

Report #  
2013-02

# City Auditor's Whistleblower Hotline Activity Report (April – October 2013)



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## **Whistleblower Program Background**

### **To Contact the City's Whistleblower Hotline**

City staff or members of the public may submit allegations by either calling the Whistleblower Hotline's toll-free number [1-888-245-8859](tel:1-888-245-8859) or by completing the online form located at <https://www.reportlineweb.com/cityofsacramento>. In addition, individuals may also submit allegations directly to the City Auditor or any Auditor Office staff member. Any individual who files a complaint may elect to have their identity kept confidential. The individual's identity will be kept confidential to the extent permitted by law unless the individual waives confidentiality in writing. Information can be submitted in person, over the phone, by voicemail, by e-mail, or by mail.

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### **City Council directed the City Auditor to establish a Whistleblower Program**

In February 2012, the City Auditor published the *Assessment for Establishing a Whistleblower Hotline*. That report presented whistleblower hotline best practices, other cities' whistleblower program information, estimated costs to establish a program for the City of Sacramento, and City employee survey results about potential fraud, waste, and abuse in Sacramento.

In March 2012, City Council directed the City Auditor to establish a Whistleblower Hotline Program to allow City employees and members of the public to report potential fraud, waste, and abuse without the fear of retaliation. In October 2012, the City Manager posted the City Policy related to the program "Policy: Whistleblower Protection AP-1002" and the City Auditor posted the "Whistleblower Hotline Procedures."

### **Auditor's role and responsibilities**

The City Auditor is the City's independent auditor who reports directly to the Mayor and City Council. Council approves the Auditor's annual audit plan and has historically added audits to the plan when needed.

California Government Code Section 53087.6 allows local governments to create whistleblower hotlines. State law sets the requirements for establishing and running a whistleblower hotline, but local auditors have discretion in how to operate their programs.

The following includes key points of the Government Code section and how it pertains to the City of Sacramento:

- The City Auditor shall obtain approval from City Council before establishing a whistleblower hotline. This approval was obtained from the Sacramento City Council in March 2012.
- The hotline is used to receive calls from people who have information regarding fraud, waste, or abuse.
- The City Auditor may refer calls received on the hotline to the appropriate government authority for review and investigation.
- During the initial review of calls received, the City Auditor (or the appropriate government authority to whom the call is referred) shall hold in confidence information disclosed through the hotline. This includes the identities of the callers disclosing information and the people identified by the callers.
- Upon receiving specific information that an employee has engaged in an improper government activity, the City Auditor may conduct an investigative audit.
- The identity of the people providing information that initiated the investigative audit shall not be disclosed without their written permission, unless the disclosures are to law enforcement agencies that are conducting criminal investigations.
- The investigative audit shall be kept confidential except to issue a report of an investigation that had been substantiated or to release findings from completed investigations that are deemed necessary to serve the interests of the public.
- The identities of individuals reporting the improper government activities and the subject employees investigated shall be kept confidential.
- However, the City Auditor may provide a substantiated audit report and other information (including subject employee identities) to appointing authorities for disciplinary purposes.

### **Whistleblower procedures target high-risk tips**

Due to the limited number of staff members in the Office of the City Auditor and the Office's chief responsibility to conduct performance audits in accordance with the Council-approved Audit Plan, conducting full investigations of all tips is not feasible. Instead, the City Auditor has adopted a risk-based approach to investigate whistleblower tips.

As part of the program's intake process, we rank tips by risk and focus investigative efforts on those that represent the greatest risk to the City. The following shows how we generally classify types of tips based on risk:

#### *High Priority*

Some reasons why allegations may be considered high priority are that they could include a safety concern, loss<sup>1</sup> to the City of more than \$75,000, criminal activity resulting in a loss of at least \$400, high-level involvement, collusion of multiple wrongdoers, major department-wide issue, or need for immediate action to stop a potential major issue. Addressing these items could take priority over other investigations and audits – at the City Auditor's discretion.

#### *Medium Priority*

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<sup>1</sup> Loss could entail actual or potential loss of money, waste, or inefficiencies.

Allegations in this category could include a loss to the City of more than \$25,000, abuse of authority, medium-to low-level employee involvement, minor department-wide issues, or patterns of small problems that could become serious when summed. Some medium-priority items could be referred to a department for their review.

