



Office of the Auditor General

Report on the Fraud and Waste Hotline

Tabled at Audit Committee

July 4, 2019



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2018 Fraud and Waste Hotline report highlights

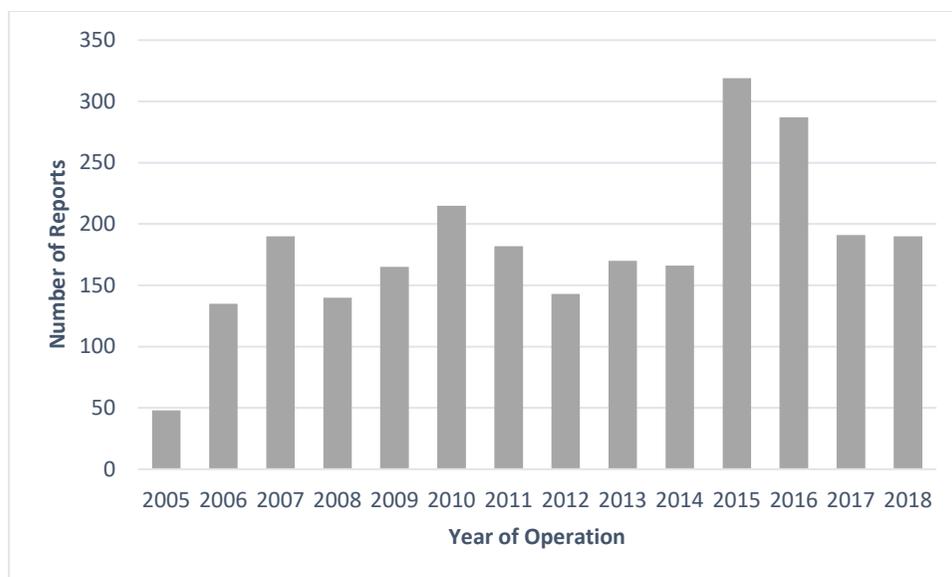


Figure 1: Number of reports received by year

Main points

- 190 reports made to the Hotline in 2018
- 57% of reports came from public
- 43% of reports came from employees

Top five report categories

Table 1: Quantity of reports for top five categories

Category	Quantity of reports
Unauthorized Use or Misuse of City Property, Information or Time	54
Violation of Laws, Regulations, Policies, Procedures	46
Not related to City Services	24
Social Assistance	17
Theft, Embezzlement, Fraud	15

Results

- Four employees terminated
- Two employees resigned
- One confidential agreement
- Other disciplinary action ranging from discussions to letter of warning and letter of expectations

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 2018, 190 reports were made to the Hotline. This is a level similar to the number of reports from 2017. There were 109 reports submitted by members of the public, and 81 reports submitted by employees of the City of Ottawa. This break down (57% public and 43% employees) is comparable to 2017.

The reports submitted by employees also include any cases reported by management as required by the Fraud and Waste Policy. In 2018, management reported six such cases.

Table 2: Reports by reporter type

Reporter type	Number of reports	Percentage
Public	109	57%
Employee	81	43%
Total	190	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 2018, over 75% of reports were received through the Fraud and Waste Internet site. This is an increase from 2017 when 67% were received through the Internet.

Table 3: Reports by method of submission

Method of submission	Number of reports	Percentage
Internet	142	75%
Phone	48	25%
Total	190	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 2018, 89 reporters, representing 47% of all reports, accessed their report after submission of the initial report. This is consistent with 2017 when 45% of reporters accessed their reports, indicating that reporters continue to be interested in submitting additional information, tracking the progress and/or reviewing the outcome of their reports.

Table 4: Reporters who subsequently accessed their report

Reviewed report	Number of reports	Percentage
Yes	89	47%
No	101	53%
Total	190	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, 2018, there were 36 reports with investigations in progress.

Table 5: Investigations in progress as at the end of 2018

Investigations in progress	Number of reports
As at December 31, 2017	40
Add: reports received in 2018	+190
Less: reports closed in 2018	-194
Total investigations in progress as at December 31, 2018	36

Summary of reports by category

Table 6 below summarizes the number of reports received to December 2018 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, 2018

