

Office of the City Auditor City of San Diego

Fraud Hotline Update FY2011 Quarter 2 (October 2010 – December 2010)

Audit Committee, February 7 , 2011



Legislative Changes Impacting the Fraud Hotline Complaint Process

Statutory Authority (effective 1/01/2011) CA Government Code Sections

- **53087.6. (a) (1)** A city, county, or city and county **auditor** or controller who is elected to office may maintain a whistleblower hotline to receive calls from persons who have information **regarding fraud, waste, and abuse** by local government employees.
- Replaces...regarding possible violations by local government employees of state, federal, or local statutes, rules or regulations.

Legislative Changes Impacting the Fraud Hotline Complaint Process

New definition:

- **53087.6. (f) (2) "fraud, waste, or abuse"** means 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.

Legislative Changes Impacting the Fraud Hotline Complaint Process

Confidentiality of Hotline Communications

- **53087.6. (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**,
 - 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.**

Hotline Activity

First & Second Quarters, Fiscal Year 2011

Category: Fraud	Qtr 1 Jul- Sep	Qtr 2 Oct- Dec	Sub- total	% of City- Related Total	City Auditor	Referred to Dept	Non-City
Accounting/Audit Irregularities	2	0	2	5.1%	2	0	0
Fraud	4	1	5	12.8%	2	1	2
Fraudulent Insurance Claims	1	0	1	2.6%	0	1	0
Theft of Goods/Services	2	2	4	10.3%	0	3	1
Theft of Time	2	0	2	5.1%	0	2	0
Waste and Abuse	0	2	2	5.1%	1	1	0
Subtotal Fraud	11	5	16	41.0%	5	8	3
Subtotal Non-Fraud	12	11	23	59.0%	3	14	6
Total Complaints FY11	23	16	39	100.0%	8	22	9

Hotline Activity

First & Second Quarters, Fiscal Year 2011

Category: Non-Fraud	Qtr 1 Jul- Sep	Qtr 2 Oct- Dec	Sub- total	% of City- Related Total	City Auditor	Referred to Dept	Non-City
Employee Relations	1	2	3	7.7%	0	3	0
Customer Relations	0	4	4	10.3%	0	2	2
Policy Issues	4	4	8	20.5%	3	4	1
Retaliation of Whistleblowers	3	0	3	7.7%	0	1	2
Safety Issues and Sanitation	1	0	1	2.6%	0	0	1
Substance Abuse	1	0	1	2.6%	0	1	0
Wage/Hour Issues	2	0	2	5.1%	0	2	0
Workplace Violence/Threats	0	1	1	2.6%	0	1	0
Subtotal Non-Fraud	12	11	23	59.0%	3	14	6
Subtotal Fraud	11	5	16	41.0%	5	8	3
Total Complaints FY11	23	16	39	100.0%	8	22	9

Source of Hotline Complaints

FY	Anonymous		Identified		Total
2009	69	49%	71	51%	140
2010	28	46%	33	54%	61
2011	16	41%	23	59%	39

Hotline Activity, 1st Quarter FY 2011 and Open Complaints from Previous Year

- As reported, 16 complaints were made to the Hotline between October 2010 and December 2010.
- In addition, at the end of the previous quarter, 24 complaints remained open and unresolved for a total of 40 complaints.
- The following table shows the status of these 40 complaints.

Hotline Activity, October 2010 – December 2010 and Open Complaints from Previous Qtr

Complaint Status	City Auditor Investigations	Referred to Dept	Sub-Total	Percent (City Operations Only)	Not Related to City Operations	Total
Complaints Unresolved 9/30/2010	10	13	23		1	24
Complaints Received in 2nd Qtr	2	10	12		4	16
Subtotal	12	23	35		5	40
Complaints Closed	-5	-19	-24		-5	-29
Substantiated/Corrective Action	3	6	9	37.5%	0	9
Unsubstantiated	2	13	15	62.5%	5	20
Complaints Unresolved 12/31/2010	7	4	11	NA	0	11

City Auditor Fraud Hotline Complaint Investigation Summary

Call Category	General Description of Complaint	Outcome / Status
Fraud 113304452	Allegation of lack of fiscal control in managing City contracts	Complaint found to be Substantiated
Customer Relations 901135085	Allegation of lack of coordination of projects that require street excavation	Included in the Streets Performance Audit Corrective Action Taken
Customer Relations 905074206	Allegation of lack of coordination of projects that require street excavation	Included in the Streets Performance Audit Corrective Action Taken
Fraud 114220637	Allegation relates to City contract bidding irregularities	City RFP canceled, No Further Action Necessary
Policy Issues	Allegation relates to City responsibility for Brush Management	Complaint Found to be Unsubstantiated

Fraud Hotline Complaints Referred to the Departments that resulted in Corrective Actions

Call Category	General Description of Complaint	Outcome / Status
Theft of Time 114155112	Allegation relates to conducting personal recreation activities while on City duty	The department modified physical training approval procedures and disciplined employee.
Retaliation of Whistleblowers 114371905	Allegations of complaints and cross-complaints between an employee, co-workers , and a supervisor	Although retaliation could not be substantiated, higher level supervisors conducted meetings with involved employees and all were required to review office policies, roles, and responsibilities.
Discrimination 908133820	Allegation relates to discrimination of non-minority patrons at City facility	Although discrimination could not be substantiated, the department improved due diligence in outreach and inclusion activities.
Employee Relations 114191084	Allegation relates to the manner in which employees were selected for overtime assignments	The department modified overtime request and approval procedures, increasing level of authorization for overtime.
Theft of Goods/Services 114191126	Allegation relates to use of City computer for inappropriate personal matters	An analysis of employee's computer determined inappropriate sites were visited before shift started or after shift ended. Disciplinary action is pending.
Employee Relations 114596796	Allegation relates to the manner in which employees were selected for overtime assignments	The department revised procedures to increase specificity regarding nature of overtime work needed.

Conclusion

Fraud Hotline (866) 809-3500