

Office of the Auditor General

2020 Report on the Fraud and Waste Hotline

Tabled at Audit Committee

May 25, 2021





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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 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. Although not necessarily the main objective of the Hotline, this also results in savings by preventing potential fraud and abuse. However, it is not always possible to quantify the benefits 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.

2020 Fraud and Waste Hotline report highlights

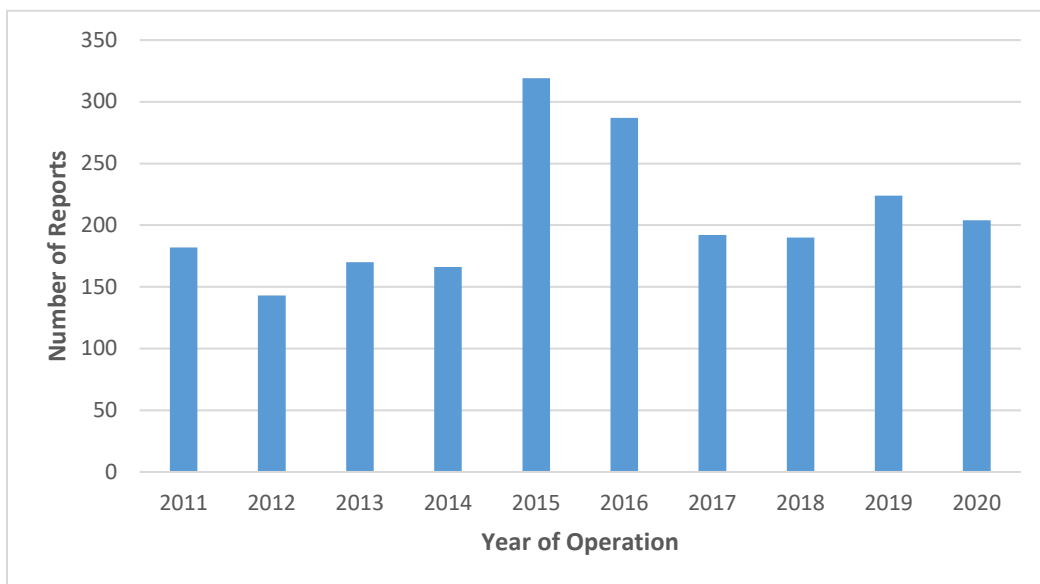


Figure 1: Number of reports received by year

Main points

- 204 reports made to the Hotline in 2020
- 44% of reports came from public
- 56% of reports came from employees

Top five report categories

Table 1: Quantity of 2020 reports for top five categories¹ applicable to the City's Fraud and Waste Policy

| Category ² | Quantity of reports |
|--|---------------------|
| Violation of Laws, Regulations, Policies, Procedures | 43 |
| Theft, Embezzlement, Fraud | 34 |
| Unauthorized Use or Misuse of City Property, Information or Time | 29 |
| Suggested areas for audit | 21 |
| Unethical conduct or conflict of interest | 6 |

Results

- Three employees were terminated
- Three employees received suspensions without pay
- Other disciplinary action ranged from discussions, progressive discipline, letter of expectations and discipline letter

Hotline statistics

In 2020, 204 reports were made to the Hotline. This is a 9% decrease from the number of reports in 2019. There were 90 reports submitted by members of the public, and 114 reports submitted by employees of the City of Ottawa. This ratio (44% public and 56% employees) is similar to 2019.

¹ Refer to Appendix for description of category.

² Category "Other" excluded as it includes cases not applicable under the City's Fraud and Waste Policy and cases where insufficient information was provided to inform an investigation.

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The reports submitted by employees also include cases reported by management as required by the Fraud and Waste Policy. In 2020, management reported three such cases.

Table 2: 2020 Reports by reporter type

| Reporter type | Number of reports | Percentage |
|---------------|-------------------|-------------|
| Public | 90 | 44% |
| Employee | 114 | 56% |
| Total | 204 | 100% |

Reporters can directly file a report by internet or phone. Table 3 below breaks out the reports received by method of submission. In 2020, over 77% of reports were received through the Fraud and Waste internet site and 23% by phone. This ratio is similar to 2019 (79% internet and 21% phone).

