



Office of the Auditor General
2021 Report on the Fraud and Waste Hotline



February 2022

Table of Contents

Acknowledgement	ii
Description of the Hotline.....	1
2021 Fraud and Waste Hotline report highlights.....	1
Main points	2
Results.....	2
Hotline statistics.....	2
Summary of reports by category.....	4
Summary of reports closed - Issues arising from the Hotline.....	5
Manipulation or Falsification of Data	5
Theft, Embezzlement, Fraud	6
Management/Supervisor	7
Violation of Laws, Regulations, Policies, Procedures.....	8
Unauthorized Use or Misuse of City Property, Information, or Time	9
Unethical Conduct or Conflict of Interest.....	10
Other – Social assistance	11
Other – Ottawa Public Health.....	11
Investigation and review resulting from Fraud and Waste Hotline report	11
Update on Previously Reported Cases	12
Appendix: Fraud and Waste Hotline reporting categories.....	13

Acknowledgement

My colleagues and I would like to thank those individuals who contributed to investigations as well as the continued operation of the Fraud and Waste Hotline.

Respectfully,

A handwritten signature in blue ink, appearing to read "D. Ferguson".

Auditor General

Description of the Hotline

The City's Fraud and Waste Hotline (FWH) was initially launched in 2005 to facilitate the reporting of suspected fraud or waste by employees. Council later made the Hotline available to the public in 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 by either phone or the internet. In February 2021, the Hotline was transitioned to a new service provider.

Based on research of leading ethical practices, including the Institute of Internal Auditors (IIA), the Association of Certified Fraud Examiners (ACFE) and practices employed in other municipalities, an anonymous reporting mechanism is an important 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.

The Hotline may also mitigate ethical risks by discouraging potential wrongdoers and identifying ethical violations when they occur. The Hotline also results in savings by preventing potential fraud and abuse. However, it is not always possible to quantify the magnitude 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.

2021 Fraud and Waste Hotline report highlights

In past years, we reported on the number of cases received net of duplicates. During 2021 we received 301 unique reports in addition to 274 reports which were similar in nature. While we only requested management to conduct one investigation related to the reports that are similar in nature, the administrative processing of these on-going reports continues to represent a significant demand of our resources.

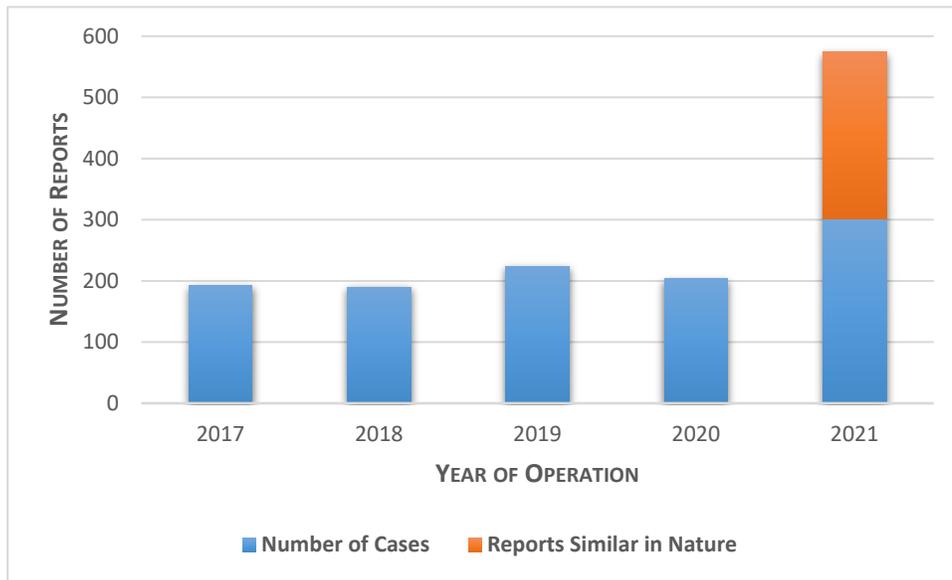


Figure 1: Number of reports received by year (2017 to 2021)

Main points

- 301 unique reports and 274 reports similar in nature were submitted to the Hotline in 2021
- 33% of the unique reports came from public
- 67% of the unique reports came from employees

Results

- One employee was terminated
- Three employees resigned
- Thirteen employees received suspensions without pay
- Other disciplinary actions ranged from discussions, suspension with pay, paid administrative leave, letter of expectations, and discipline letter

Hotline statistics

In 2021, 301 unique reports were made to the Hotline. This is a 48%¹ increase from the number of reports in 2020. There were 98 unique reports submitted by members of the public, and 203 reports submitted by employees of the City of Ottawa.

