



THE CITY OF SAN DIEGO

DATE: April 15, 2016

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Qtr 3 Fiscal Year 2016

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 citizen 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.

OFFICE OF THE CITY AUDITOR
1010 SECOND AVENUE, SUITE 555, WEST TOWER • 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



Complaints Received in the Third Quarter of Fiscal Year 2016

During the third quarter of Fiscal Year 2016 (January – March 2016), we received 32 Fraud Hotline complaints. Eleven complaints were investigated by the Office of the City Auditor. Twelve complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Nine complaints were not in the purview of the Fraud Hotline and were referred to the proper authority. **Table 1** below summarizes the types of complaints received during Fiscal Year 2016.

Table 1 – Complaints Received in Fiscal Year 2016

City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Total FY 16
Accounting/Audit Irregularities	1	0	0	1
Conflict of Interest	1	0	0	1
Fraud	2	2	3	7
Miscellaneous	1	1	1	3
Policy Issues	0	0	2	2
Safety and Sanitation	0	1	0	1
Theft of Goods/ Services	1	0	1	2
Theft of Time	0	0	1	1
Waste and Abuse	3	4	3	10
Subtotal OCA Investigations	9	8	11	28
City Department Investigations				
Employee Relations	0	3	1	4
Fraud	2	3	1	6
Miscellaneous	1	0	0	1
Policy Issues	1	0	0	1
Safety and Sanitation	0	1	1	2
Theft of Goods/Services	1	0	0	1
Theft of Time	1	2	4	7
Waste and Abuse	6	4	5	15
Subtotal Department Investigations	12	13	12	37
Total Complaints Received In Purview of Fraud Hotline	21	21	23	65
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	9	6	9	24
Total Complaints Received in FY 16	30	27	32	89

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Status of Hotline Complaints

As reported, 32 complaints were filed with the Hotline between January 1, 2016 and March 31, 2016. It was determined that nine of these complaints were not in the purview of the Fraud Hotline, leaving 23 complaints that were added to the inventory.

In addition to the receipt of 23 new complaints for investigation, twenty-two City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 54 complaints during the third quarter of Fiscal Year 2016.

Table 2 summarizes the status of Fraud Hotline Complaints for the third quarter of Fiscal Year 2016.

Twenty-eight of the 54 active complaints remain open and unresolved, and 26 were closed. Two City Auditor investigations were found to be substantiated, three resulted in corrective action, and two were unsubstantiated or were otherwise resolved. The allegations made in two Department investigations were closed with corrective action, and five were unsubstantiated or were otherwise resolved. Note that three cases that were reported as Department referrals as of the end of the prior quarter were later determined not to be within the purview of the Fraud Hotline to investigate and were closed.

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 1/1/16	12	10	22	0	22
Received in 3 rd Quarter	11	12	23	9	32
Subtotal – Active Inventory	23	22	45	9	54
Complaints Closed	-7	-7	-14	-12*	-26
Substantiated	-2	0	-2	0	-2
Corrective Action	-3	-2	-5	0	-5
Unsubstantiated/other	-2	-5	-7	-12*	-19
Unresolved on 3/31/16	16	12*	28*	0*	28

* Three cases (122605874, 122720402, and 122720684) reported as open Department referrals as of the end of the prior quarter were later determined not to be within the purview of the Fraud Hotline to investigate and were closed.