Table 3: 2020 Reports by method of submission

| Method of submission | Number of reports | Percentage |
|----------------------|-------------------|-------------|
| Internet | 158 | 77% |
| Phone | 46 | 23% |
| Total | 204 | 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, 2020, there were 54 reports with investigations in progress.

Table 4: Investigations in progress as at the end of 2020

| Investigations in progress | Number of reports |
|--|--------------------------|
| As at December 31, 2019 | 39 |
| Add: reports received in 2020 | +204 |
| Less: reports closed in 2020 | -189 |
| Total investigations in progress as at December 31, 2020 | 54 |

Summary of reports by category

Table 5 below compares the number of reports received from 2017 to 2020 by report category.

Table 5: Fraud and Waste Hotline reports received from 2017 to 2020

| Report Category | 2017 | 2018 | 2019 | 2020 |
|---|-------------|-------------|-------------|-------------|
| Unauthorized use or misuse of City property, information, or time | 58 | 54 | 53 | 29 |
| Violation of laws, regulations, policies, procedures | 26 | 46 | 42 | 43 |
| Theft, embezzlement, fraud | 14 | 15 | 22 | 34 |
| Suggestions for improvement | 8 | 2 | 3 | 2 |
| Unethical conduct or conflict of interest | 10 | 3 | 11 | 6 |
| Suggested areas for audit | 1 | 5 | 19 | 21 |
| Health and safety, environment | 2 | 0 | 3 | 1 |
| Management/Supervisor | 5 | 0 | 7 | 3 |
| Manipulation or falsification of any data | 1 | 0 | 0 | 0 |
| Alcohol or drug use or other substance abuse | 1 | 2 | 4 | 3 |
| Harm to people or potential harm to people | 8 | 4 | 2 | 0 |
| Financial reporting and accounting | 0 | 0 | 0 | 0 |
| Other | 58 | -- | -- | -- |
| Social assistance | -- | 17 | 14 | 10 |
| Not applicable under the City's Fraud and Waste Policy | -- | 39 | 39 | 52 |
| Insufficient information to classify | -- | 3 | 5 | 0 |
| Total | 192 | 190 | 224 | 204 |

Issues arising from the Hotline

This section includes summaries of the substantiated fraud and waste cases that were closed during 2020. 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 6: Reports closed in 2020 that were substantiated

| Reports Closed in 2020 by Outcome | Number of reports | Percentage |
|--|-------------------|-------------|
| Substantiated (allegation accurate and constituted fraud or waste) | 27 | 33% |
| Accurate but compliant (allegation accurate but does not constitute fraud or waste) | 33 | 41% |
| Inaccurate (allegation is not accurate) | 21 | 26% |
| Total Investigated Reports Closed in 2020 | 81 | 100% |
| Not applicable (allegation not under OAG's purview) | 61 | -- |
| Insufficient information (allegation is unclear and cannot be investigated) | 47 | -- |
| Total Reports Closed during 2020 | 189 | -- |

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.

Theft, embezzlement, fraud

There were 9 cases of theft, embezzlement or fraud that involved 14 employees and 1 member of the public. Management took corrective actions as detailed in the following paragraphs:

- Management reported to the Fraud and Waste Hotline, that they suspected an employee of taking leave and not reporting the absence. Their investigation revealed that over a number of years, an employee took 32 days of annual leave without recording the absences in SAP, the City's human resources system. In

previous years, this has resulted in a payout to the employee as their year-end leave balance exceeded the maximum carry-forward allowed. The employee was terminated and \$7,800 was recovered. Management believes that this situation occurred because the employee was reporting to a different manager functionally than the official reporting relationship in SAP. The functional manager approved the employee's vacation leave verbally and relied on the employee to submit leave in SAP. The actual manager was to approve the leave once they received it via the workflow in SAP. However, due to a lack of communication between the managers and because they were located at different offices, the actual manager was unaware that the employee had taken vacation leave and not entered it.

