



**Office of the Auditor General: Report on the  
Fraud and Waste Hotline, Tabled at Audit  
Committee – June 28, 2018**



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## 2017 Fraud and Waste Hotline report highlights

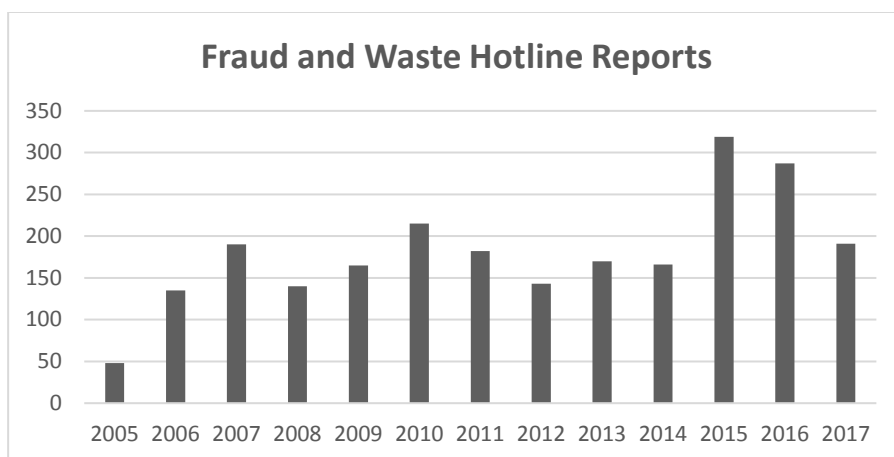


Figure 1: Number of reports received by year

### Main points

- 192 reports made to the Hotline in 2017
- 33% decrease in activity over the previous year
- 60% of reports came from public
- 40% 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 | 58                  |
| Violation of laws, regulations, policies, procedures             | 26                  |
| Theft, embezzlement, fraud                                       | 14                  |
| Social Assistance  | 14                  |
| Unethical conduct or conflict of interest                        | 10                  |

## Results

- Three employees terminated
- One employee resigned
- One employee retired
- Other disciplinary action ranging from discussions to suspensions

## Description of the Hotline

The City's Fraud and Waste Hotline (FWH) was launched in 2005, first 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 2017, 192 reports were made to the Hotline. This represented a 33% decrease in the number of reports from 2016. There were 115 reports submitted by members of the public, and 77 reports submitted by employees of the City of Ottawa. This split (60% public and 40% employees) is roughly similar to 2016.

The reports submitted by employees also include any cases reported by management as required by the policy. In 2017, management reported four cases.

Table 2: Reports by reporter type

| Reporter type | Number of reports | Percentage  |
|---------------|-------------------|-------------|
| Public        | 115               | 60%         |
| Employee      | 77                | 40%         |
| <b>Total</b>  | <b>192</b>        | <b>100%</b> |

Reporters can submit their reports by Internet, phone, email and traditional mail. Table 3 below breaks out the reports received by method of submission. In 2017, over 2/3 (69%) of reports were received through the Fraud and Waste Internet site. This is a slight increase from 2016 when 65% were received through the Internet.

Table 3: Reports by method of submission

| Method of submission | Number of reports | Percentage  |
|----------------------|-------------------|-------------|
| Internet             | 132               | 69%         |
| Phone                | 60                | 31%         |
| <b>Total</b>         | <b>192</b>        | <b>100%</b> |

The Fraud and Waste Hotline has the functionality to facilitate anonymous two-way communication that allows reporters to access their report after submitting the original 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 2017, 86 reporters, representing 45% of all reports, accessed their report after submission of the original report. This is consistent with 2016 when 46% 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

| <b>Reviewed report</b> | <b>Number of reports</b> | <b>Percentage</b> |
|------------------------|--------------------------|-------------------|
| <b>Yes</b>             | 86                       | 45%               |
| <b>No</b>              | 106                      | 55%               |
| <b>Total</b>           | 192                      | 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, 2017, there were 40 reports with investigations in process.

