



Office of the Auditor General

Report on the Fraud and Waste Hotline

Tabled at Audit Committee

October 27, 2020



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2019 Fraud and Waste Hotline report highlights

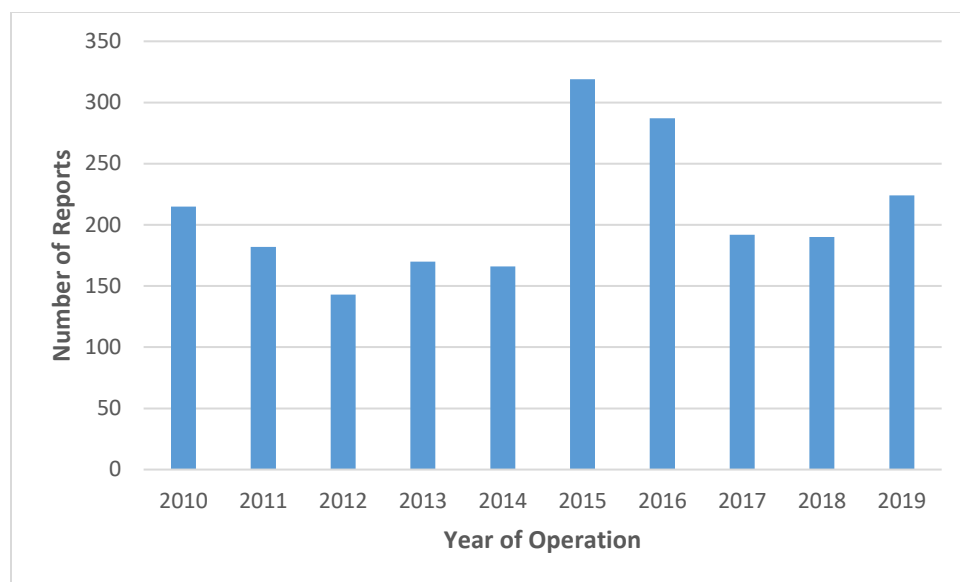


Figure 1: Number of reports received by year

Main points

- 224 reports made to the Hotline in 2019
- 46% of reports came from public
- 54% of reports came from employees

Top five report categories

Table 1: Quantity of reports for top five categories

Category ⁽¹⁾	Quantity of reports
Unauthorized Use or Misuse of City Property, Information or Time	53
Violation of Laws, Regulations, Policies, Procedures	42
Theft, Embezzlement, Fraud	22
Suggested areas for audit	19
Social Assistance	14

(1) Excluding Not related to City services which counted 23 reports

Results

- One employee resigned
- One employee effectively resigned
- One employee retired
- Other disciplinary action ranging from discussions, demotions, letter of warning letter of expectations and suspensions

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.

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 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.

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 2019, 224 reports were made to the Hotline. This is a level 18% greater than the number of reports in 2018. There were 102 reports submitted by members of the public, and 122 reports submitted by employees of the City of Ottawa. This ratio (46% public and 54% employees) is approximately the reverse of 2018.

The reports submitted by employees also include cases reported by management as required by the Fraud and Waste Policy. In 2019, management reported six such cases.

Table 2: 2019 Reports by reporter type

Reporter type	Number of reports	Percentage
Public	102	46%
Employee	122	54%
Total	224	100%

Reporters can file a report by internet, phone, email and traditional mail. Table 3 below breaks out the reports received by method of submission. In 2019, over 79% of reports were received through the Fraud and Waste internet site. This is an increase from 2018 when 75% were received through the internet and from 2017 when 67% were received through the internet.

Table 3: 2019 Reports by method of submission

Method of submission	Number of reports	Percentage
Internet	178	79%
Phone	46	21%
Total	224	100%

The Fraud and Waste Hotline has the functionality to facilitate anonymous and confidential two-way communication that allows reporters to access their report after submitting the initial 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 2019, 90 reporters, representing 40% of all reports, accessed their report after submission of the initial report. This is slightly lower than 2018 when 47% of reporters accessed their reports.

Table 4: 2019 Reporters who subsequently accessed their report

Reviewed report	Number of reports	Percentage
Yes	90	40%
No	134	60%
Total	224	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, 2019, there were 39 reports with investigations in progress.

Table 5: Investigations in progress as at the end of 2019

Investigations in progress	Number of reports
As at December 31, 2018	36
Add: reports received in 2019	+224
Less: reports closed in 2019	-221
Total investigations in progress as at December 31, 2019	39

Summary of reports by category

Table 6 below summarizes the number of reports received to December 2019 by report category since the inception of the Fraud and Waste Hotline in 2005.

