



THE CITY OF SAN DIEGO

DATE: July 15, 2016

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: City Auditor's Quarterly Fraud Hotline Report – Qtr 4 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.

Complaints Received in the Fourth Quarter of Fiscal Year 2016

During the fourth quarter of Fiscal Year 2016 (April – June 2016), we received 31 Fraud Hotline complaints. Seven complaints were investigated by the Office of the City Auditor. Thirteen complaints were presented to the Intake and Review Committee to be referred to City Departments for investigation and resolution. Eleven 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 2016.

Table 1 – Complaints Received in Fiscal Year 2016

City Auditor Investigations	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Total FY 16
Accounting/Audit Irregularities	1	0	0	0	1
Conflict of Interest	1	0	0	0	1
Fraud	2	2	3	3	10
Miscellaneous	1	1	1	0	3
Policy Issues	0	0	2	0	2
Safety and Sanitation	0	1	0	0	1
Theft of Goods/ Services	1	0	1	0	2
Theft of Time	0	0	1	0	1
Waste and Abuse	3	4	3	4	14
Subtotal OCA Investigations	9	8	11	7	35
City Department Investigations					
Customer Relations	0	0	0	1	1
Discrimination	0	0	0	1	1
Employee Relations	0	3	1	1	5
Fraud	2	3	1	2	8
Miscellaneous	1	0	0	1	2
Policy Issues	1	0	0	0	1
Safety and Sanitation	0	1	1	0	2
Substance Abuse	0	0	0	1	1
Theft of Goods/Services	1	0	0	0	1
Theft of Time	1	2	4	1	8
Waste and Abuse	6	4	5	5	20
Subtotal Department Investigations	12	13	12	13	50
Total Complaints Received In Purview of Fraud Hotline	21	21	23	20	85
Direct Referrals, Non-City Complaints or Complaints Not in Purview of Fraud Hotline	9	6	9	11	35
Total Complaints Received in FY 16	30	27	32	31	120

Status of Hotline Complaints

As reported, thirty-one complaints were filed with the Hotline between April 1, 2016 and June 30, 2016. It was determined that eleven of these complaints were not in the purview of the Fraud Hotline, leaving 20 complaints that were added to the inventory.

In addition to the receipt of 20 new complaints for investigation, 28 City-related complaints remained open and unresolved at the end of the previous quarter, resulting in an active inventory of 48 complaints during the fourth quarter of Fiscal Year 2016.

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

Twenty-four of the 48 active complaints remain open and unresolved, and 24 were closed. Two City Auditor investigations were found to be substantiated, one resulted in corrective action, and six were unsubstantiated or were otherwise resolved. The allegations made in three Department investigations were found to be substantiated, five were closed with corrective action, and seven 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 4/1/16	16	12	28	0	28
Received in 4 th Quarter	7	13	20	11	31
Subtotal – Active Inventory	23	25	48	11	59
Complaints Closed	-9	-15	-24	-11	-35
Substantiated	-2	-3	-5	0	-5
Corrective Action	-1	-5	-6	0	-6
Unsubstantiated/other	-6	-7	-13	-11	-24
Unresolved on 6/30/16	14	10	24	0	24