¹ 182% increase if reports similar in nature are included

The reports submitted by employees also include cases reported by management as required by the Fraud and Waste Policy. In 2021, management reported six such cases.

Table 1: 2021 Reports by reporter type

Reporter type	Number of reports	Percentage
Public	98	33%
Employee	203	67%
Total	301	100%

On average, investigations related to Fraud and Waste Hotline reports are expected to take six to eight weeks. Investigations that are more complex or where additional information is required before proceeding with the investigation may take more time. As at December 31, 2021, there were 53 reports with investigations in progress.

Table 2: Investigations in progress as at the end of 2021

Investigations in progress	Number of reports
As at December 31, 2020	54
Add: reports received in 2021	+301
Less: reports closed in 2021	-302
Total investigations in progress as at December 31, 2021	53

Summary of reports by category²

Table 3 below compares the number of reports received from 2018 to 2021 by report category.

Table 3: Fraud and Waste Hotline reports received from 2018 to 2021

Report Category	2018	2019	2020	2021
Unauthorized use or misuse of City property, information, or time	54	53	29	94
Violation of laws, regulations, policies, procedures	46	42	43	68
Theft, embezzlement, fraud	15	22	35	20
Unethical conduct or conflict of interest	3	11	6	6
Health and safety, environment	0	3	1	6
Manipulation or falsification of data	0	0	0	6
Harm to people or potential harm to people	4	2	0	6
Suggestions for improvement	2	3	2	4
Management/Supervisor	0	7	3	4
Suggested areas for audit	5	19	21	3
Alcohol or drug use or other substance abuse	2	4	3	3
Social assistance	17	14	10	2
Not applicable under the City's Fraud and Waste Policy	39	39	51	77
Insufficient information to classify	3	5	0	2
Sub-Total	190	224	204	301
Reports similar in nature ³	0	0	0	274
Total	190	224	204	575

² Refer to Appendix for description of categories

³ In 2021, we received 274 reports which were similar in nature.

Summary of reports closed - Issues arising from the Hotline

This section includes summaries of the substantiated fraud and waste cases that were closed during 2021. Note, that on occasion, we receive more than one report on the same matter resulting in more than one report for a substantiated case.

Table 4: Assessment of reports closed in 2021

Reports Closed in 2021 by Outcome	Number of reports	Percentage
Substantiated (allegation accurate and constituted fraud or waste)	31	26%
Accurate but compliant (allegation accurate but does not constitute fraud or waste)	58	48%
Inaccurate (allegation is not accurate)	32	26%
Total Investigated Reports Closed in 2021	121	100%
Not applicable (allegation not under OAG's purview)	105	--
Insufficient information (allegation is unclear and cannot be investigated)	76	--
Total Reports Closed during 2021⁴	302	--

Where reports are found to be substantiated, any disciplinary action that is taken is the responsibility of management. Where management has taken action, the outcomes are provided below.

Manipulation or Falsification of Data

There was one case of Manipulation or Falsification of Data that involved one employee:

- An employee with medical related duties submitted falsified documentation related to their personal vaccination status. The employee was terminated, and the file was referred to both the Ottawa Police Service and the Ministry of Health.

⁴ Does not include the 274 reports similar in nature also closed during 2021

Theft, Embezzlement, Fraud

There were seven cases of theft, embezzlement or fraud that involved ten employees and one member of the public:

- During working hours, three City employees regularly left work for extended periods of time to get coffee, using City vehicles. They were smoking in the City vehicle and not wearing masks. The employees did not record their absences and falsified their time records in a City system. The three employees were charged with offences under the Municipal Smoking Bylaw and Temporary Mask Bylaw, and each received 30-day suspensions (15 days paid administrative leave and 15 days unpaid). As the 15 administrative leave days were paid, the employees were assigned to duties in the workplace during this period. It was also found that their supervisor had approved these trips. In addition, the supervisor regularly used the City's internet services for personal use. The supervisor resigned in lieu of termination.
- Management reported to the Auditor General that a supervisor had questioned specific purchases that were made by an employee on their City issued credit card. The employee acknowledged that some of the purchases were unauthorized and were not related to City business. Management and the Union reached a settlement whereby the employee resigned from the City.
- The City of Ottawa was notified by Federal officials that email addresses and passwords of some OC Transpo Alert subscribers had been illegally accessed. City Council was advised of the breach and OC Transpo Alert subscribers were urged to change their passwords as a precaution.
- An employee was leaving their work location, without recording an absence, and, at times could not be reached during normal work hours. The employee received a seven-day paid suspension. Management allowed the employee to take training during two of the seven days of the paid administrative suspension.
- Two employees falsified hours worked on overtime. Both employees received three-day unpaid suspensions.