Table 5: Investigations in progress as at the end of 2017

| <b>Investigations in progress</b>                       | <b>Number of reports</b> |
|---|--------------------------|
| As at December 31, 2016                                 | 41                       |
| Add: reports received in 2017                           | +192                     |
| Less: reports closed in 2017                            | -193                     |
| Total investigations in process as at December 31, 2017 | 40                       |

## Summary of type of reports

Table 6 below summarizes the number of reports received to December 2017 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, 2017

| Report Category  | 2005 to 2012 | 2013       | 2014       | 2015       | 2016       | 2017       | Total        |
|--|--------------|------------|------------|------------|------------|------------|--------------|
| Unauthorized use or misuse of City property, information or time | 261          | 50         | 40         | 84         | 82         | 58         | 575          |
| Violation of laws, regulations, policies, procedures             | 153          | 30         | 31         | 39         | 26         | 26         | 305          |
| Suggestions for improvement                                      | 193          | 10         | 8          | 24         | 19         | 8          | 262          |
| Theft, embezzlement, fraud                                       | 153          | 25         | 12         | 21         | 18         | 14         | 243          |
| Unethical conduct or conflict of interest                        | 134          | 5          | 13         | 26         | 20         | 10         | 208          |
| Suggested areas for audit  | 96           | 6          | 3          | 3          | 12         | 1          | 121          |
| Health and safety, environment                                   | 28           | 6          | 1          | 7          | 1          | 2          | 45           |
| Manipulation or falsification of any data                        | 24           | 5          | 1          | 1          | 5          | 1          | 37           |
| Management/supervisor  | 22           | 1          | 2          | 2          | 3          | 5          | 35           |
| Alcohol or drug use or other substance abuse                     | 17           | 1          | 1          | 0          | 3          | 1          | 23           |
| Harm to people or potential harm to people                       | 6            | 1          | 1          | 2          | 5          | 8          | 23           |
| Financial reporting and accounting                               | 8            | 4          | 2          | 0          | 0          | 0          | 14           |
| Other *  | 129          | 26         | 51         | 110        | 93         | 58         | 467          |
| <b>Total</b>   | <b>1,224</b> | <b>170</b> | <b>166</b> | <b>319</b> | <b>287</b> | <b>192</b> | <b>2,358</b> |

\* The “Other” category includes reports related to social assistance (14 in 2017), to water/property tax bills (2 in 2017) and to organizations outside the Office of the Auditor General’s (OAG) jurisdiction (12 in 2017) such as Ottawa Police Service, Ottawa Public Health, Ottawa Public Library and Ottawa Community Housing Corporation. This category also includes reports that were not related to City services (13 in 2017) such as potential frauds committed by other members of the public. In addition, there were cases that did not relate to fraud or waste or had insufficient information to proceed with an investigation (17 in 2017).

## Issues arising from the Hotline

This section includes summaries of the substantiated fraud and waste cases that were closed during 2017. 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 2017 that were substantiated

| <b>Reports closed in 2017 by type</b>   | <b>Number of reports</b> |
|---|--------------------------|
| Substantiated (allegation accurate and constituted fraud or waste)                  | 39                       |
| Not applicable (allegation not under OAG’s purview)                                 | 48                       |
| Insufficient information (allegation is unclear and cannot be investigated)         | 41                       |
| Accurate but compliant (allegation accurate but does not constitute fraud or waste) | 36                       |
| Inaccurate (allegation is not accurate)   | 29                       |
| Total reports closed  | 193                      |

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 11 cases involving 10 employees and 1 vendor 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 used City assets for a private purpose. The employee received a verbal warning, and a disciplinary letter was placed in the employee's file.
- An employee used a City vehicle to return home for a valid medical reason. However, they did not notify their supervisor. The employee was reminded that they need to notify their supervisor any time they leave work for medical reasons and was reminded of the policy on the Personal Use of City Vehicles. A letter of expectation was placed on the employee's file.
- An employee engaged in various activities while receiving long-term disability benefits, which appeared to be inconsistent with the medical condition. The long-term disability benefit was terminated, and the employee retired.
- An employee spent time at home during their shift, with a City vehicle parked at their house. Management met with the employee to discuss the issue, expectations and consequences should further complaints be received.
- An employee was found to have many absences within a short period. The employee was issued a letter of expectation, and management will continue to monitor the employee's attendance.
- An employee was leaving work early and submitting falsified data reports. The employee was terminated. Due to the falsified reports, data from 90 completed activities needed to be deleted, and staff are repeating them.
- A vendor was not meeting contractual delivery timelines. The process was reviewed with the vendor, and they confirmed that these were isolated incidents and they will meet their obligations.
- An employee was selling City-branded clothing during work hours for their own gain. Management met with the employee regarding the matter and provided the employee with a letter, which stated that they must cease using the City's official mark.