City Auditor Investigations Summary

Table 3 summarizes the status of the 23 active City Auditor Fraud Hotline investigations during the third quarter of Fiscal Year 2016, 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	Fraud	120338740	Received	10/1/14	Substantiated	3/30/16
<p>An allegation that an employee who works for a vendor that does business with the City has committed fraud in the past was investigated. We obtained new information regarding two individuals who were previously suspected of committing fraud. This information was forwarded to City management to determine whether adequate evidence exists to debar the two named individuals and business entities.</p> <p>A public report was issued on 3/30/16, and can be found at: https://www.sandiego.gov/sites/default/files/16-012_investigation_vendor_fraud.pdf</p> <p>A detailed confidential report was also provided to City management.</p>						
2	Safety and Sanitation	122704125	Received	12/28/15	Substantiated	1/22/16
<p>An allegation regarding an employee consuming alcohol while on City time was investigated and substantiated. The department took the appropriate corrective action with respect to the identified employee.</p>						
3	Waste and Abuse	122199158	Received	9/30/15	Corrective Action	1/25/16
<p>The allegation regarding abuse of discretion in violation of City policy was investigated and found to be unsubstantiated. However, the Department took corrective action to seek payment for the unauthorized sublease of a field use permit.</p>						
4	Waste and Abuse	122294306	Received	10/16/15	Corrective Action	3/16/16
<p>Allegations related to a contract award protest were investigated and resulted in a change in bid solicitation language.</p>						
5	Waste and Abuse	122491794	Received	11/18/15	Corrective Action	1/29/16
<p>An allegation regarding theft of time by a City employee was investigated and found to be unsubstantiated; however the Department took proactive corrective action to ensure that an updated outside employment notification was filed.</p>						

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
6	Waste and Abuse	122212733	Received	10/2/15	Unsubstantiated	2/3/16
	An allegation regarding abuse of discretion and conflict of interest related to a contract was investigated and found to be unsubstantiated.					
7	Miscellaneous	122682020	Received	12/22/15	Unsubstantiated	1/26/16
	Investigation to confirm the existence of three machines owned by the City. The existence of the three machines has been confirmed. Therefore, an allegation that the machines are missing is unsubstantiated.					
8	Waste and Abuse	120944327	Received	2/6/15	Open/Unresolved	
	Allegation that there is no oversight of a large contract for services.					
9	Waste and Abuse	121842995	Received	7/29/15	Open/Unresolved	
	Allegation regarding unfair selection in a City department's hiring process.					
10	Fraud	122198989	Received	9/30/15	Open/Unresolved	
	Allegation regarding fraud in public works contracting.					
11	Fraud	122518497	Received	11/23/15	Open/Unresolved	
	Allegation regarding unauthorized fee waivers for recreation activities.					
12	Fraud	122692752	Received	12/24/15	Open/Unresolved	
	Allegation regarding unauthorized fee waivers.					
13	Fraud	122751508	Received	1/7/16	Open/Unresolved	
	Allegation regarding theft of registration fees for recreation activities.					
14	Fraud	122933242	Received	2/6/16	Open/Unresolved	
	Allegation regarding a contract awarded in violation of City policy.					
15	Fraud	123035888	Received	2/24/16	Open/Unresolved	
	An allegation regarding special events and un-recovered costs representing illegal gifts of public funds was investigated and found to be unsubstantiated.					
16	Miscellaneous	123110268	Received	3/8/16	Open/Unresolved	
	Allegation regarding contracts awarded by a City-created non-profit.					
17	Waste and Abuse	123122750	Received	3/10/16	Open/Unresolved	
	Allegation regarding wasteful expenditures by a City Department.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
18	Theft of Time	123172009	Received	3/18/16	Open/Unresolved	
Allegation of a City employee operating a private business on City time.						
19	Waste and Abuse	123170402	Received	3/18/16	Open/Unresolved	
Allegation regarding a refund that was processed against policy.						
20	Theft of Goods/Services	123210410	Received	3/25/16	Open/Unresolved	
Allegation of theft of tools from a City vehicle.						
21	Policy Issues	123214299	Received	3/25/16	Open/Unresolved	
Allegation of violations of City policy regarding P-card use.						
22	Waste and Abuse	123216923	Received	3/27/16	Open/Unresolved	
Allegation of abuse of authority in a hiring process.						
23	Policy Issues	123224903	Received	3/28/16	Open/Unresolved	
Allegation regarding an unpermitted change to an employee's leave time classification.						