- An employee used a City facility's gym during breaks without their supervisor's knowledge and without a membership allowing access to the equipment. The employee received one-day unpaid suspension.
- An employee took several days of annual leave without recording the absence in SAP, the City's human resources system. As a result of this investigation, all required leave was subsequently submitted. The employee received a letter of expectation. Going forward, the employee's manager will continue regularly scheduled check-ins with this employee to ensure work assignments are allocated and completed in an appropriate manner, and that any anticipated leave is agreed upon in advance.

Management/Supervisor

There were two cases under the category of Management/Supervisor that involved two employees:

- For more than a year, three separate supervisors approved an employee to work, on average, 15 hours per day, seven days per week. This incurred an inordinate amount of overtime. The initial supervisor who approved the overtime until August 2020 is no longer in a supervisory position. The subsequent two supervisors were not aware that the overtime claimed was part of an ongoing pattern and approved overtime until the end of 2020. When Management became aware of the full scope of the overtime claimed, a direction was given to end the practice and numerous safeguards were implemented to prevent such a situation from reoccurring.
- Some employees are paid different pay rates based on the specific duties that they are performing. A supervisor incorrectly directed an employee to use a premium code for all the hours they worked. Management has now directed the employee to use two different pay codes – a premium code when performing the specific work tasks that it was intended for, and to use the base code of pay when performing non-premium duties. Recent payroll documents confirm the employee's use of these two pay codes. Management informed us that this error did not result in an overpayment to the employee.

Violation of Laws, Regulations, Policies, Procedures

There were 11 cases involving 12 employees, and a City's vendor where there was a violation of laws, regulations, policies, or procedures:

- When the City changed the administrator for its retirees' benefits program, a programming error by the new administrator resulted in an additional 1% being charged, incorrectly, to one retiree group for five months. As a result of an investigation, the City has since checked all forms for rate consistency and put controls in place to prevent a re-occurrence of this issue. The affected retirees were credited the difference in premiums. There was no cost to the City.
- An investigation, which included the use of GPS data, confirmed that there were multiple incidents where an employee was driving, a City vehicle for work-related purposes, an average of more than 25 km/h over the posted speed limit. The employee received a five-day suspension without pay. Management also issued a Speeding Safety Reminder to all branch staff.
- Two employees inside a City vehicle were not wearing masks, as required. Both employees received one-day unpaid suspensions.
- In contravention to the Vehicle and Equipment Idling Policy, an employee left a City vehicle running in a public parking lot while unattended. Management indicated the employee was to receive an unpaid suspension.
- An employee went on sick leave. The reason for being away from work was not supported based on the medical information on file and was deemed not valid. Management changed how the leave was recorded to "Unauthorized Leave without Pay".
- When filling a position, the City correctly followed its hiring process by verifying a current employee's references and records and found no issues. However, subsequent to the reference check, the employee received two disciplinary measures, within the six-month prior to beginning formal training for the new position. Further to this investigation, management has adjusted internal processes to ensure that, in the event, there is a significant time gap between an employee

being hired and when the employee is set to start, a second reference check will be completed before the employee moves into their new position.

- Two employees in two separate City vehicles were travelling more than 20 km/h over the posted speed limit. They each received a letter of warning.
- In contravention of the Employee Code of Conduct, an employee provided a resident in need of engineering services with the names and contact information of two engineers. The employee was reminded that in future, residents should be directed to contact the Professional Engineers of Ontario, or to search the internet.
- A bus operator drove part of their route with the destination sign indicating they were “Out of Service” and did not stop to pick-up passengers. During the investigation of this matter, the employee resigned from the City.
- Upon returning from leave, an employee was unaware of a new standard operating procedure and used a shortcut to drive a City vehicle through a residential area. The employee was reminded of their duty to read and follow posted bulletins for driving routes and a letter of expectation was placed in their employee file.
- An employee used a shortcut to drive a City vehicle through a residential area, in contravention of two bulletins not to use this street. The employee was given a verbal warning.

Unauthorized Use or Misuse of City Property, Information, or Time

There were eight cases involving nine employees where there was unauthorized use or misuse of City property, information, or time. Management found that policies and procedures were not consistently followed as detailed below:

- An employee was conducting personal business, selling goods for personal gain, at a City facility both during breaks and normal working hours. The employee received a three-day suspension without pay.
- An employee used a City vehicle without authorization while on an unscheduled break. As this was a repeat offence, the employee was to receive a one-day

suspension without pay. As a result of a grievance process, the suspension was changed to a written warning.