- An employee was working for another organization while submitting medical certificates and claiming sick leave from the City. Management terminated the individual.
- A water meter was replaced with a new one. As a result, the recorded usage increased exponentially compared to the previous meter. Consumption recorded on the new water meter was used to estimate the amount of water which was actually consumed in the past. An invoice was issued for the past years of under-recorded water consumption.
- Management at a City facility became aware of a likely theft of \$40. While the thief could not be identified, processes to safeguard funds at the City facility were improved.
- An employee played golf during regular work hours without submitting leave. As a result of this investigation, the employee subsequently submitted the required vacation leave. A corrective action letter was given to the employee.
- 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 their approved vacation. The employee received a one-day unpaid suspension.
- Employees were using the internet for personal use while working overtime on weekends. Management issued Letters of Expectation to eight employees.
- An employee was taking time without reporting the absences and was spending a significant amount of time away from their office. Management has taken steps to minimize the amount of time the employee spends away from the office and is actively monitoring the employee's attendance. The employee is receiving progressive discipline for their performance and attendance issues.
- An employee did not follow the approved process of texting in at the beginning of a shift and texting out at the end. Additionally, on cold days the employee would

spend time in their car and did not remain at their post. A letter of discipline outlining expectations was issued to the employee and placed on their personnel file. Management indicated that they will also closely monitor the employee's shifts going forward.

Violation of laws, regulations, policies, procedures

There were 8 cases involving more than 10 employees, and 1 member of the public where there was violation of laws, regulations, policies or procedures. Management took corrective actions as detailed in the following paragraphs:

- During a major construction project, a decision to change the design of a number of crosswalks was inadvertently not fully communicated. This resulted in additional costs of at least \$177,000 to complete the work on time. The results of our investigation as well as a recommendation to improve procedures were presented to management who agreed to implement the recommendation.
- A rooming house was operating at an address where the zoning does not allow it. A Notice of Violation was issued to the property owner.
- A newly hired employee was conducting tasks for their private business on City time. Their employment with the City was terminated during their probationary period.
- Two employees denied washing their personal vehicles on City property using City assets during overtime hours. However, management reviewed video surveillance footage and confirmed the allegation. In light of their persistent denials of the allegations which were proven to be true, both individuals were given suspensions without pay.
- An employee used a City pressure washer to clean their personal vehicle. The employee received a verbal warning and management will continue to monitor the employee.
- An email chain between two employees was sent in error to an internal distribution list. Consequently, the personal information of a resident was distributed to City employees who would not otherwise have access to this information. Management confirmed that the inadvertent breach was contained to City employees and ensured that the email was deleted within a short period of time.
- An employee drove to their personal residence to take their lunch. The employee was reminded that prolonged stretches of unproductive time as a result of travel from their assigned district of work to their home for lunch should be avoided.

- Supervisors allowed employees to briefly stop at their residences with City vehicles when working in an area close to their homes. Management issued Letters of Expectation to the supervisors. Management committed to clearly setting expectations with all employees in this area regarding the Personal Use of City Vehicles and having superintendents monitor this through monthly random checks. In addition, all staff in this area received a verbal reminder at morning meetings.

Health and Safety, Environment

One case, involving one employee related to the category health and safety, environment was noted. Management took corrective actions as detailed in the following paragraph:

- An employee posted on their personal social media account that employees should make holes in their face mask during work hours. The employee was reminded of the mask training and recent bulletins on mask usage. The employee was given a verbal warning and advised that future incidents of this nature would result in formal disciplinary action.

Unauthorized use or misuse of City property, information or time

There were 3 cases involving 3 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 doing their personal shopping using a City vehicle during work hours. A Letter of Expectation was placed on the employee's Human Resources file.
- While a City facility was closed due to the pandemic, after checking with a supervisor an employee brought a City owned exercise machine to their home for personal use. The employee has returned the exercise machine to the City facility and offered to pay for any maintenance required. Required maintenance will be determined by on-site staff once the exercise machine is returned to use for delivery of classes. A letter of expectation was sent to the employee.
- An employee used their work email during working hours to request City information for their family member's private business. While this information could have been obtained through 3-1-1, the employee requested it directly from

another department. The Employee Code of Conduct and the Responsible Computing Policy were provided and discussed with the employee.

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 2020, there was four cases closed involving four individuals collecting social assistance benefits for which they were not entitled.

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. Starting in 2021, the OAG will only report the number of social assistance cases sent to management for review.

Investigations and reviews resulting from Fraud and Waste Hotline reports

In addition to the above, on October 27, 2020 the OAG presented the following three reviews/investigations to Audit Committee:

- Investigation of the Lease Cancellation for 300 Coventry Road;
- Review of OC Transpo Bus Maintenance;
- Review of OC Transpo Driver Training.

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. |
| 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. |

| Category | Description |
|---|---|
| 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. |