



Office of the Auditor General

Report on the Fraud and Waste Hotline

Tabled at Audit Committee – June 15, 2015

Table of Contents

Description of the Hotline 1

Hotline statistics 1

Summary of type of reports..... 3

Issues arising from the Hotline..... 4

 Theft and related issues 4

 Unauthorized use or misuse of City property or time 4

 Conflict of interest or unethical conduct..... 6

 Building Code violations 7

 Alcohol or drug use or other substance abuse 7

 Social assistance..... 7

Recommendations and management responses..... 7

 Commercial use of a portion of a residential property 7

 Filing of parking tickets 8

 Reviews and audits resulting from Fraud and Waste Hotline reports 8

Description of the Hotline

The City's Fraud and Waste Hotline (FWH) was launched on November 1, 2005, first to facilitate the reporting of suspected fraud or waste by employees. Council later made the Hotline available to the public in May 2009. The Hotline is a confidential and anonymous service that allows any employee or member of the public to report incidents 24 hours a day, 7 days a week. The Hotline is operated independently by a third party and is accessible either by phone or the Internet.

Based on research of leading ethical practices, including the Institute of Internal Auditors (IIA) and practices employed in other municipalities, an anonymous reporting mechanism is a good component of a mature ethics management framework. As such, the Fraud and Waste Hotline demonstrates sound management practice, and reports have led to audits and investigative reviews, as well as disciplinary actions. We have also found that employees and the public are well aware of the Hotline and its purpose. They view it as an important component in maintaining a strong ethical culture at the City. The Hotline may also mitigate ethical risks by discouraging potential wrongdoers and identifying ethical violations when they occur. Although not necessarily the main objective of the Hotline, it also results in savings by preventing potential fraud and abuse. However, it is not always possible to quantify the impact of savings realized through the Hotline. A significant value of the Hotline continues to be improving the ethical culture at the City and changing attitudes to deter fraud and waste.

Hotline statistics

In 2013, 170 reports were made to the Hotline. There were 95 reports submitted by members of the public and 75 reports were submitted by employees of the City of Ottawa.

In 2014, 166 reports were made to the Hotline. There were 120 reports submitted by members of the public and 46 reports were submitted by employees of the City of Ottawa.

The reports submitted by employees also include any cases reported by Management as required by the policy. We have found that managers, in some cases, either have not been reporting fraud and waste issues through the Hotline or have not been reporting them on a timely basis as required by the policy. The Auditor General has discussed this with the City Manager and he has indicated that they are now taking steps to ensure that the policy is being followed.

Table 1: Reports by reporter type for 2013

Reporter Type	Number of Reports	Percentage
Public	95	56%
Employee	75	44%
Total	170	100%

Table 2: Reports by reporter type for 2014

Reporter Type	Number of Reports	Percentage
Public	120	72%
Employee	46	28%
Total	166	100%

Table 3: Reports by method of submission for 2013

Method of Submission	Number of Reports	Percentage
Internet	117	69%
Phone	53	31%
Total	170	100%

Table 4: Reports by method of submission for 2014

Method of Submission	Number of Reports	Percentage
Internet	104	63%
Phone	62	37%
Total	166	100%

The Fraud and Waste Hotline has the functionality to facilitate anonymous two-way communication that allows reporters to access their report after submitting the original report. This feature allows the reporter to submit additional information, track the progress of the case, respond to any follow-up questions and receive the outcome of their report. In 2013, 102 reporters, representing 60% of all reports, accessed their report after submission of the original report. In 2014, 69 reporters, representing 42% of all reports, accessed their report after submission of the original report. This would appear to indicate that reporters are interested in submitting additional information, tracking the progress of the report and/or reviewing the outcome of the reports.

Table 5: Reporters who subsequently accessed their report for 2013

Reviewed Report	Number of Reports	Percentage
Yes	102	60%
No	68	40%
Total	170	100%

Table 6: Reporters who subsequently accessed their report for 2014

Reviewed Report	Number of Reports	Percentage
Yes	69	42%
No	97	58%
Total	166	100%

Summary of type of reports

Table 7 below summarizes the reports received to December 31, 2014 by report category since its inception in 2005.

Table 7: Fraud and Waste Hotline reports as at December 2014

Report Category	2005 to 2010	2011	2012	2013	2014	Total
Harm to people or potential harm to people	0	2	4	1	1	8
Health and safety, environment	22	2	4	6	1	35
Alcohol or drug use or other substance abuse	11	1	5	1	1	19
Theft, embezzlement, fraud	134	7	12	25	12	190
Unauthorized use or misuse of City property, information, or time	201	35	25	50	40	351
Manipulation or falsification of any data	20	2	2	5	1	30
Unethical conduct or conflict of interest	91	36	7	5	13	152
Violation of laws, regulations, policies, procedures	108	11	34	30	31	214
Financial reporting and accounting	6	0	2	4	2	14
Management/Supervisor	15	0	7	1	2	25
Suggestions for improvement	141	33	19	10	8	211
Suggested areas for audit	68	16	12	6	3	105
Other (including social assistance)	76	37	16	26	51	206
Total	893	182	149	170	166	1560

Issues arising from the Hotline

This section includes summaries of examples of fraud and waste that were found to occur at the City during 2013 and 2014. Where reports are found to be substantiated, any disciplinary action taken is the responsibility of management. Where management has taken action, the outcomes are noted below and have been grouped by typical categories.

Theft and related issues

Below are 15 cases of theft and related issues in 2013 and 2014:

- Unsubstantiated health claims in the amount of \$2,700 submitted to the City's insurance company by an employee. The employee was terminated.
- An employee violated the cash handling policies and procedures, occupational health and safety, and caused harassment in the workplace. The employee was terminated.
- An employee stole City Parks property. The employee was terminated.
- Two employees stole City recyclable materials. Both employees were terminated.
- An employee stole funds from the City and from co-workers. The employee also violated the City's Responsible Computing Policy with the inappropriate use of a City-issued Blackberry. The employee was terminated.
- Unexplained discrepancy in scrap metal from the bin in one of the City's yards. The estimated discrepancy was \$8,400. Enhanced controls have been put in place to prevent and detect these types of discrepancies in future.
- Money was stolen from a locked room at a City facility. Controls have since been increased.
- Tools were stolen from a City facility. As a result, enhanced security measures and monitoring were put in place.
- Audio equipment stolen from a City facility worth \$3,000. Ottawa Police were able to recover the stolen equipment.
- There were six cases involving theft which resulted in new procedures put in place to strengthen controls over inventory and other assets.

Unauthorized use or misuse of City property or time

There were 36 cases involving 56 employees where there was unauthorized use or misuse of City property or time. Management found that policies and procedures were not consistently followed as detailed in the following paragraphs:

There were four cases relating to misuse of City facilities.

- Three City employees were found inappropriately using a City facility after regular business hours. The three employees were terminated.

- A supervisor asked one of their staff members to use City facilities and equipment to work on the supervisor's personal property after regular business hours. A one day suspension was administered.
- An organization was not paying the right rate for the rental of City facilities for commercial use. Future booking rates were changed for the organization and City staff were reminded to ask clients to substantiate their status as a not-for-profit organization.
- In one case, policies were reviewed with staff and they were advised that failure to comply would result in disciplinary action.
- There were 19 cases relating to 27 employees who did not use time or leave in conformance with policies.
 - There were three cases where employees abused their sick leave. In all cases absenteeism was an ongoing issue and all three employees were terminated.
 - There were three cases where employees abused their sick leave. In all cases, the employees were taking the time off to work for another employer. All three employees were terminated.
 - An employee was leaving his worksite for both short and extended periods while on shift. This resulted in the employee being terminated.
 - There was a case where six employees misreported their time on time sheets. This resulted in two five day suspensions and four disciplinary letters.
 - An employee submitted false activity reporting on time sheets. The employee was also found to be conducting personal business while on City time. This resulted in the employee being issued a five day unpaid suspension.
 - An employee had high email and internet usage during work hours for personal activities. This resulted in the employee being issued a three day unpaid suspension.
 - An employee did not submit electronic leave forms and was taking leave from depleted banks. A repayment plan was established and a disciplinary letter and a letter of expectation were issued.
 - An employee had inappropriate use of break and lunch period provisions. A disciplinary letter has been issued.
 - Several of the remaining cases resulted in letters of expectation and policy reminders.
- There were two cases where 12 employees, who in IT's opinion, had personal use of City computers and photocopiers that was higher than expected. One employee received a written warning and five employees each received a letter of instruction. The matter was discussed with three employees and for another three employees the department decided not to pursue the matter.

- There were seven cases where employees did not use City vehicles in conformance with City policies. This included personal use of vehicles, unsafe driving, holding a dog while driving and smoking in a City vehicle. This resulted in two suspensions without pay, one warning letter, two verbal warnings, and two reminders of vehicle-related policies and procedures.
- A supervisor, on two specific dates, called in sidewalk snow clearing equipment contractors that resulted in the more expensive contractors being called first as opposed to the least expensive. Expectations have been clarified regarding adherence to City policy and procedures.
- A supervisor called for a contractor to be on site before they were required. Expectations have been clarified regarding contracted services and call-in procedures.
- An employee used the City's address to register for a City program. The employee will be rectifying this by using their home address to register and paying the difference in fees that is payable by non-City residents.
- Damaged City road signs were given away to an employee. The signs have since been returned and management reminded staff that they are not permitted to give signs away even if they are scrap and that they are to be returned to the City.

Conflict of interest or unethical conduct

There were four cases as noted below:

- An investigation revealed that an employee verbally disclosed to their manager that they had a conflict of interest with respect to certain planning matters. They should have also avoided any involvement in the matter. The Employee Code of Conduct was revised during 2014 to require employees to disclose "conflicts of interest" in writing, not just verbally as was previously allowed.
- An employee failed to disclose that they were inspecting the work of a contracted company with whom they had a familial relationship in violation of the City of Ottawa's Code of Conduct and the Building Code Services Conduct Guide. The employee had subsequently left the City. The City hired an independent firm to conduct a quality assurance program to confirm that the work was not compromised or prejudiced in favour of the contracted company.
- An investigation revealed that an employee was in a direct reporting relationship with a family member. The relationship was not disclosed to management. This represents a conflict of interest and a violation of the Employment of Family Members Policy. As a result, the employee was assigned to work for another supervisor.
- An employee's inappropriate remarks violated the City's Code of Conduct and the Equity and Diversity Policy. A letter of expectation was placed on file and the employee will be sent for training on equity and diversity.

Building Code violations

There were two cases reported through the Fraud and Waste Hotline where Building Code Services Branch investigated properties and issued orders to which construction must comply.

There was another case where a store did not have a proper sign permit. The store and the sign company used by the store were notified of the issue. A permit fee and 50% surcharge was levied by the City.

Alcohol or drug use or other substance abuse

There was one case involving an employee abusing drugs while working for the City. This resulted in a 10 day suspension and assistance to the employee.

Social assistance

Since the beginning of 2014, the OAG has requested that Management review and provide the outcome for any social assistance cases received by the Fraud and Waste Hotline. As a result, there were five cases involving individuals collecting social assistance benefits for which they were not entitled. The outcomes of these cases ranged from cash recoveries to closer monitoring.

The City's Fraud and Waste Hotline is not necessarily intended to be used for allegations regarding social assistance as there is a dedicated social assistance fraud line at 1-800-394-STOP (7867) for this purpose.

Recommendations and management responses

This section includes issues arising from the review of hotline reports where the OAG has made recommendations. These recommendations have been provided to Management for their management response including an estimated timeline for implementation. The status of the implementation of these recommendations will be followed up as part of the OAG's follow-up schedule.

Commercial use of a portion of a residential property

It was found that By-law Services identified a case where a portion of a residential property was being used for commercial purposes. This resulted in the following recommendation and management's response.

Recommendation

That Management ensure where By-Law Officers identify commercial use in a portion of a residential property, that the Revenue Branch is made aware in order to notify the Municipal Property Assessment Corporation so that the appropriate assessment can be determined.

Management response

Management agrees with this recommendation. By-law and Regulatory Services is currently developing a standard operating procedure to ensure appropriate information is shared between the two branches and once completed, will notify staff of this

procedural change. By the end of March 2014, By-law and Regulatory Services will notify the Revenue Branch of instances where commercial use in a portion of a residential property is identified through the By-Law Officers' investigation.

Filing of parking tickets

An individual was not able to pay a City parking ticket issued by a deputized private property organization within the prescribed timeline because the ticket was not yet filed with the City. This resulted in the following recommendation and management's response.

Recommendation

That the City create a policy that specifies the timeframe in which parking tickets must be filed for manual tickets issued by deputized private property organizations, and develop procedures to ensure the policy is enforced.

Management response

Management agrees with this recommendation. By-law Services, in conjunction with the Provincial Offences Act Office, will develop a policy and related procedures for manual tickets issued by deputized officers and Private Parking Enforcement Agents (PPEA). Legal Services, By-law Services and the Courts will work cooperatively to enable changes to the PPEA agreements to deal with tickets issued by handheld devices and we anticipate that those provisions would be implemented by By-law Services in Q1 of 2016.

Reviews and audits resulting from Fraud and Waste Hotline reports

In addition to the above, the annual report presented to Audit Committee on March 12, 2015 included two reviews conducted in response to Hotline reports. These were the *Review of City Funding to the Ottawa School of Speech and Drama* and the *Review of the City's Acquisition of Land for Soccer Fields*. The annual report also included the *Audit of OC Transpo Business Planning Process for Lost and Found*. This audit was conducted as a result of reports to the Hotline. These two reviews and the audit included 13 recommendations and management agreed with all the recommendations. The details of these reviews and audit can be found in the annual report.