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 19 active Fraud Hotline investigations conducted by the Departments during the third quarter of Fiscal Year 2016, including the incident type, a general description of the complaint, and the case status. Note that three cases that were reported as Department referrals as of the end of the prior quarter were later determined not to be within the purview of the Fraud Hotline to investigate. This reduced the number of Department referrals from 22 to 19.

Table 4 – Status of Department-Investigated Fraud Hotline Complaints

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
1	Theft of Time	122428650	Received	11/9/15	Corrective Action	1/22/16
	An allegation regarding theft of time by a City employee was investigated and found to be unsubstantiated. However, Department management discussed time use expectations with the identified employee.					
2	Waste and Abuse	122883401	Received	1/28/16	Corrective Action	2/24/16
	An allegation regarding a City employee sleeping on City time was investigated; the Department took the appropriate corrective action with respect to the identified employee.					
3	Employee Relations	122426984	Received	11/8/15	Unsubstantiated	1/13/16
	An allegation regarding unnecessary overtime was investigated by the Department, independently reviewed, and found to be unsubstantiated.					
4	Waste and Abuse	122556519	Received	12/1/15	Unsubstantiated	1/13/16
	An allegation of incomplete performance on a third-party contract for services was investigated by the Department, independently reviewed, and found to be unsubstantiated.					
5	Theft of Time	122556274	Received	12/1/15	Unsubstantiated	1/19/16
	An allegation of theft of time by City employees was investigated by the Department, independently reviewed, and found to be unsubstantiated.					
6	Waste and Abuse	122634297	Received	12/14/15	Unsubstantiated	1/13/16
	An allegation regarding wasteful holiday party expenditures was investigated, independently reviewed, and closed as unsubstantiated.					
7	Employee Relations	122805580	Received	1/15/16	Unsubstantiated	2/10/16
	An allegation regarding a work assignment that was outside the scope of work for a particular job classification was investigated and found to be unsubstantiated due to an isolated emergency situation.					
8	Fraud	122363552	Received	10/28/15	Open/Unresolved	
	Allegation regarding overtime abuse at a City Department.					
9	Waste and Abuse	122680450	Received	12/22/15	Open/Unresolved	
	Allegation regarding misuse of City computers and theft of time.					
10	Theft of Time	122942381	Received	2/8/16	Open/Unresolved	
	Allegation that a City employee engaged in criminal activity using a City vehicle.					
11	Waste and Abuse	122970942	Received	2/12/16	Open/Unresolved	
	Allegation regarding City employees wasting time selling snacks during work hours.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
12	Waste and Abuse	123024774	Received	2/22/16	Open/Unresolved	
	Allegation regarding two City employees wasting time.					
13	Fraud	123063192	Received	2/29/16	Open/Unresolved	
	Allegation regarding workers' compensation abuse.					
14	Theft of Time	123122591	Received	3/10/16	Open/Unresolved	
	Allegation regarding un-necessary overtime.					
15	Waste and Abuse	123142028	Received	3/14/16	Open/Unresolved	
	Allegation regarding a City contractor trespassing on private property.					
16	Theft of Time	123171811	Received	3/18/16	Open/Unresolved	
	Allegation regarding theft of time through excessive break periods.					
17	Theft of Time	123171878	Received	3/18/16	Open/Unresolved	
	Allegation of a City employee providing poor customer service and watching movies on work time.					
18	Safety and Sanitation	123176197	Received	3/19/16	Open/Unresolved	
	Allegation that proper water safety procedures are not being followed at a water treatment plant.					
19	Waste and Abuse	123186170	Received	3/21/16	Open/Unresolved	
	Allegation regarding workers' compensation abuse.					

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Conclusion

The Office of the City Auditor is dedicated to ensure that all reported claims of fraud, waste, and abuse related to City operations are investigated and properly resolved. In Fiscal Year 2016, we have applied approximately 1,360 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
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst