



Budget and Audit Committee Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2017-01461

November 7, 2017

Consent Item 02

Title: City Auditor's Whistleblower Hotline Activity Report for the April to September 2017 Period

Location: Citywide

Recommendation: Pass a Motion: 1) accepting the City Auditor's Whistleblower Hotline Activity Report for the April to September 2017 Period; and 2) forwarding to the City Council for final approval.

Contact: Jorge Oseguera, City Auditor, (916) 808-7270, Office of the City Auditor

Presenter: None

Attachments:

1-Description/Analysis

2-Whistleblower Hotline Activity Report for the April to September 2017 Period

Description/Analysis

Issue Detail: According to the City Council Rules of Procedures, the Budget and Audit Committee shall receive, review, and forward to the Council as appropriate, reports, recommendations, and updates from the City Auditor. This report documents the City's Auditor's Whistleblower Hotline related activity for the April to September 2017 period.

Policy Considerations: The City Auditor's presentation of the *City Auditor's Whistleblower Hotline Activity Report* is consistent with the Mayor and City Council's intent to have an independent audit function for the City of Sacramento.

Economic Impacts: None

Environmental Considerations: None

Sustainability: None

Commission/Committee Action: None

Rationale for Recommendation: This staff report provides the Budget and Audit Committee with information that may be used to meet its responsibility to provide oversight and supervision of the City Auditor.

Financial Considerations: The costs of the *City Auditor's Whistleblower Hotline Activity Report* were funded out of the Office of the City Auditor Budget.

Local Business Enterprise (LBE): No goods or services are being purchases as a result of this report.

City Auditor's Whistleblower Hotline Activity Report (April 2017– September 2017)

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Office of the City Auditor
November 2017

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Whistleblower Hotline Program Background

To contact the City's Whistleblower Hotline

City staff or members of the public may submit allegations by either calling the Whistleblower Hotline's toll-free number 1-888-245-8859 or by completing the online form located at <https://www.reportlineweb.com/cityofsacramento>. Individuals may also submit allegations directly to the City Auditor or any Auditor Office staff member. Any individual who provides information may elect to have their identity kept confidential. The individual's identity will be kept confidential to the extent permitted by law unless the individual waives confidentiality in writing. Information can be submitted in person, over the phone, by voicemail, by e-mail, or by mail.

Sacramento Office of the City Auditor
915 "I" Street
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Sacramento, CA 95814

Office of the City Auditor Website: <http://www.cityofsacramento.org/auditor/>

Auditor's role and responsibilities

The City's independent auditor reports directly to the Mayor and City Council. Council approves the Auditor's annual audit plan and has historically added audits to the plan when needed.

California Government Code Section 53087.6 allows local governments to create whistleblower hotlines. State law sets the requirements for establishing and running a whistleblower hotline, but local auditors have discretion in how to operate their programs.

The following includes key points of the Government Code section and how it pertains to the City of Sacramento:

- The City Auditor shall obtain approval from City Council before establishing a whistleblower hotline. This approval was obtained from the Sacramento City Council in March 2012.
- The hotline is used to receive calls from people who have information regarding fraud, waste, or abuse.
- The City Auditor may refer calls received on the hotline to the appropriate government authority for review and investigation.
- During the initial review of calls received, the City Auditor (or the appropriate government authority to whom the call is referred) shall hold in confidence information disclosed through the hotline. This includes the identities of the callers disclosing information and the people identified by the callers.
- Upon receiving specific information that an employee has engaged in an improper government activity, the City Auditor may conduct an investigative audit.
- The identity of the people providing information that initiated the investigative audit shall not be disclosed without their written permission, unless the disclosures are to law enforcement agencies that are conducting criminal investigations.

- The investigative audit shall be kept confidential except to issue a report of an investigation that has been substantiated or to release findings from completed investigations that are deemed necessary to serve the interests of the public.
- The identities of individuals reporting the improper government activities and the subject employees investigated shall be kept confidential.
- However, the City Auditor may provide a substantiated audit report and other information (including subject employee identities) to appointing authorities for disciplinary purposes.

Whistleblower procedures target high-risk allegations

Due to the limited number of staff members in the Office of the City Auditor and the Office’s chief responsibility to conduct performance audits in accordance with the Council-approved audit plan, conducting full investigations of all allegations is not feasible. Instead, the City Auditor has adopted a risk-based approach to investigate whistleblower allegations.

