October 15, 2009

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor's Quarterly Fraud Hotline Report – Qtr 1 Fiscal Year 2010**

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 City of San Diego employees and citizens to confidentially report (1) any activity or conduct in which he/she suspects instances of fraud, waste, or abuse and (2) violations of certain federal or state laws and regulations (e.g., laws prohibiting discrimination or whistleblower laws).

The Network Inc., an independent third-party provider, accepts calls from City employees and the public, providing complete confidentiality at (866) 809-3500. The Network prepares a report for each complaint received and sends them to the Office of the City Auditor via email. Callers can choose to remain anonymous, and complaints can also be submitted directly to the Office of the City Auditor.

Fiscal Year 2010 First Quarter Results by Complaint Types

During the first quarter reporting period, 15 complaints were filed with the Hotline. As in previous quarterly updates, the majority of complaints made to the Hotline continue to be non-fraud, waste, or abuse-related. During the first quarter of Fiscal Year 2010, of 15 complaints received, four were classified as fraud, waste, or abuse (27%). The remaining 11 complaints involved policy issues (20%); customer relations (13%); discrimination (13%); and other non-fraud, waste or abuse categories (27%). As reported earlier, the Hotline Intake Review Committee reviews non-fraud related complaints and departments perform follow-up investigations. The following table lists the number of complaints received by category.



**Number of Complaints Received First Quarter of Fiscal Year 2010
(July 1, 2009 – September 30, 2009)**

Category	Quarter 1 July - Sept	Percent	City Auditor Investigations	Referred to Departments
Policy Issues	3	20.0%	0	3
Fraud	3	20.0%	2	1*
Customer Relations	2	13.3%	0	2
Discrimination	2	13.3%	0	2
Employee Relations	1	6.7%	0	1
Conflicts of Interest	1	6.7%	0	1
Waste and Abuse	1	6.7%	1	0
Retaliation of Whistleblowers	1	6.7%	0	1
Workplace Violence	1	6.7%	0	1
Total	15	100%	3	12

* The one "Fraud" call that was *referred to Departments* was not in the purview of the City of San Diego and was referred to an outside agency as a potential fraud, waste or abuse call.

As shown above, 15 complaints were made to the Hotline between July 2009 and September 2009. Of those complaints, three warranted City Auditor investigation, and 12 were non-fraud related complaints that were referred by the Hotline Intake Committee to departments for investigation, or were outside the purview of the Fraud Hotline.

**Status of All Hotline Complaints Received First Quarter of Fiscal Year 2010
and Open Complaints from the Previous Quarter**

As reported, 15 complaints were made to the Hotline between July 2009 and September 2009. In addition, at the end of the previous quarter, 22 complaints remained open and unresolved for a total of 37 complaints. The following table shows the status of these 37 complaints. Of these complaints, 25 remain open and unresolved and 12 were closed. Of the 12 that were closed, two were substantiated and/or corrective actions were taken, six were unsubstantiated, and four were outside the purview of the Fraud Hotline.

Complaint Status	City Auditor Investigations	Department Investigations	Total	Percent
Complaints Open and Unresolved	9	16	25	67.6%
Investigations Closed	3	9	12	32.4%
Complaint Substantiated and/or Corrective Action Taken	0	2	2	5.4%
Complaint Unsubstantiated	3	3	6	16.2%
Complaint Outside the Purview of the Fraud Hotline	0	4	4	10.8%
Total	12	25	37	100.0%

Below is a summary of the 12 City Auditor Fraud Hotline investigations through the end of the first quarter of fiscal year 2010 (September 30, 2009), including the call category, a description of the complaint, and the case status.

City Auditor Investigations Summary – Through the First Quarter of Fiscal Year 2010 (September 30, 2009)

No.	Call Category	General Description of Complaint	Outcome / Status
1	Fraud	Allegation regarding the sale of a City asset	Complaint Unsubstantiated
2	Policy Issues	Allegation that the City was overcharged for Pension contributions	Complaint Unsubstantiated
3	Policy Issues	Allegation that the City was overcharged for Pension contributions	Complaint Unsubstantiated
4	Accounting/Audit Irregularities	Allegation of accounting irregularities involving receipt and deposit of City funds	Complaint Open/Unresolved
5	Customer Relations	Allegation of not adequately coordinating City repairs resulting in waste of resources	Complaint Open/Unresolved
6	Customer Relations	Allegation of not adequately coordinating City repairs resulting in waste of resources	Complaint Open/Unresolved
7	Fraud	Allegation regarding the validity of an employee's education & prior work experience & use of City Benefits	Complaint Open/Unresolved
8	Fraud	Allegation of embezzlement by a City employee	Complaint Open/Unresolved
9	Fraud	Allegation of abuse of public moneys to a group/association	Complaint Open/Unresolved
10	Policy Issues	Allegation of employees being pressured to circumvent City policy	Complaint Open/Unresolved
11	Waste and Abuse	Allegation of inefficiencies regarding the City's Work Order System	Complaint Open/Unresolved
12	Waste and Abuse	Allegation of City staff wasting resources on projects unlikely to be funded	Complaint Open/Unresolved

The Fraud Related Hotline Complaints Referred to Departments for Review

Through the end of the first quarter of fiscal year 2010 (September 30, 2009), the Fraud Hotline received four new complaints initially classified as fraud, waste and abuse in the first quarter. Of these fraud related complaints, the Office of the City Auditor initiated two investigations, referred one to the department and passed on one complaint because it was outside our purview.

The current status of the two fraud related complaints that were either sent to a department for investigation or was outside the purview of the Fraud hotline at the end of the first quarter of fiscal year 2010 are shown below.

**Fraud Related Department Investigations – First Quarter of Fiscal Year 2010
(July 1, 2009 - September 30, 2009)**

No.	Call Category	General Description of Complaint	Outcome / Status
1	Conflicts of Interest	Allegation of employee conducting personal business using City facilities and resources	Complaints Open and Unresolved
2	Fraud†	Allegation of cyber fraud	Outside Purview of Hotline

†This complaint is outside the jurisdiction of the City of San Diego and is a State or Federal related issue.



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Mary Lewis, Chief Financial Officer
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst
Stanley Keller, Independent Oversight Monitor