

CITY OF LOS ANGELES



CONTROLLER'S FRAUD UNIT FISCAL YEAR 07-08 REPORT

Contact Us



HOTLINE

866-428-1514

Toll Free 24 hours/day
7 days/week



ONLINE

www.lacity.org/ctr

Click "Fraud Hotline"



US MAIL

Office of the Controller
Fraud, Waste, & Abuse Unit
200 N. Main Street, Ste. 460
Los Angeles, CA 90012



FAX

(213) 978-7216

Speak Up

City Controller, Laura N. Chick, operates a confidential hotline for City employees, contractors, citizens and other interested parties to report fraud, waste and abuse affecting City resources.

What To Report

- Theft of City resources (e.g., cash, equipment, supplies or materials)
- Record falsification
- Payroll fraud or time abuse
- Kickbacks or bribes
- Intentional misuse of City equipment or property
- Contractor fraud
- Gross mismanagement of resources, including careless expenditures
- Gross disregard of policy and procedural controls

"What information should I provide when I call the Hotline?"

- Provide as much detail as possible including: who, what, when, where, why, and how.
- Be as descriptive as possible: include dates, names, location, amounts and witnesses.
- Provide any documentation to substantiate your complaint.
- If reporting anonymously, it is important that you call back with your assigned case number to answer follow-up questions.

Investigators in the Controller's Fraud, Waste and Abuse Unit will review each complaint. Investigators require detailed information to conduct a thorough examination. In order to protect the confidential reporting process, updates of actions will not be provided. Discussion of your Hotline report with others may jeopardize your confidentiality and affect the investigation. This includes family friends, and co-workers.

What Not To Report

- If you are in an emergency situation facing immediate danger or harm, call 911.
- If your complaint does not fall within the scope of fraud, waste or abuse of City Resources, see referral resources on page 5.

"Are calls to the hotline recorded?"

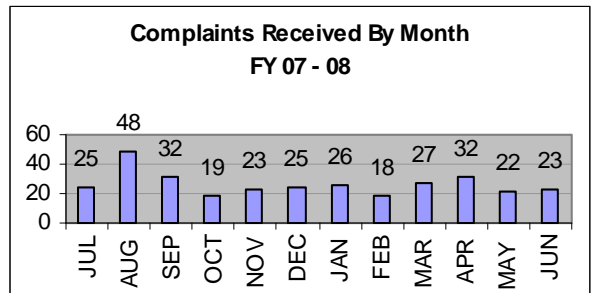
No, we do not record calls to the Hotline nor do we use Caller ID to identify your phone number.

New Controller Fraud Unit City Ordinance

On June 29, 2008, Los Angeles City Ordinance 179871 was effectively added to the Administrative Code establishing the powers and duties of the Fraud, Waste and Abuse Unit in the Controller's Office. This ordinance includes specific language regarding the expectations of all City Departments to report fraud and waste of City resources to the Fraud Unit as well as cooperation with investigative requests.

Controller's Hotline is One Year Old

The Controller's Fraud Hotline received over 300 new reports during fiscal year 2007-2008. This is the first report highlighting the Unit's work. These selected reviews are based on recurring complaints and significant matters brought to the Unit's attention.



Below are some examples of proactive reviews and cases which have been investigated by the FWA Unit during this past year.

Proactive Data Mining Reviews

Investigators utilize specialized software to perform analysis of large amounts of data to proactively detect possible occurrences of fraud, waste and potential losses of City resources.

- BTRC COMPLIANCE**
 Vendor information reviews were conducted of the proprietary departments to assess if BTRC (Business Tax Registrations Certificate) numbers noted by the departments for current vendors were valid, accurate, and in conformity with the vendor information on file at the Office of Finance (OOF). The review found that approximately 50% of the vendors did not have BTRCs on file with the OOF, indicating potential vendor non-adherence to the City's Business Tax Ordinance requirements, as well as tax revenue loss to the City. Findings were reported to the respective departments and corrective action was taken.
- OVERTIME ANALYSIS**
 Unit conducted a review of City overtime expenditures that focused on select City departments with the highest recorded overtime of non-sworn personnel. Preliminary findings for overtime relate to Departmental staffing shortages combined with extensive demands for City staff to provide services for community and special events. Another contributing factor for excessive overtime is the inability to recruit and retain skilled workers for specific positions.
- MILEAGE REIMBURSEMENT**
 Reviewed the process of recording, reviewing and approving mileage reimbursement claims to determine if the claims were excessive and whether Department rules and regulations were followed. One particular finding was the approval of \$33,428 in mileage reimbursement payment to an employee who failed to provide adequate supporting documentation.

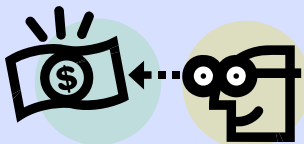
2007 ECONOMIC CRIME SURVEY

(PriceWaterhouseCoopers)

- 43% of fraud detected via whistleblower tips
- 20% uncovered by Internal Audits

The two biggest elements of fraud:

- OPPORTUNITY**
controls / work environment
- MOTIVE**
need / greed



Case Closed

In FY 07-08, the Fraud Unit closed 360 cases.