As part of the program’s intake process, we rank allegations by risk and focus investigative efforts on those that represent the greatest risk to the City. The following shows how we generally classify types of allegations based on risk:

High Priority

Some reasons why allegations may be considered high priority are that they could include a safety concern, loss¹ to the City of more than \$75,000, criminal activity resulting in a loss of at least \$400, high-level involvement, collusion of multiple wrongdoers, major department-wide issue, or need for immediate action to stop a potential major issue. Addressing these items could take priority over other investigations and audits – at the City Auditor’s discretion.

Medium Priority

Allegations in this category could include a loss to the City of more than \$25,000, abuse of authority, medium-to low-level employee involvement, minor department-wide issues, or patterns of small problems that could become serious when summed. Some medium-priority items could be referred to a department for their review.

Low Priority

Allegations in this category could include a loss to the City of less than \$25,000, isolated instances of time abuse, wasteful practices that would lead to limited gains in efficiencies if corrected, or allegations that lack credibility and evidence. The office would aim to investigate items in this list, but may not do so because of limited resources. However, if the same or similar issues were reported multiple times – low-priority items may become more of a priority. Additionally, some low-priority allegations could be referred to a department for their review.

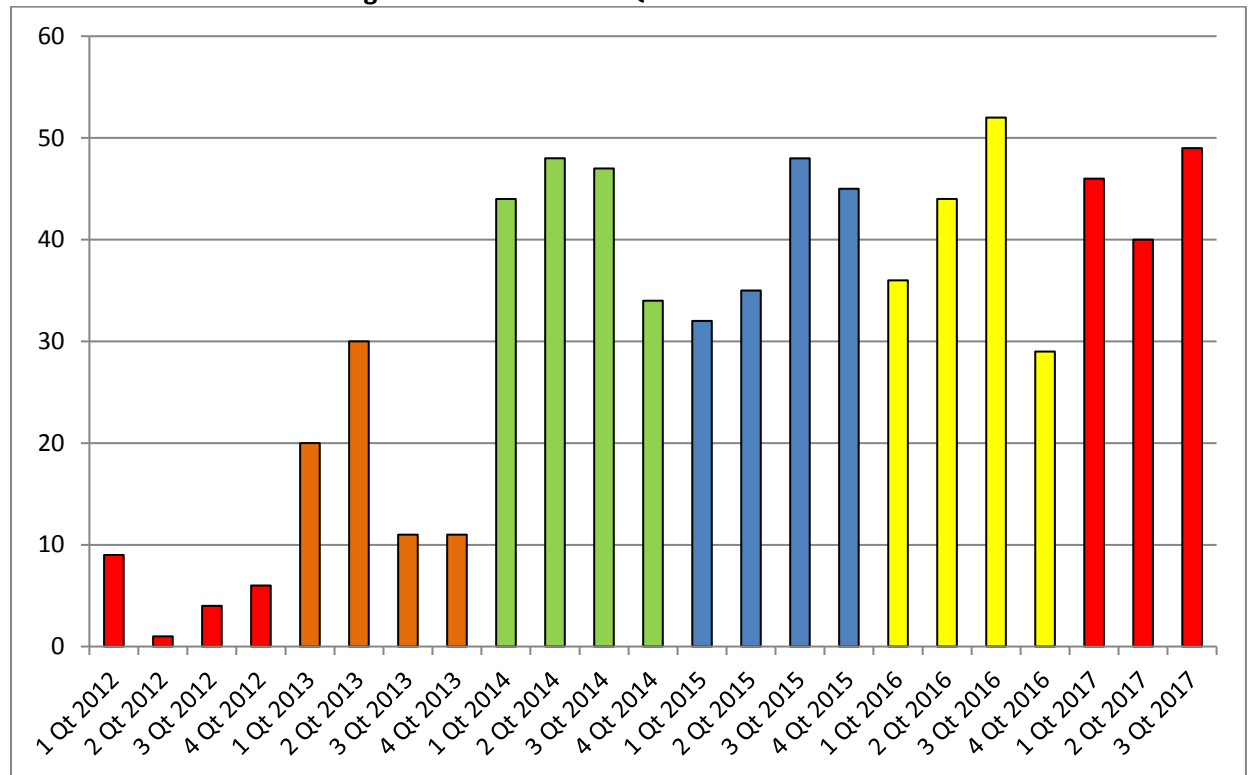
Status of Investigations

The number of allegations received by the City Auditor has been growing steadily

Use of the City Auditor’s Whistleblower Hotline has grown significantly as shown in Exhibit 1. The table below shows the number of allegations received per quarter since the program’s inception.