City Auditor Investigations Summary

Table 3 summarizes the status of the 23 active City Auditor Fraud Hotline investigations during the fourth 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	Waste and Abuse	120944327	Received	2/6/15	Substantiated	4/18/16
	<p>An allegation that there was poor financial oversight of the Park and Recreation Department's Maintenance Assessment District (MAD) landscape maintenance contracts was investigated and substantiated. We identified over \$16,000 in questioned costs, eight percent of the dollar value of our sample of invoices. We identified problems in 21 of the 29 invoices we reviewed.</p> <p>A public report was issued on April 18, 2016, and can be found at: https://www.sandiego.gov/sites/default/files/16-013_hotline_investigation_landscape_contracts_4.pdf</p> <p>A detailed confidential report was also provided to City management.</p>					
2	Waste and Abuse	123170402	Received	3/18/16	Substantiated	5/2/16
	<p>We investigated an allegation that a refund was processed against policy and found to be substantiated. Although the refund request was submitted a few days after the deadline, Department management ultimately decided to issue the customer a refund because the dollar amount was small. In addition, the Department took corrective action to ensure that staff is trained on proper refund procedures and written approval from an appointing authority will be required in the future whenever there are extenuating circumstances.</p>					
3	Theft of Goods/Services	123210410	Received	3/25/16	Corrective Action	6/8/16
	<p>An allegation of theft of tools from a City vehicle was investigated. Although the allegation of theft could not be substantiated, pending a police investigation, the Fraud Hotline report resulted in corrective action. Specifically, the Fleet Division will re-evaluate the need for security cameras, security patrols were increased, and reports to the San Diego Police Department and Risk management were made in accordance with City policy.</p>					
4	Fraud	123035888	Received	2/24/16	Unsubstantiated	4/4/16
	<p>An allegation regarding special events and un-recovered costs representing illegal gifts of public funds was investigated and found to be unsubstantiated.</p>					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
5	Waste and Abuse	123122750	Received	3/10/16	Unsubstantiated	5/5/16
	An allegation regarding wasteful expenditures by a City Department was investigated and found to be unsubstantiated.					
6	Theft of Time	123172009	Received	3/18/16	Unsubstantiated	6/8/16
	An allegation of a City employee operating a private business on City time was investigated and found to be unsubstantiated.					
7	Waste and Abuse	123216923	Received	3/27/16	Unsubstantiated	5/9/16
	An allegation of abuse of authority in a hiring process was investigated and found to be unsubstantiated.					
8	Policy Issues	123224903	Received	3/28/16	Unsubstantiated	4/28/16
	An allegation regarding an unpermitted change to an employee's leave time classification was investigated and found to be unsubstantiated.					
9	Fraud	123450015	Received	5/6/16	Unsubstantiated	5/11/16
	An allegation regarding a permit violation was investigated and found to be unsubstantiated.					
10	Waste and Abuse	121842995	Received	7/29/15	Open/Unresolved	
	Allegation regarding unfair selection in a City department's hiring process.					
11	Fraud	122198989	Received	9/30/15	Open/Unresolved	
	Allegation regarding fraud in public works contracting.					
12	Fraud	122518497	Received	11/23/15	Open/Unresolved	
	Allegation regarding unauthorized fee waivers for recreation activities.					
13	Fraud	122692752	Received	12/24/15	Open/Unresolved	
	Allegation regarding unauthorized fee waivers.					
14	Fraud	122751508	Received	1/7/16	Open/Unresolved	
	Allegation regarding theft of registration fees for recreation activities.					
15	Fraud	122933242	Received	2/6/16	Open/Unresolved	
	Allegation regarding a contract awarded in violation of City policy.					
16	Miscellaneous	123110268	Received	3/8/16	Open/Unresolved	
	Allegation regarding contracts awarded by a City-created non-profit.					
17	Policy Issues	123214299	Received	3/25/16	Open/Unresolved	
	Allegation of violations of City policy regarding P-card use.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
18	Waste and Abuse	123350283	Received	4/18/16	Open/Unresolved	
	Allegation regarding P-Card abuse.					
19	Waste and Abuse	123371674	Received	4/22/16	Open/Unresolved	
	Allegation of the personal use of a City vehicle.					
20	Fraud	123417309	Received	5/1/16	Open/Unresolved	
	Allegation of theft of City property.					
21	Fraud	123473443	Received	5/10/16	Open/Unresolved	
	Allegation regarding financial fraud at a City facility.					
22	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.					
23	Waste and Abuse	123608315	Received	6/6/16	Open/Unresolved	
	Allegation that permits are being issued despite unpaid deposit account balances due.					

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 25 active Fraud Hotline investigations conducted by the Departments during the fourth quarter of Fiscal Year 2016, 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	Waste and Abuse	122680450	Received	12/22/15	Substantiated	6/1/16
	An allegation regarding misuse of City computers and theft of time was substantiated. The department took the appropriate corrective action with respect to the identified employee.					
2	Waste and Abuse	122970942	Received	2/12/16	Substantiated	5/18/16
	An allegation regarding City employees wasting time selling snacks during work hours to raise funds for an office party was investigated and substantiated. As a result of this Fraud Hotline complaint, the Department stopped the practice of dedicating staff time to snack sales.					
3	Waste and Abuse	123024774	Received	2/22/16	Substantiated	6/1/16
	An allegation regarding two City employees wasting time was investigated and substantiated. The department took the appropriate corrective action with respect to the identified employees.					
4	Fraud	122363552	Received	10/28/15	Corrective Action	4/14/16
	An allegation regarding overtime abuse at a City Department was investigated and found to be unsubstantiated; however the department took corrective action to require additional details on overtime report forms in the future.					

