Fraud Hotline
Administration Plan
Office of the City Auditor

Audit Committee
October 20, 2008
Key Fraud Hotline Facts

- Implemented December 2005
- OCA assumed responsibility July 2008
- Opened to the public August 2008
- All calls and complaints accepted
Components Of An Anti-fraud Program

- Fraud Hotline
- Tone at the Top
- Audit Department
- Comprehensive Fraud Risk Assessment
- Fraud Awareness and Ethics Training
Fraud, Waste, and Abuse Hotline

- Hotline Information
  - About the Hotline
  - Confidentiality
  - Whistleblower Protection
  - Hotline Process
  - Reporting Fraud, Waste, or Abuse
  - Non-Fraud Related Complaints
- Employee Hotline Summary Reports

About the Hotline

The Fraud Hotline is designed for reporting suspected cases of fraud, waste, or abuse. The Fraud Hotline is not a substitute for employment-related grievances or appeals, as existing City policy and procedures provide channels for resolution of these issues.

Face to face reporting is always the best form of communication, although that is not always feasible. Current City procedures and/or department instructions state that all complaints should be sent through the chain of command. However, recognizing that employees are not always comfortable going through the chain of command, the Fraud Hotline is another vehicle to report waste, fraud or abuse.

Confidentiality

The City Auditor will at all times maintain the confidentiality of all complaints, associated reports, working papers, and other documents. Similarly, Departments investigating reviewing allegations shall also maintain the confidentiality of all complaints.
What is Fraud, Waste, and Abuse?

**Fraud**
Any intentional act or omission designed to deceive others, resulting in the victim (City of San Diego) suffering a loss and/or the perpetrator achieving a gain.

**Waste**
The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.

**Abuse**
Intentional destruction, diversion, manipulation, misapplication, maltreatment, or misuse of City resources. Extravagant or excessive use as to abuse one's position or authority. Abuse can occur in financial or non-financial settings.
Fraud Tree

Corruption
- Conflicts of Interest
- Bribery
- Illegal Gratuities
- Economic Extortion
- Purchasing Schemes, Sales Schemes, Other
- Kickbacks, Bid Rigging, Other

Asset Misappropriation
- Cash
- Larceny
- Fraudulent Disbursements
- Skimming
- Billing Schemes
- Expense Reimbursement Schemes
- Register Reimbursements
- Payroll Schemes
- Check Tampering
- Other

Inventory and All Other Assets
- Misuse and Larceny
- False Sales and Shipping
- Purchasing and Receiving

Timing Differences
- Flotilious Revenue
- Concealed Liabilities and Expenses
- Nondisclosure
- Improper Asset Valuation

Fraudulent Statements
- Financial
- Non-financial
- Asset/Revenue Over or Under Statement
- Employment Credentials, Documents

Source: Institute of Internal Auditors

City of San Diego
Office of the City Auditor
The Network Inc.

- Provides call coverage 24 hours per day, 7 days per week, and 365 days per year.

- Instant email notification of all complaints:
  - City Auditor, Audit Manager, and Audit Analyst

- Provide monthly call statistics and reports.

- Contract is approximately $12,000 per year.
23 Call Categories

Fraud Related Categories
1. Fraud
2. Waste and Abuse
3. Accounting Irregularities
4. Kickbacks
5. Falsification of Company Records
6. Fraudulent Insurance Claims
7. Release of Proprietary Information
8. Theft of Cash
9. Theft of Goods and Services
10. Theft of Time
11. Unauthorized Discounts
12. Conflict of Interest

Non-Fraud Categories
1. Customer Relations
2. Discrimination
3. Employee Relations
4. Policy Issues
5. Product Quality Concerns
6. Sexual Harassment
7. Substance Abuse
8. Wage/Hour Issues
9. Safety Issues and Sanitation
10. Workplace Violence/Threats
11. Retaliation of Whistleblowers
Processing of Complaints

- The Office of the City Auditor investigates complaints related to fraud, waste, or abuse.

- Non-fraud related complaints are referred through Hotline Intake Review Committee to the Departments for resolution.

- Complaints outside the purview of the Hotline are referred to the appropriate entity.
Hotline Intake Review Committee

- City Auditor and Audit Analyst
- Personnel Director
- Labor Relations Director
- Assistant Deputy Chief, Office of Ethics and Integrity

Meets every two weeks to review all non-fraud related complaints, determine complaint referral, and review all department responses for adequacy, appropriateness, and completeness.
Complaint Referrals to Outside Entities

- Ethics Commission
- San Diego Police Department
- Citizens Review Board of Police Practices
Audit Committee Chair Notification

Email notification of any significant complaints involving the City’s Senior Management, allegations of improper financial activity, and fraud.

- Chief Operating Officer,
- Chief Financial Officer,
- Deputy Chief Operating Officer for City Planning and Development,
- Deputy Chief Operating Officer for Community Services,
- Deputy Chief Operating Officer for Public Utilities,
- Deputy Chief Operating Officer for Public Works
- Deputy Chief Operating Officer for Community and Legislative Services,
- Deputy Chief Operating Officer for Public Safety,
- Deputy Chief Operating Officer for the Office of Ethics and Integrity,
- Independent Budget Analyst,
- City Clerk, and
- City Auditor.
Escalation Team

- Threat of or actual harm to employees, customers, or operations
- Any significant incident projected to reoccur within 24 hours

City Auditor
- Kickbacks
- Falsification of Organization Records
- Fraud
- Fraudulent Insurance Claims
- Release of Proprietary Information
- Theft of Goods/Services
- Theft of Cash

Labor Relations Director
- Workplace Violence/Threats
- Substance Abuse

Personnel Director
- Sexual Harassment
- Retaliation of Whistleblowers
Reporting

- Quarterly Reporting

- Fraud, Waste, or Abuse substantiated will be reported to the Audit Committee.
Conclusion

“Although the presence of a strong anti-fraud program does not guarantee that an organization will not be a victim of fraud, it clearly decreases losses from the crime.”