- An employee borrowed City-owned tools for personal use in contravention of City Tools and Equipment Procedure. The employee was issued a letter of instruction.
- In contravention of City policy, a supervisory employee took a City owned tool home for their personal use. The employee reported that the tool was stolen from their vehicle. A letter of expectation was placed on the employee's file.
- An employee regularly left the work area approximately 45 minutes early and returned shortly before the end of their shift. The supervisor was not aware that the employee was not working as scheduled. Both the employee and supervisor had written warnings placed on their employee files.
- An employee working from home due to medical reasons was going to restaurants and shopping. In addition, the employee requested leave to host an out-of-town celebration which was approved. Management determined that the employee did not act appropriately in this situation. The employee and their supervisor each received letters of expectation.
- An employee used City equipment to drive to their breaks. Management issued a letter of expectation to the employee regarding appropriate use of City equipment.
- An investigation performed as part of the Audit of Fleet Services identified that the City purchased a snow-melter which was only used for 3 hours over the past 10 years. The sunk cost for this under-utilized equipment is estimated at approximately \$286,000.

Unethical Conduct or Conflict of Interest

There were two cases of Unethical Conduct or Conflict of Interest that involved six employees:

- An employee who was competing for another City position shared the questions that were asked during their interview with a colleague who was not competing for this position. This colleague subsequently offered to share these questions with five

other employees who were competing for the position. Three of these employees accepted the offer. One of the employees who shared the questions received a three-day unpaid suspension while the other, a one-day unpaid suspension. In addition, disciplinary letters were put on their files. Disciplinary letters were also put on the files of the three employees that agreed to receive the interview questions. The employee that first shared the questions and the three employees that received the questions were all disqualified from the competition.

- In contravention to a City directive, a supervisor met with a colleague who, at the time, was on investigation leave. The employee was given a verbal warning.

Other – Social assistance

The City's Fraud and Waste Hotline is not 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. Starting in 2021, the Office of the Auditor General (OAG) only reports the number of social assistance cases sent to management for review. One report was referred to Community and Social Services in 2021.

Other – Ottawa Public Health

Fraud and Waste reports related to Ottawa Public Health (OPH) are outside the OAG's jurisdiction. When such reports are received, these are forwarded to OPH management for investigation. In 2021, eight such reports were provided to OPH management.

Investigation and review resulting from Fraud and Waste Hotline report

As a result of issues identified during the Audit of Fleet Services (tabled September 2021), the OAG performed forensic procedures related to fuel usage and OC Transpo overtime payments. No specific events or trends indicating wrongdoing by City employees or misappropriation of City assets were found. However, a clerical error that resulted in an overpayment to an employee was identified and was flagged for repayment. The OAG shared the results with management and made a recommendation to improve procedures, which management agreed to implement.

Update on Previously Reported Cases

- The 2020 Fraud and Waste Hotline Annual Report, tabled in May 2021, stated that “In lieu of following the process set out in their collective agreement for a planned absence, an employee recorded sick leave for days just prior to their approved vacation. The employee received a one-day unpaid suspension.” Management advised that as a result of a grievance process, the suspension was changed to a written warning.
- The 2020 FWH Annual Report also stated that “An employee was working for another organization while submitting medical certificates and claiming sick leave from the City. Management terminated the individual.” Management advised that, as a result of an arbitration process, the employee was reinstated, and it was deemed that the sick leave was appropriate.

Appendix: Fraud and Waste Hotline reporting categories

Category	Description
Harm to people or potential harm to people	Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination or harassment.
Health and safety, environment	Items related to the safety of people and the protection of the environment in which they work and live.
Alcohol or drug use or other substance abuse	Issues related to alcohol or drug use or other substance abuse.
Theft, embezzlement, fraud	Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.
Unauthorized use or misuse of City property, information or time	Items related to the unauthorized use or misuse of City property, equipment, materials, records, internet or harm or threat of harm to City property, equipment, materials or Internet. This would also include abuse of work time or fraudulent use of sick leave.
Manipulation or falsification of data	Changes (unauthorized or authorized) made to any data, information, records, reports, contracts or payment documents possibly to cover mistakes or fraud, improve financial / operating / statistical results or to gain financial advantage or unfair advantage in a contract.
Unethical conduct and conflict of interest	Unethical or dishonest conduct by any person at any level of the organization and any situation or action of an employee that puts them in conflict, or could be perceived as putting them in conflict, with the interests of the organization.

Category	Description
Violation of laws, regulations, policies, procedures	Violation of any law, rule or policy set down by an organization, regulatory authority including securities commissions, or any level of government.
Financial reporting and accounting	Items related to the accuracy and completeness of financial statements and other financial reporting to the Board of Directors, Board of Governors, or other governing body, and to regulatory bodies or the public (e.g., securities regulators, tax authorities, government departments, annual public reports).
Management/supervisor	Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.
Suggestions for improvement	Suggestions to improve any aspect of the organization including ideas, concerns or comments related to municipal services and products, customer service and any other suggestions to aid the attainment of its objectives or to manage its risks.
Suggested areas for audit	Any suggestion to audit an area of the organization.