*Low Priority*

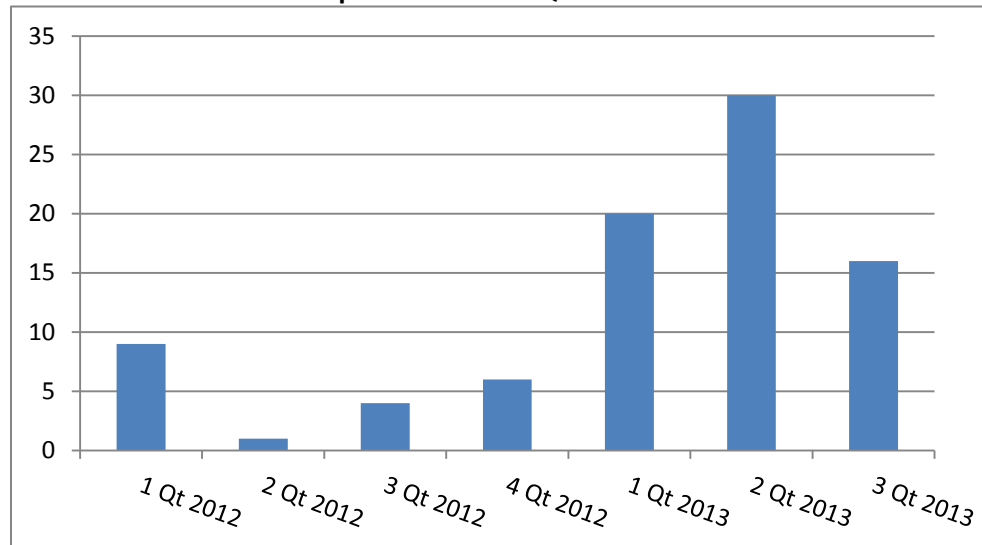
Allegations in this category could include a loss to the City of less than \$25,000, isolated instances of time abuse, wasteful practices that would lead to limited gains in efficiencies if corrected, or allegations that lack credibility and evidence. The office would aim to investigate items in this list, but may not do so because of limited resources. However, if the same or similar issues were reported multiple times – low-priority items may become more of a priority. Additionally, some low-priority tips could be referred to a department for their review.

## Status of investigations

### The number of tips received by the City Auditor have been growing steadily

Use of the City Auditor’s Whistleblower hotline has shown significant growth over time. From January 2012 to June 2012, the Auditor’s Office received 10 tips. Comparatively, from January 2013 to June 2013, the City Auditor’s Office experienced a 400 % increase in activity and received 50 tips. We attribute some of the growth in activity to the City’s ongoing efforts to increase employees’ awareness about the service. For example, over 200 posters were displayed in break rooms across most City facilities in May 2013, a press release was issued in April 2013, and over 3,000 stickers were placed on City phones in August 2013. The table below shows the number of tips received per quarter since the program’s inception.

**Exhibit 1: Whistleblower Tips Received Per Quarter**



Although growth has been strong, we do not expect the volume to continue to increase. We will continue to monitor call volume and report on the call activity.

## Over 80 percent of tips received have been processed and closed

As previously noted, the City Council directed the City Auditor in March 2012 to establish a Whistleblower Hotline Program. A total of 89 tips, covering 25 types of allegations, have been received. The following shows all Whistleblower Program tips that the City Auditor’s Office received as of October 31, 2013.

**Exhibit 2: Eighty-nine Tips Have Been Reported as of October 2013**

Type of Allegation	Count	Percent
Abuse of Position or Authority	7	7%
Bribes / Kickbacks	1	1%
Contract Issue	2	2%
Corruption	2	2%
Employee Relations	19	18%
Falsify Records	3	3%
Harassment	1	1%
Hiring Irregularities	4	4%
Improper Controls	4	4%
Information Request	4	4%
Miscategorized Expenses	1	1%
Misuse City Property	4	4%
Misuse of funds	4	4%
Overcharging City	1	1%
Payroll	3	3%
Reimbursement Abuse	2	2%
Test Case <sup>2</sup>	11	10%
Theft	3	3%
Time Abuse	4	4%
Unrelated to the City	1	1%
Violate Policy	6	6%
Violate State/Fed Rules	5	5%
Wasteful Practice	5	5%
Contested City Charges	3	3%
Not Enough Information Provided <sup>3</sup>	5	5%

<sup>2</sup> Test cases were created to ensure the case management system was working correctly.

<sup>3</sup> Some cases have been initiated, creating a case number, but did not contain sufficient information to initiate an investigation.