¹ Loss could entail actual or potential loss of money, waste, or inefficiencies.

Exhibit 1: Whistleblower Allegations Received Per Quarter



We will continue to monitor call volume and report on the call activity.

Over 95 percent of allegations received have been processed and closed

As previously noted, the City Council directed the City Auditor in March 2012 to establish a Whistleblower Hotline Program. Since the inception, the City Auditor’s Office has received nearly 800 allegations. In the beginning of the reporting period, the Auditor’s Office had 35 open cases. During the current reporting period of April through September 2017, the Auditor’s Office received 89 cases. During this same period, the Auditor’s Office processed and closed a total of 89 cases. The Auditor’s Office had 35 open cases at the end of the reporting period.

The following exhibit provides information regarding all cases that we closed since our last semiannual whistleblower hotline activity report. A summary of the investigation results are included for allegations that were substantiated.

Exhibit 2: Eighty-Nine Cases Were Closed of Which Two Allegations Were Substantiated

| Case # | Primary Type of Allegation | Priority | Result |
|--------|--------------------------------|----------|---|
| 513 | Misuse of funds | Medium | Unsubstantiated: Per Investigation |
| 537 | Payroll | Low | Non-City complaint |
| 595 | Time Abuse | Low | Investigated & Referred: Utilities Department |
| 602 | Time Abuse | Low | Investigated & Referred: Utilities Department |
| 605 | Bribes / Kickbacks | Low | Investigated & Referred: Public Works Department |
| 625 | Time Abuse | Low | Investigated & Referred: Utilities Department |
| 639 | Violate Local/State/Fed Law | Low | Substantiated & Referred: We received a complaint alleging a business is operating within the city limits without paying proper taxes. We substantiated that the business in question does not have a Business Operations Tax (BOT) certificate. During our investigation, we identified an additional business operating at the same location with an expired BOT. We recommended that the department reach out to the businesses and to consider seeking repayment for taxes owed. |
| 649 | Wasteful Practice | Low | Unsubstantiated: Per Investigation |
| 655 | Abuse of Position or Authority | Low | Unsubstantiated: Not enough information provided |
| 658 | Abuse of Position or Authority | Low | Unsubstantiated: Not enough information provided |
| 664 | Violate Local/State/Fed Law | Low | Investigated & Referred: 311 |
| 665 | Theft of goods/services | Low | Unsubstantiated: Not enough information provided |
| 673 | Wasteful Practice | Low | Not enough Information provided |
| 675 | Hiring Irregularities | Low | Unsubstantiated: Per Investigation |
| 677 | Time Abuse | Low | Investigated & Referred: Fire Department |
| 681 | Insufficient action by City | Low | Investigated & Referred: Utilities Department |
| 686 | City Repair information/311 | Low | Investigated & Referred: 311 |
| 688 | Time Abuse | Low | Informational Referral |
| 689 | Conflict of Interest | Low | Substantiated & Referred: We received multiple complaints alleging an improper relationship between a supervisor and their subordinate in the Community Development Department that violated the City's Nepotism Policy. Our investigation found that the two employees in question were in violation of the City's Nepotism Policy. We referred the complaint and our findings to the Community Development and Human Resources Departments for further review and possible discipline. |
| 692 | City Repair information/311 | Low | Informational Referral |