Report Category	2005 to 2013	2014	2015	2016	2017	2018	Total
Unauthorized use or misuse of City property, information, or time	311	40	84	82	58	54	629
Violation of laws, regulations, policies, procedures	183	31	39	26	26	46	351
Suggestions for improvement	203	8	24	19	8	2	264
Theft, embezzlement, fraud	178	12	21	18	14	15	258
Unethical conduct or conflict of interest	139	13	26	20	10	3	211
Suggested areas for audit	102	3	3	12	1	5	126
Health and safety, environment	34	1	7	1	2	0	45
Manipulation or falsification of any data	29	1	1	5	1	0	37
Management/Supervisor	23	2	2	3	5	0	35
Harm to people or potential harm to people	7	1	2	5	8	4	27
Alcohol or drug use or other substance abuse	18	1	0	3	1	2	25
Financial reporting and accounting	12	2	0	0	0	0	14
Other ⁽¹⁾	155	51	110	93	58		467
Social assistance						17	17
City Services not OAG Jurisdiction						7	7

Report Category	2005 to 2013	2014	2015	2016	2017	2018	Total
Not related to City services						24	24
Not a Fraud or Waste issue						8	8
Insufficient information to classify						3	3
Total	1,394	166	319	287	192	190	2,548

⁽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 2018. 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 2018 that were substantiated

Reports closed in 2018 by type	Number of reports
Fully substantiated (allegation accurate and constituted fraud or waste)	27
Not applicable (allegation not under OAG’s purview)	53
Insufficient Information (allegation is unclear and cannot investigate)	54
Accurate but compliant (allegation accurate but does not constitute fraud or waste)	36
Inaccurate (allegation is not accurate)	24
Total reports closed	194

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 and have been grouped by category.

Unauthorized use or misuse of City property, information or time

There were four cases involving 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 in the following paragraphs:

- An employee was taking a City vehicle to their private residence without authorization. As a result of the unauthorized use of the City vehicle, a letter of expectation was issued to the employee. In addition, the employee submitted a “Vehicle Taxable Benefit Form” to Payroll. This resulted in a taxable benefit being added to the employee’s T4 increasing their personal income tax expense.
- An employee used City time and space for non-City duties breaching the Code of Conduct, and the Rentals for Hall, Specialized Studios & Gymnasiums Policy and Procedures. The employee was disciplined and a Letter of Warning was placed on the employee’s file.
- A small number of employees have worked a unique work schedule since 2012, where their flex day¹ was taken on Mondays. There is no work schedule set-up in SAP, the City’s financial and human resources system, to accommodate Monday flex days. As such, when a statutory holiday occurred on a Monday and the employees whose flex days were Mondays opted to take the following Tuesday off instead, the system credited the hours, resulting in overpayments totaling \$7,100. Recovery of the overpayments has been arranged and all employees have been removed from this work schedule.
- In 2017, the City purchased six trucks and attachments to plow snow and spread salt on OC Transpo properties. Prior to putting the trucks in service, it was found that once attachments were installed, the vehicles front axels were overloaded. This situation occurred because the City-created chart, used to assess vehicle weight capacities, was incomplete; and, not all required technical specifications had been included in the request for tender used to purchase the trucks. As a result, the attachments had to be removed from these vehicles and six additional replacement trucks were purchased and retrofitted with the original attachments.

¹ A flexible hours schedule is an alternate work arrangement that allows employees to alter workday start and finish times. The total working time required of employees on flex time schedules is the same as that required under traditional work schedules.

The oversight resulted in additional costs to the City of approximately \$82,200 primarily due to the cost of removing the attachments from one brand of vehicle and installing them on another brand. In the future, Fleet Services will oversee OC Transpo's operational support and maintenance vehicle purchases.

Violation of laws, regulations, policies, procedures

There were eight cases involving five employees and three members of the public where there was violation of laws, regulations, policies, procedures. Management found that policies and procedures were not consistently followed as detailed in the following paragraphs:

- Allegations related to the management of patient medications at the Peter D. Clark long-term care center led to an OAG investigation. The results of this investigation were reported to Audit Committee on April 30, 2018.
- A City employee was regularly using visitor parking at a City site. The employee has been advised of the on-site parking procedure and that, they are not authorized for on-site parking and that failure to comply may result in disciplinary action. Ongoing monitoring of the parking area to support compliance will continue.
- An employee parked a City vehicle in a designated courtesy parking space despite not meeting the criteria for parking there. Although not a violation of the City's parking bylaw, management reviewed the Code of Conduct with the employee and provided corrective feedback. The employee was notified that progressive disciplinary action would occur if similar complaints were received in the future.
- A residential property owner was residing in their home without an Occupancy Permit. Building Code Services contacted the property owner informing them of the requirement for an Occupancy Inspection prior to occupying the residence. The outstanding inspection was performed and an Occupancy Permit was issued. Management confirmed that each month the City sends to the Municipal Property Assessment Corporation (MPAC) a building code report which includes all permits issued in that month. In addition, the City works with MPAC to ensure that items such as this are included on supplementary assessments.
- It is a property owner's responsibility to replace or install sewer service connections on private property and to have these connections inspected by City staff. In June 2016, a resident obtained valid permits for plumbing and road-cut

work, to convert a dwelling from private sanitary service and connect to the City's sanitary sewer system. However, as of June 2018 the required inspections had not been done. The resident was directed to obtain the outstanding inspections. Staff followed up with the property owner and will take progressive action if required.