As explained in the background section, we classify tips as high, medium, or low priority as shown below:

**Exhibit 3: Most Tips Represented Low Or Medium Priorities**

Priority Level	Tips Reported	Percent
High	8	9%
Medium	19	21%
Low	62	70%

The following exhibit provides information about cases that we closed since our last semiannual whistleblower hotline activity report. The reason for the closure is noted. A summary of the result is included for tips that were substantiated or investigated and referred.

**Exhibit 4: Three Tips Were Substantiated And Three Were Investigated Referred To Departments**

Case #	Primary Type of Allegation	Priority	Status	Result
9	Contract Issue	Medium	Closed	<b>Added to 2013-14 Audit Plan</b>
16	Improper Controls	Medium	Closed refer	<b>Substantiated &amp; Referred:</b> We received a complaint alleging there were minimal controls regarding keys that access the City's fire stations. During our investigation we found that; 1) fire stations lacked key controls over the distribution and monitoring of keys, and, 2) Fire Prevention has not managed well its administration of the City's Knox box system. The nature of the complaint, our analysis, and recommendations were shared with the Fire department and City Manager for their further consideration.
17	Abuse of Position or Authority	Medium	Closed	<b>Unsubstantiated:</b> Per Investigation

23	Payroll	Low	Closed	<b>Substantiated &amp; Referred:</b> We received a tip alleging the prior Fire Chief had inappropriately authorized expenses and compensation of employees involved in the search of a missing Sacramento Fire Department employee in Yuba County. Based on the information gathered, we confirmed; 1) the Fire Department paid \$3,815 in camping and diesel fuel, and 2) at least one Fire Department employee was paid for the duration of the search at a cost of approximately \$4,000. The nature of the complaint and our analysis was shared with the City Manager's Office for their further consideration and resolution.
29	Information Request	Low	Closed	<b>Investigated &amp; Referred:</b> We received a complaint that a local bank was not fulfilling its commitment to a participant in the Bank on Sacramento program. We gathered pertinent information and provided the information to the City Treasurer's Office for resolution. The Treasurer's Office, in cooperation with the United Way, was able to identify an acceptable solution. We contacted the participant and confirmed that the concern was resolved.
34	Violate State/Fed Rules	Low	Closed	<b>Unsubstantiated:</b> No Investigation Warranted
38	Violate Policy	Low	Closed refer	<b>Referred to Other Department</b>
39	Employee Relations	Low	Closed	<b>Unsubstantiated:</b> Per Investigation
40	Employee Relations	Low	Closed	<b>Unsubstantiated:</b> Per Investigation
41	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
42	Contested City Charges	Low	Closed refer	<b>Referred to Other Department</b>
43	Contested City Charges	Low	Closed refer	<b>Referred to Other Department</b>
44	Test Case	Test	Test Case	<b>Test Case*</b>
45	Test Case	Test	Test Case	<b>Test Case*</b>
46	Contested City Charges	Low	Closed refer	<b>Referred to Other Department</b>
47	Test Case	Test	Test Case	<b>Test Case*</b>
48	Test Case	Test	Test Case	<b>Test Case*</b>
49	Test Case	Test	Test Case	<b>Test Case*</b>
50	Test Case	Test	Test Case	<b>Test Case*</b>
51	Hiring Irregularities	Low	Closed	<b>Unsubstantiated:</b> Per Investigation
52	Employee Relations	Low	Closed	<b>Unsubstantiated:</b> Insufficient Information
53	Hiring Irregularities	Low	Closed	<b>Unsubstantiated:</b> Per Investigation



54	Employee Relations	Low	Closed	<b>Resolved prior to investigation</b>
55	Test Case	Test	Test Case	<b>Test Case*</b>
56	Test Case	Test	Test Case	<b>Test Case*</b>
57	Misuse of funds	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
58	Test Case	Test	Test Case	<b>Test Case*</b>
59	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
60	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
61	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
62	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
63	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
64	Wasteful Practice	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
65	Misuse City Property	Low	Closed	<p><b>Investigated &amp; Referred:</b> We received a complaint that a City employee was using their City vehicle for personal use. Based on the information provided, we confirmed; 1) that vehicle in question belonged to the City, and 2) the department the vehicle was assigned to; 3) matched the location of the alleged misuse with the employee's home address. The nature of the complaint and our analysis was shared with the department for their further consideration and to determine if any disciplinary action was necessary.</p>
66	Misuse of funds	Low	Closed refer	<p><b>Substantiated &amp; Referred:</b> We received a tip alleging funds were missing from a fire station's expense account. During our investigation we found that; 1) the funds were not "missing" but had been deducted from the tracking spreadsheet in error; 2) the Fire Department's Station Expense balance had grown to \$320,000. This is five times the amount spent annually and could be repurposed; 3) the allocation tracking spreadsheets did not reconcile with the account balance, and 4) annual audits were not being performed in accordance with the Fire Department's Manual of Operations. The nature of the complaint, our analysis, and recommendations were shared with the department and City Manager for their further consideration.</p>
67	Test Case	Test	Test Case	<b>Test Case*</b>
68	Test Case	Test	Test Case	<b>Test Case*</b>