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|-----|------------------------------------|----------|--|
| 693 | Insufficient action by City | Low | Unsubstantiated: Not enough information provided |
| 694 | Violate Policy | Low | Unsubstantiated: Not enough information provided |
| 695 | Conflict of Interest | Low | Investigated & Referred: City Attorney's Office |
| 697 | Insufficient action by City | Low | Not enough Information provided |
| 698 | Employee Relations | Low | Investigated & Referred: Human Resources Department |
| 699 | Unrelated to the City | Low | Informational Referral |
| 700 | Contested City Charges | Low | Unsubstantiated: Per Investigation |
| 701 | Conflict of Interest | Low | Duplicate case |
| 702 | Unrelated to the City | Low | Investigated & Referred: 311 |
| 703 | Abuse of Position or Authority | Low | Unsubstantiated: Per Investigation |
| 704 | Case Canceled | Canceled | Canceled |
| 705 | Unrelated to the City | Low | Non-City complaint |
| 706 | Abuse of Position or Authority | Low | Informational Referral |
| 707 | Case Canceled | Canceled | Canceled |
| 708 | Employee Relations | Low | Duplicate case |
| 709 | Employee Relations | Low | Duplicate case |
| 710 | Violate Local/State/Fed Law | Low | Informational Referral |
| 714 | Not Enough Information Provided | Low | Not enough Information provided |
| 715 | Violate Local/State/Fed Law | Low | Informational Referral |
| 717 | Abuse of Position or Authority | Low | Unsubstantiated: Per Investigation |
| 718 | Unrelated to the City | Low | Non-City complaint |
| 719 | Unrelated to the City | Low | Non-City complaint |
| 720 | Harassment | Low | Unsubstantiated: Per Investigation |
| 721 | Unrelated to the City | Low | Non-City complaint |
| 724 | Harassment | Low | Non-City complaint |
| 725 | Insufficient action by City | Low | Resolved prior to investigation |
| 726 | Insufficient action by City | Low | Resolved prior to investigation |
| 727 | Unrelated to the City | Low | Non-City complaint |
| 728 | Bribes / Kickbacks | Medium | Investigated & Referred: Utilities Department |
| 729 | Unprofessionalism by City Employee | Low | Investigated & Referred: Parks & Recreation Department |
| 731 | Case Canceled | Canceled | Canceled |
| 732 | Unprofessionalism by City Employee | Low | Informational Referral |
| 733 | Time Abuse | Low | Investigated & Referred: Parks & Recreation Department: We received a complaint alleging that an exempt salary employee of the Department |

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|-----|------------------------------------|----------|---|
| | | | of Parks and Recreation had not been properly accounting for their time at work. Based on the information we reviewed, we confirmed that the employee's timekeeping practices appear questionable. We have shared our analysis with the department and have made recommendations to 1) determine if the employee's workload is sufficient, 2) more closely supervise the employee's attendance, and 3) determine if discipline is warranted. We have referred this complaint to the Department of Parks and Recreation and the Human Resources Department for further review. |
| 734 | Violate Local/State/Fed Law | Low | Informational Referral |
| 735 | Contract Issue | Low | Unsubstantiated: Per Investigation |
| 736 | Time Abuse | Low | Resolved During Investigation |
| 738 | Contract Issue | Low | Not enough Information provided |
| 739 | Watering/311 | High | Informational Referral |
| 740 | Unprofessionalism by City Employee | Low | Informational Referral |
| 741 | Case Canceled | Canceled | Canceled |
| 742 | Insufficient action by City | Low | Informational Referral |
| 744 | Violate Local/State/Fed Law | Low | Informational Referral |
| 745 | Unrelated to the City | Low | Non-City complaint |
| 749 | Fraud | Low | Duplicate case |
| 750 | Employee Relations | Low | Unsubstantiated: Per Investigation |
| 751 | Unrelated to the City | Low | Non-City complaint |
| 752 | Violate Policy | Low | Unsubstantiated: No Investigation Warranted |
| 753 | Reimbursement Abuse | Low | Duplicate case |
| 755 | Unrelated to the City | Low | Non-City complaint |
| 756 | Case Canceled | Canceled | Canceled |
| 757 | Unrelated to the City | Low | Non-City complaint |
| 759 | Case Canceled | Canceled | Canceled |
| 760 | Harassment | Low | Unsubstantiated: Per Investigation |
| 761 | Case Canceled | Canceled | Canceled |
| 762 | Parking | Low | Responded To Information Request |
| 763 | Hiring Irregularities | Low | Investigated & Referred: Human Resources Department |
| 764 | Misuse City Property | Low | Unsubstantiated: Per Investigation |
| 765 | Unrelated to the City | Low | Non-City complaint |
| 766 | Case Canceled | Canceled | Canceled |
| 767 | Case Canceled | Canceled | Canceled |
| 770 | Unrelated to the City | Low | Non-City complaint |

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| 771 | Case Canceled | Canceled | Canceled |
| 772 | Unrelated to the City | Low | Resolved During Investigation |
| 773 | Illegal Dumping/311 | Low | Unsubstantiated: Not enough information provided |
| 775 | Time Abuse | Low | Unsubstantiated: Per Investigation |
| 777 | Case Canceled | Canceled | Canceled |
| 782 | Case Canceled | Canceled | Canceled |
| 784 | Case Canceled | Canceled | Canceled |
| 785 | Case Canceled | Canceled | Canceled |