Table 6: Fraud and Waste Hotline reports as at December 31, 2019

Report category	2005 to 2014	2015	2016	2017	2018	2019	Total
Unauthorized use or misuse of City property, information, or time	351	84	82	58	54	53	682
Violation of laws, regulations, policies, procedures	214	39	26	26	46	42	393
Suggestions for improvement	211	24	19	8	2	3	267
Theft, embezzlement, fraud	190	21	18	14	15	22	280
Unethical conduct or conflict of interest	152	26	20	10	3	11	222
Suggested areas for audit	105	3	12	1	5	19	145
Health and safety, environment	35	7	1	2	0	3	48
Manipulation or falsification of any data	30	1	5	1	0	0	37
Management/Supervisor	25	2	3	5	0	7	42
Harm to people or potential harm to people	8	2	5	8	4	2	29
Alcohol or drug use or other substance abuse	19	0	3	1	2	4	29
Financial reporting and accounting	14	0	0	0	0	0	14
Other ⁽¹⁾	206	110	93	58			467
Social assistance					17	14	31
City Services not OAG Jurisdiction					7	6	13
Not related to City services					24	23	47

Report category	2005 to 2014	2015	2016	2017	2018	2019	Total
Not a Fraud or Waste issue					8	10	18
Insufficient information to classify					3	5	8
Total	1,560	319	287	192	190	224	2,772

⁽¹⁾ Starting in 2018, the category “Other” was refined to provide more information.

Issues arising from the Hotline

This section includes summaries of the substantiated fraud and waste cases that were closed during 2019. 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 7: Reports closed in 2019 that were substantiated

Reports closed in 2019 by outcome	Number of reports	Percentage
Substantiated (allegation accurate and constituted fraud or waste)	45	46%
Accurate but compliant (allegation accurate but does not constitute fraud or waste)	38	38%
Inaccurate (allegation is not accurate)	16	16%
Total Investigated Reports Closed in 2019	99	100%
Not applicable (allegation not under OAG’s purview)	63	
Insufficient information (allegation is unclear and cannot be investigated)	59	
Total Reports Closed during 2019	221	

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 noted below.

Unauthorized use or misuse of City property, information or time

There were 18 cases involving 17 employees and 1 vendor/contractor 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 in the following paragraphs:

- On several occasions, an employee started their shift late without reporting the absences on their timesheet. Management reviewed the expected hours of work with the employee who will now be monitored more closely by their supervisor. The employee has worked additional hours to compensate for these absences.
- An employee was exercising at a private gym during work hours. Management advised the employee that this is inappropriate use of work time. The employee was reminded to seek additional work from their supervisor should a task be completed early. Management issued a letter of expectation to the employee's human resources file.
- While on break, an employee used a City vehicle to go shopping at a prominent store on Christmas Eve. The employee was advised that their actions were not appropriate and management put a letter of expectation on the employee's human resources file. The employee was also advised that further disciplinary action would be taken if a similar situation reoccurred.
- An employee on an Alternate Work Agreement was found to be occasionally late and was not reporting absences accurately. As a result, the employee received a one-day suspension without pay and management will monitor the employee's attendance and, if these issues continue, will revoke the employee's Alternate Work Agreement.
- An employee used City equipment to wash their personal vehicle during an overtime shift. Management reminded the employee of their obligations under the City's Employee Code of Conduct. Management also issued a verbal reprimand to the employee and documented this conversation via email.
- In late March, on a day where a contracted sidewalk plow operator was instructed to conduct spot checks and only have the blade down as needed and apply salt/sand abrasives only where required, the contractor was alleged to have plowed and salted part of a sidewalk that did not require it. The contractor's supervisor was unable to confirm or deny the claim. The contractor was reminded

of the City's salting policies and expectations. The contractor committed to providing this feedback to their staff prior to next winter season.