69	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
70	Misuse of funds	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
71	Unrelated to the City	Low	Closed	<b>Non-City complaint</b>
				<b>Investigated &amp; Referred:</b> We received a complaint that a City employee was using their City vehicle for personal use. Based on the information provided, we confirmed; 1) that vehicle in question belonged to the City, and 2) the department the vehicle was assigned to; 3) calculated the annual mileage driven; 4) obtained fueling information. The nature of the complaint and our analysis was shared with the department for their further consideration and to determine if any disciplinary action was necessary.
72	Misuse City Property	Low	Closed refer	
73	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
74	Corruption	Low	Closed	<b>Unsubstantiated: Insufficient Information</b>
75	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
77	Hiring Irregularities	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
78	Falsify Records	Low	Closed refer	<b>Referred to Other Department</b>
79	Employee Relations	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
80	Time Abuse	Medium	Closed	<b>Unsubstantiated: Per Investigation</b>
81	Not Enough Information Provided	Canceled	Closed	<b>Canceled**</b>
82	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
84	Employee Relations	Low	Closed refer	<b>Referred to Other Department</b>
87	Violate State/Fed Rules	Low	Closed	<b>Unsubstantiated: Insufficient Information</b>
88	Harassment	Low	Closed	<b>Unsubstantiated: Insufficient Information</b>
90	Improper Controls	Medium	Closed	<b>Unsubstantiated: Per Investigation</b>
91	Overcharging City	Low	Closed	<b>Unsubstantiated: Insufficient Information</b>
92	Falsify Records	Low	Closed refer	<b>Referred to Other Department</b>
93	Violate Policy	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
94	Abuse of Position or Authority	Low	Closed	<b>Unsubstantiated: Per Investigation</b>
96	Not Enough Information Provided	Canceled	Closed	<b>Canceled**</b>
97	Not Enough Information Provided	Canceled	Closed	<b>Canceled**</b>
99	Violate Policy	Medium	Closed	<b>Unsubstantiated: Per Investigation</b>
101	Abuse of Position or Authority	Medium	Closed	<b>Unsubstantiated: Per Investigation</b>
102	Not Enough Information Provided	Canceled	Closed	<b>Canceled**</b>
105	Not Enough Information Provided	Canceled	Closed	<b>Canceled**</b>

Since the initiation of the Whistleblower Hotline, we have closed 74 of the 89 tips (83 percent). Of the 15 cases that are not closed, five were incorporated into planned audits and 10 remain open as shown below.

**Exhibit 5: Five Tips Have Been Incorporated Into Planned Audits**

Case #	Primary Type of Allegation	Priority
4	Theft	High
22	Payroll	High
27	Payroll	High
28	Reimbursement Abuse	Low
83	Wasteful Practice	Medium

**Exhibit 6: Ten Tips Are Currently Open**

Case #	Primary Type of Allegation	Priority
3	Miscategorized Expenses	Medium
37	Falsify Records	Low
76	Misuse of funds	Low
85	Time Abuse	Low
89	Abuse of Position or Authority	Medium
95	Abuse of Position or Authority	Medium
98	Violate Policy	Low
100	Employee Relations	Low
103	Improper Controls	High
104	Improper Controls	Medium

**Further Consideration**

During the last Activity Report presented to the City Council, the Council committed to revisit the potential expansion of the Auditor’s office to accommodate call volume and workload. As previously mentioned, the reception of the Whistleblower hotline has been positive both internally and in the media. Call volume has increased significantly and therefore has resulted in greater workload. Given the growth of the program, we request the Council consider adding to the auditor’s office 1 FTE that would be dedicated to primarily handle and investigate whistleblower tips. Doing so would help us better manage and respond to whistleblower tips as well as complete our normally scheduled performance audit reports in a more timely manner. Estimated costs for this position would likely be in line with the current Senior Auditor classification which has a salary range of \$58,567 to \$87,851.