- An employee was out of the country and posting to social media while on sick leave. The employee's physician had been consulted in advance of the travel. As the trip was not inconsistent with the employee's recovery plan, no adjustment was made to reclassify the sick leave as vacation leave. Management discussed the issue with the employee with reference to the Code of Conduct.
- An employee failed to provide supporting documentation for uncertified sick leave. The employee resigned, and the City will recover the hours advanced.
- An employee on long-term disability was observed doing physical activities that appeared to contradict the condition claimed. The City's independent claims adjudicator determined that there was not sufficient conclusive evidence to terminate LTD benefits; however, the case remains under review.

## **Violation of laws, regulations, policies, procedures**

There were 11 cases of violation of laws, regulations, policies, procedures in cases closed in 2017:

- In 2015, we received a report alleging theft of City construction materials and personal use of City power tools. Management commenced an investigation in 2015. The individual that began the investigation left the City's employ later in 2015. Although the investigation was reassigned, no further action was taken until 2017 after it was reassigned again. The 2017 investigation found that personal use of City tools was common practice in that group at that time but it was unable to substantiate the allegation of theft. A new Tool and Equipment Policy was drafted for the department that clarified that City-owned tools and equipment are not for personal use.
- An employee regularly posted tweets during business hours. The manager clarified to the employee the expectations for use of social media and specifically indicated that the employee should reference the Social Media Policy, Employee Code of Conduct and the Responsible Computing Policy.
- An employee used a City vehicle after hours for out-of-town personal use. The employee was on-call at the time and authorized to take the vehicle home, which is outside of Ottawa. However, the employee was not authorized to use the vehicle for personal use. The employee was reminded of the Employee Code of Conduct and the Personal Use of City Vehicles Policy.

- A residential property owner was doing construction work at his own property without a permit. An Order to Comply was issued instructing the owner to obtain the requisite permits.
- An employee was giving confidential information to employees and friends to help them pass provincial tests. The employee may even have completed at least part of one of the tests on behalf of another employee. The employee was terminated and the applicable provincial ministry notified. The employee that received assistance to complete their exam is under investigation.
- Two city employees were working without their proper personnel safety equipment (PPE) while one of the employees was working elevated in bucket truck. The employees were reminded of their responsibility to carry out work in a safe manner and that they are always to wear their necessary PPE. Written directives summarizing the meeting were given to the employees the following day.
- A residential property owner did not have permits to complete renovations alleged to have been done inside their home. Building Code Services (BCS) found no record of a building permit in its database. BCS' staff have been unable to obtain interior access to the dwelling in order to confirm inside alterations. The file has been assigned to the Area Inspections Program Manager who is continuing to follow up with the property owner. The Municipal Property Assessment Corporation has confirmed that they received information of the renovation and have acted on the information.
- Service Ottawa experienced a \$500.00 discrepancy at a Client Service Centre (CSC) in April 2017. No criminal wrongdoing could be conclusively determined. However, there was non-compliance with procedures on the part of two staff. Management took corrective and disciplinary action toward the two staff involved pursuant to the Discipline Policy and Discipline Procedures and the CUPE 503 Collective Agreement. Management also met with all staff at each CSC location outlining the importance of adhering to the cash handling policies and procedures, expectations and accountabilities of staff and the disciplinary actions that will result for non-compliance.
- A \$200.00 cash shortage occurred at a Client Service Centre (CSC) from transactions processed in June 2017. Management and the OAG investigated but were unable to identify the individual(s) responsible. Management concluded that the cause of the shortage was human error. Management met with all staff at three of the large Client Service Centres to outline the importance of adhering to the cash handling policies and procedures, to set out expectations and

accountabilities and to outline the disciplinary actions that will result for non-compliance. ServiceOttawa management is working with Finance staff on an instructional video, and the Finance Cash Operations unit is conducting unannounced spot checks at each Client Service Centre counter.

- A private facility had more arcade machines on site than allowed under their license. By-law and Regulatory Services will work with the operator to ensure that they meet the requirements of their license.
- An organization has been using City facilities on the basis of having not-for-profit status. If the organization is unable to provide City staff with evidence supporting this status, future use of City facilities will be based on a commercial status.

## **Theft, embezzlement, fraud**

There were four cases as noted below:

- A family member did not advise the City of Ottawa Superannuation Fund (COSF) of the death of a pensioner. Court proceedings for criminal charges against the family member are ongoing. In addition, a civil claim against a family member has been initiated. COSF has changed the process for following up on Annual Declaration of Survival forms to stop pension payments when the forms are not signed and returned.
- A counter deposit was \$400.00 short due to a suspected fraud committed by a client. Management suspects no wrongdoing on the part of any City staff, and no further internal investigation is planned. The Ottawa Police Service investigated, and charges were laid against the client. The suspected fraud was made possible by an employee not following procedures. The employee has been reminded of the Cash Handling Policy.
- A small amount of money was reported missing from seven different floats over a period of time. Due to lack of evidence, Corporate Security was unable to identify the employee responsible for the alleged thefts. Cash handling procedures were enhanced.
- While on duty, an employee stole a patient's medication. The employee was suspended and charged criminally. Upon completion of a diversion/direct accountability program, the charges were withdrawn. Minutes of Settlement covering disciplinary action were signed by the employer and the union, and the employee was reinstated.

## **Suggestions for improvement**

There were three cases as noted below:

- Possible opportunities were identified to improve winter maintenance operations within the Roads Services Branch, specifically in the areas of salt usage and snow bank removal. Amongst other changes being implemented for the winter 2016/2017 season, City management has committed to delivering salt management training to staff, improving the monitoring of salt usage and developing a process to provide consistent direction for initiating snow removal.
- The Office of Auditor General received a report that made allegations regarding missing hockey sticks at the Barbara Ann Scott Arena. The Office of Auditor General investigated the report. The investigation concluded that the Lost and Found practices at the arena were not in accordance with the City's Arena Procedures Manual. The Office of Auditor General presented the results of the investigation to City management and made three recommendations to improve procedures. City management agreed to implement the recommendations.
- Two employees were using titles that included the term "Engineer" but were not members of the Association of Professional Engineers of Ontario (APEO). One employee returned to a substantive position with a non-Engineer title, and one employee was informed that certification will be required to remain in the position.

## **Alcohol or drug use or other substance abuse**

There was one case where an employee was inappropriately handling controlled substances and falsified documents. The employee was terminated.

## **Manipulation or falsification of any data**

There was one case where an employee inappropriately left the work site without clocking out on three occasions. The employee received a three-day suspension, and staff at the site were reminded of proper leave procedures.

## **Health and safety, environment**

There was one case where a contractor may have damaged a City tree near a work site. City staff discussed the matter with the contractor involved and will continue to monitor the tree and follow up, as required.

## **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 2017, there were four cases closed involving five individuals collecting social assistance benefits for which they were not entitled. Overpayment recoveries were created, and files have been updated to suspend or correct 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:

- June 22, 2017 *Investigation into the Giver 150 Playground at Mooney's Bay Park*
- June 22, 2017 *Investigation into Three Reported CSC Deposit Shortages*
- November 30, 2017 *Review of the Management of Emergency Shelter Providers*

## Appendix: Fraud and Waste Hotline reporting categories

Table 8: Description of reporting categories

| <b>Category</b>   | <b>Description</b>  |
|---|---|
| <b>Harm to people or potential harm to people</b>                       | Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination or harassment.  |
| <b>Health and safety, environment</b>                                   | Items related to the safety of people and the protection of the environment in which they work and live.  |
| <b>Alcohol or drug use or other substance abuse</b>                     | Issues related to alcohol or drug use or other substance abuse.   |
| <b>Theft, embezzlement, fraud</b>                                       | Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.  |
| <b>Unauthorized use or misuse of City property, information or time</b> | 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.             |
| <b>Manipulation or falsification of any data</b>                        | 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. |
| <b>Unethical conduct and conflict of interest</b>                       | 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.                                 |

| <b>Category</b>   | <b>Description</b>  |
|---|---|
| <b>Violation of laws, regulations, policies, procedures</b> | Violation of any law, rule or policy set down by an organization, regulatory authority including securities commissions, or any level of government.  |
| <b>Financial reporting and accounting</b>                   | 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). |
| <b>Management/supervisor</b>                                | Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.  |
| <b>Suggestions for improvement</b>                          | 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.  |
| <b>Suggested areas for audit</b>                            | Any suggestion to audit any area of the organization.   |