- An employee called in sick but recorded these absences inaccurately as special leave, unpaid vacation and regular time worked. This did not result in any overpayment as the employee had sick leave available. The employee received a written warning regarding their time and leave reporting. The employee's supervisor was issued a verbal warning for not verifying that the employee had correctly entered the leave in SAP, the City's human resources system.
- An employee was alleged to have driven a City vehicle to an esthetic salon and had a treatment while in uniform. While the treatment took place during the employee's 10-minute break, the employee contravened departmental operating procedures. In addition, the employee did not provide honest answers when first asked about this matter. Management plans to monitor the employee's compliance with operating procedures going forward and take disciplinary action, as required.
- On a daily basis, a meeting room was unavailable for business purposes over the lunch hour as some employees had it booked to play cards. Employees were asked to only book the boardroom on the day of, based on availability, rather than having a re-occurring booking.
- An employee was regularly charging their electric vehicle at a City fire station. Management implemented a moratorium on the practice of charging personal electric vehicles at all fire stations. Management will ensure compliance with the moratorium.
- An employee regularly arrived late or left early without reporting the absences. The employee was given a Letter of Expectation and notified that going forward absences not pre-approved will be considered as unauthorized leave without pay. In addition, for the next 30-days, the employee had to email their supervisor upon arriving and leaving work.
- An employee left work early, due to illness, without reporting the absence on their time-entry sheet. After investigating, the employee's time-entry sheet was revised accordingly; however, the absence was not recorded in the City's financial/human resources system. No discipline was applied as management deemed that this was an honest mistake.
- An employee was regularly leaving work early without reporting the absences. The employee was reassigned to a position where they are required to work

alongside another employee. In addition, due to this and another unrelated matter, the employee received a one-week suspension without pay.

- After their request for vacation was denied, an employee went on sick leave, providing a doctor's note and a Functional Ability Form outlining medical restrictions. While on sick leave, the employee violated these medical restrictions by driving a motorcycle 800 kilometres. The employee was issued a five-day suspension without pay. In addition, the employee was asked to complete a medical assessment form with their doctor. Management plans to monitor the employee's attendance and sick leave usage on an ongoing basis.
- The City implemented a project, with a total budget of \$679,000, aimed to improve transit by converting a traffic lane into a peak period bus lane. The City incurred additional non-recoverable costs of approximately \$7,500 when it temporarily reversed the project in response to public feedback and the need to address traffic congestion issues. Management plans to reimplement the bus lane changes at a later date, so that the majority of the changes made and cost incurred may eventually be utilized.
- An employee posted on Instagram a video of a seniority list used to select winter positions. The employee was asked to remove the post and reminded not to post images and information relating to City work and employees.
- An employee slightly altered their work schedule without informing their supervisor. The employee was reminded of the requirement to report any lateness and absences. Additionally, when asked about their usage of the Internet during work hours, the employee was not forthcoming. The employee was issued a corrective action letter.
- It was alleged that an employee was not working a full day and was performing non-city work during regular work hours. The employee was provided with an email reinforcing the expectation regarding performing non-City work during work hours and reporting and attendance.

Violation of laws, regulations, policies, procedures

There were 12 cases involving 10 employees, 2 members of the public and 2 vendors/contractors where there was violation of laws, regulations, policies or procedures. Management took corrective actions as detailed in the following paragraphs:

- A City employee accepted and later returned a cash payment from a rental client to stay beyond the contracted rental time at a City facility. The transaction was witnessed by another employee who advised the first employee not to accept the money from the rental client then encouraged the employee to return it. Neither employees reported the incident to their supervisor and both received suspensions without pay. Additionally, the employee that accepted the money was asked to provide a new Police Records Check prior to returning to work and was re-assigned to a non-cash handling position. The employee has not provided a new Police Records Check and has not returned to work.
- A manager properly issued a request outside of their group for employees interested to work overtime at an event. The manager's sibling who worked outside of the requesting group, asked to work during the event. The manager removed themselves from the process of scheduling employees for this event, but did not request that their sibling not be considered for this opportunity and the sibling worked at the event. Management and the OAG, believe that this was not consistent with the Code of Conduct. The Manager received a one-day suspension without pay; and the sibling had a letter of expectation placed on their file.
- The professional fees paid to the City's external benefits consultant during 2017 exceeded the amount of the contract by 89%. The results were reported on November 26, 2019 as part of the Audit of Benefit Processing – Compliance and Program Management.
- At a City workplace, the contractor that collects and removes garbage was throwing out items from the blue box with the regular garbage. This may partially be explained as occasional contamination of the blue box with regular and green-bin materials. More user-friendly recycling stations and improved signage have now been provided at this location and both the contractor and staff were reminded of their responsibilities under the Solid Waste By-law. To further ensure compliance, Management will also monitor the diversion reports regularly.
- When supervisors have reasonable grounds to believe that fraud or waste has occurred, they are responsible to immediately notify their superiors and the Auditor General through the Fraud and Waste Hotline. Management in an area became aware of a potential theft under \$25; however, they failed to report it to the Fraud and Waste Hotline as required by the Fraud and Waste Policy. A communication was sent to the department's management team to reinforce their responsibilities under the Policy.