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No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
5	Theft of Time	123171878	Received	3/18/16	Corrective Action	4/20/16
	An allegation of a City employee providing poor customer service and watching movies on work time was addressed by the Department through a discussion with staff regarding appropriate use of City time.					
6	Theft of Time	123171811	Received	3/18/16	Corrective Action	5/18/16
	An allegation regarding theft of time through excessive break periods was investigated by the Department, which took the appropriate corrective action with respect to the identified employees.					
7	Theft of Time	123253632	Received	4/2/16	Corrective Action	6/1/16
	An allegation regarding theft of time was investigated and resulted in corrective action. Staff was reminded of the importance of communicating and documenting leave time.					
8	Employee Relations	123319648	Received	4/13/16	Corrective Action	6/1/16
	An allegation regarding favoritism shown to certain employees was investigated and resulted in corrective action. Staff was provided with guidance regarding avoiding the appearance of favoritism.					
9	Theft of Time	123122591	Received	3/10/16	Unsubstantiated	4/6/16
	An allegation regarding un-necessary overtime was investigated and found to be unsubstantiated.					
10	Waste and Abuse	123142028	Received	3/14/16	Unsubstantiated	5/4/16
	An allegation regarding a City contractor trespassing on private property was investigated and found to be unsubstantiated.					
11	Safety and Sanitation	123176197	Received	3/19/16	Unsubstantiated	4/20/16
	An allegation that proper water safety procedures are not being followed at a water treatment plant was investigated and found to be unsubstantiated.					
12	Waste and Abuse	123294613	Received	4/9/16	Unsubstantiated	5/4/16
	An allegation regarding personal use of a City vehicle was investigated and found to be unsubstantiated.					
13	Customer Relations	123341681	Received	4/18/16	Unsubstantiated	5/18/16
	Complaint regarding online water bill access was resolved with a call to the customer.					
14	Waste and Abuse	123449956	Received	5/6/16	Unsubstantiated	6/15/16
	An allegation regarding a City employee's performance was investigated and found to be unsubstantiated.					

No.	Incident Type	Complaint #	Received	Date	Status/Outcome	Date
Allegation/Outcome						
15	Fraud	123572544	Received	5/29/16	No Further Action Necessary	6/15/16
	An allegation regarding an accidental release of confidential business information was investigated, and no further action is necessary because the information released was not considered confidential or proprietary.					
16	Theft of Time	122942381	Received	2/8/16	Open/Unresolved	
	Allegation that a City employee engaged in criminal activity using a City vehicle.					
17	Fraud	123063192	Received	2/29/16	Open/Unresolved	
	Allegation regarding workers' compensation abuse.					
18	Waste and Abuse	123186170	Received	3/21/16	Open/Unresolved	
	Allegation regarding workers' compensation abuse.					
19	Waste and Abuse	123351324	Received	4/19/16	Open/Unresolved	
	Allegation regarding waste due to incorrect time entries in the payroll system for a City Department.					
20	Waste and Abuse	123591789	Received	6/2/16	Open/Unresolved	
	Allegation that City employees are abusing parking privileges.					
21	Discrimination	123621050	Received	6/8/16	Open/Unresolved	
	Allegation of unfair promotions.					
22	Miscellaneous	123656253	Received	6/15/16	Open/Unresolved	
	Allegations regarding improper reporting.					
23	Fraud	123691515	Received	6/21/16	Open/Unresolved	
	Allegation regarding theft of water from a fire hydrant.					
24	Waste and Abuse	123740081	Received	6/29/16	Open/Unresolved	
	Allegation regarding personal use of City equipment.					
25	Substance Abuse	123737442	Received	6/29/16	Open/Unresolved	
	Allegation regarding substance use by two employees.					

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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 1,888 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