- An organization that is not formally registered as non-profit with the Canada Revenue Agency, received the non-profit subsidized rental rate through an agreement signed by staff at a City cultural facility. A new policy and procedures document was developed to provide greater clarity in assigning rates and to better identify groups that qualify for a rental subsidy based on the mandate of municipal facilities to support a broad base of local, grass roots cultural initiatives. The new policy was approved on an interim basis in September 2018. Using this new policy, a review of the organization affirmed its non-profit status.
- A manager hired family members in contravention with City policies and procedures and violation of the union agreement. A letter of warning was given to the manager. Starting in the Fall of 2018, refresher training on corporate standards for recruiting and hiring practices will be provided to all supervisors in this area.
- On a regular basis, an employee whose position is to deliver direct customer services to the public was performing other duties during their shift reducing the number of service hours being provided. Management is reviewing best practices for providing these services and re-evaluating service hours.
- In the 2017 Report on the Fraud and Waste Hotline, we reported that an employee was giving confidential information to employees and friends to help them pass provincial tests. The employee that was giving the confidential information was initially terminated. Subsequently in 2018, an arbitrated agreement was reached with the employee's union. Following a 26-week unpaid suspension, the employee was reinstated to a non-testing position. The employee that received assistance to complete their exam was suspended for 10 unpaid days. Thereafter, this employee was required to re-write the exam and following successful completion, returned to duty.

Theft, embezzlement, fraud

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

- An employee did not apply the appropriate processing fees to at least 143 City issued documents between 2012 and 2015 resulting in revenue losses of \$8,300. In addition, proper fees were not collected due to alteration of support documentation in at least four cases resulting in a loss of just over \$600. Processes and controls were changed in 2016 to improve management's ability to monitor alterations and improve accountability. The results of an arbitration between a union and the City, concluded in late 2017, are confidential.
- An employee who processed cash receipts stole funds on an ongoing basis. The total amount stolen was likely less than \$2,000. The employee resigned and management initiated a review of controls and related monitoring.
- An employee committed cash theft of approximately \$1,100. The employee resigned and agreed to a settlement arranged by the City and a union to reimburse the stolen money. Should the former employee fail to pay the agreed amount, the matter will be referred to the Ottawa Police.
- A resident failed to advise the City of a change in their family situation, which resulted in an overpayment of childcare subsidy. The City is pursuing recovery of the funds owed.
- The City of Ottawa Superannuation Fund (COSF) was not advised of the death of a pensioner resulting in an \$86,000 overpayment. A repayment schedule was agreed to and payments have commenced. If the agreed schedule is not respected, the City has the right to pursue legal action. COSF has changed the process for following up on Annual Declaration of Survival forms so that pension payments are now stopped if the form is not signed and returned.
- An employee was briefly working at an external job while on short-term sick leave from the City. Management found no evidence of wrongdoing or fraudulent activity on the employee's part and took no further action.
- A resident provided the City with two quotes to repair damages that was allegedly caused by a City vehicle. The quotes were very similar in appearance suggesting that one or both of the quotes may be forgeries. The claim has been put on hold and the case referred to Ottawa Police Service.

Alcohol or drug use or other substance abuse

There was one case where two City employees were smoking cannabis in a City vehicle during work hours. The two employees were terminated.

Harm to people or potential harm to people

There were four cases of harm to people or potential harm to people that involved three employees and one member of the public. Management took corrective actions as detailed in the following paragraphs:

- An employee committed criminal misconduct against a resident of a City's Long Term care facility. The employee was terminated.
- An employee verbally abused a resident of a City's Long Term care facility. The employee was terminated.
- With regard to the two additional cases, the results of our Investigation into the Reporting of an Incident at a City of Ottawa Long-Term Care Home were tabled at the Audit Committee on April 30, 2018.

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 2018, there were two cases closed involving two individuals collecting social assistance benefits for which they were not entitled. In one case, an overpayment recovery was created and the file has been updated to suspend or correct entitlements. In the other case, the file has been updated to suspend entitlements.

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, the OAG presented the following to Audit Committee:

- April 30, 2018 Review of Medication Management at Long-Term Care Homes
- April 30, 2018 Investigation into the Reporting of an Incident at a City of Ottawa Long-Term Care Home
- June 28, 2018 Review of the City's Practices for the Procurement of Commercial Vehicles

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.