- The City has a Corporate Administrative Guideline on Scented Products in the Workplace and asks staff not to use such products when reporting to work. Two staff working in a unit may have been violating this guideline. In addition to reviewing this guideline with these individuals, Management issued a communication reminding all employees in the unit of the guideline.
- The Long-Term Care Services – Smoking Practices and Procedure requires that residents, staff, agency personnel, contractors, volunteers and visitors only smoke in designated areas that are not within nine meters of any entrance/exit of the building. It was found that an employee occasionally violated this Procedure by smoking near the doors of the building. The Procedure was reviewed with them and management sent a written communication to all employees of that facility reminding them of the designated smoking areas on the property.
- Two bus operators exceeded the allowable seven minutes of idling while on lay up when the temperature was within the City’s acceptable range (i.e., between -5 degree Celsius or +27 degree Celsius). The operators were reminded of the idling policies and bylaw by their Section Heads. Additional internal communications and operator bulletins are planned to reinforce and remind bus operators of the idling policies and by-law.
- An individual may have moved outside the City of Ottawa boundaries and did not update their address with the City so that they do not pay higher non-resident fees for their children’s classes. The City has been unsuccessful in its efforts to contact the individual to confirm their address. The individual’s account in the City’s system has been frozen until they provide proof of address.
- A City of Ottawa vehicle was allegedly being carelessly driven by a driver who was smoking and using a cell phone. It was determined that the driver was the employee of a third-party vendor and was bringing the vehicle to a maintenance appointment. The vendor met with their employee to review its Smoking Policy and Cellphone Usage Policy and issued disciplinary action. The company also held a health and safety meeting with all of its employees and reviewed their policies. The vendor was issued a letter of non-conformance.
- An employee, paid to be on site at all times, was leaving their worksite for short periods to pick-up food and/or coffee. Management provided the employee with a letter of expectation.
- A resident was building a shed in their backyard without the required building permit. After an investigation, an application was submitted to the City.

Theft, embezzlement, fraud

There were four cases of theft, embezzlement or fraud that involved three employees. Management took corrective actions as detailed in the following paragraphs:

- An employee was stealing supplies. The employee confessed after being shown surveillance footage. The City and the employee's union negotiated an outcome and the employee retired.
- An employee was stealing cash while performing their cash handling duties. The length of time that this had been occurring and the amount stolen could not be determined. When the results of the investigation were presented, the employee immediately resigned. Management then made significant changes to procedures, training and the physical environment to reduce the risk of reoccurrence. Additionally, a new process has been established to report and escalate any suspicion of internal theft.
- An employee submitted fraudulent benefits claims for services that they did not receive. The employee subsequently provided receipts for some of the services and reimbursed the benefits provider for the remainder of claims. A 10-day disciplinary suspension letter, that Management did not require the employee to serve, was placed on the employee's file.
- Physical security at a City facility was enhanced in response to a theft of \$450. The thief could not be identified.

Harm to people or potential harm to people

There was one case of harm to people or potential harm to people that involved one employee. Management took corrective actions as detailed in the following paragraph:

- An employee was alleged to have demonstrated inappropriate behaviour using their City issued cell phone. During the course of the investigation into the employee's behaviour under the City's Code of Conduct, additional information supporting further allegations of a similar inappropriate nature was brought to management's attention. The employee received a 20-day suspension without pay and was demoted.

Other – 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, in 2019, there was five cases closed involving five individuals collecting social assistance benefits for which they were not entitled. In one case, a Notice of Decision was issued advising them they are no longer eligible for Rent-Geared-to-Income assistance and that they will be required to pay the market rent. In one case, a receivable was created and the file was suspended. In one case, a receivable was created and the file has been updated to suspend or correct entitlements. In two cases, a receivable was created and the file terminated.

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.

Investigation and review resulting from Fraud and Waste Hotline reports

In addition to the above, in 2019 the OAG presented the following to Audit Committee:

- April 8, 2019 Investigation into the Transfer of Funds to a Fraudulent Supplier
- July 4, 2019 Investigation of Cash Theft Incident - Meridian Theatres @ Centrepointe
- July 4, 2019 Investigation of OC Transpo Clothing Allowance
- July 4, 2019 Review of Emergency Shelter Program - Use of a Specific Hotel

The OAG also investigated an allegation regarding controls over inventory in a large stores room at the Robert O. Pickard Environmental Centre, a wastewater collection and treatment facility. The investigation concluded that existing practices could be enhanced to prevent inventory losses. The results of the investigation and four recommendations to improve procedures were provided to Management. Management agreed to implement all recommendations.

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 any 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 any area of the organization.