- 236 Cases—Complaint resolved or no further action warranted
- 101 Cases—Referred to other City Departments
- 23 Cases—Retained for Internal Audit Consideration



Case Investigation Results

- **FRAUD**
Two City business owners submitted false income documentation in order to misrepresent income and defraud the City of annual business taxes. One of the business owners also violated business and profession code by misrepresenting himself as a CPA.
The City Attorney filed misdemeanor charges for these violations.
- **MISUSE OF AUTHORITY OR POSITION**
Employees of the Environmental Affairs Department purchased electronic equipment items without appropriate management approval and retained the items for personal use.
Involved employees were disciplined through counseling by Departmental management. The Department has revised internal purchasing protocols, procedures, and system controls.
- **CONTRACTOR FRAUD**
A City contractor submitted false documents in a bid rigging scheme. The Public Works contract was in the amount of \$179,200.
A misdemeanor complaint was filed by the City Attorney.
- **THEFT OF CASH**
A City Community Development Department subcontractor embezzled over \$100,000 in City funds.
Felony charges were filed by the District Attorney.
- **WASTE**
Los Angeles World Airports (LAWA) continued contract expenditures of \$1,000,000 for large equipment items which became inoperable. Sufficient knowledge of the equipment's poor performance history was available, and should have been considered to prevent the waste of funds.
- **LABOR LAW COMPLIANCE**
Two City subcontractors were found to have violated labor laws on numerous City construction projects.
The City Attorney has pursued civil penalties against the subcontractors.



FWA Staff continues to provide ongoing litigation support to the Offices of the City Attorney and the District Attorney on investigations which result in legal action

Referrals

The Unit also facilitates referrals to City Departments on matters that are more appropriately handled through internal Departmental investigations, such as the following substantiated complaints:

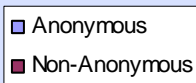
- **ILLEGAL BUSINESS OPERATIONS**
Department of Building and Safety acted on a report relating to the operation of an illegal gravel pit. Operation of the illegal pit was discontinued.
- **VEHICLE THEFT**
A complainant reported sighting a City truck in Mexico. The theft of the vehicle in question was confirmed and investigated by the Department of Public Works.



TOP FIVE HOTLINE REPORTED ISSUES

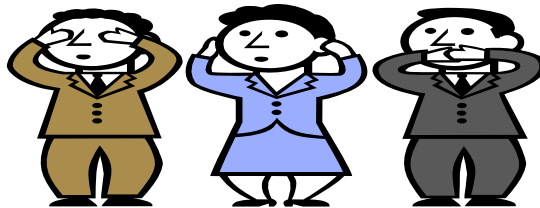
- 1. Fraud (20%)
- 2. Policy Issues (14%)
- 3. Theft of Time (12%)
- 4. Customer Relations (9%)
- 5. Waste of Resources (8%)

In FY 07-08, the majority of the Fraud Hotline's callers chose to remain anonymous.



Referrals Continued

- **LABOR ISSUES**
A City employee was reported to be engaged in outside employment without authorization from the Dept. of Transportation while on City disability. The complaint was found to have merit and was handled by the Department.
- **TIME ABUSE**
A report indicating time abuse by an employee was forwarded to the Environmental Affairs Department. The Department counseled the employee to ensure compliance with time reporting guidelines.
- **COMPLIANCE**
A complainant reported a private school's non-performance on a City surety bond. Terms of the bond agreement required specific street improvements within a designated timeframe. The Bureau of Engineering is working with the applicant to resolve the non-performance matter.
- **POLICY ISSUES**
A complainant questioned the delay in depositing an award payment payable to a City program. The respective Department with oversight authority was notified and provided confirmation of the deposit and circumstances leading to the delay.



Whistleblower Protection Laws

All individuals are encouraged to report incidents of fraud, waste, and abuse of City resources. If you choose to file a report with the Controller's Hotline, you may choose to remain anonymous.

If you choose to remain anonymous be sure to call back to the Hotline with your case number. Investigators may post additional questions or provide you with referral information. When you choose to remain anonymous, your follow-up is an investigator's only way to communicate with you.

Complaints made to the Fraud Hotline are confidential to the extent permitted by law. In addition, local law provides protection to any individual who files complaints from retaliation.



Los Angeles Municipal Code 49.5.4 grants protection of employees against retaliation for reporting fraud, waste or misuse of position, or other violations inconsistent with City policies and regulations.

If You Suspect Fraud or Waste of City Resources:

- Do NOT conduct your own investigation



- Do NOT search a person's desk, purse, or computer files



- Do NOT discuss your suspicions with others



- Do NOT confront the person you suspect



**Controller's Fraud
Hotline
866-428-1514**

FWA Definitions

FRAUD

Fraud is intentional misleading or deceitful conduct that deprives the City of its resources or results in an unauthorized benefit.

WASTE

Waste is the needless, careless or extravagant expenditure of City funds or misuse of resources as a result of inefficient or ineffective practices, systems or controls.

ABUSE

Abuse is administrative violations of City policies, rules, regulations or procedures resulting from the improper use of funds, equipment, supplies or positions.

Resources

If your call doesn't fall within the jurisdiction of the Controller's Fraud, Waste and Abuse Unit, here are some other hotlines or agencies that may be able to help.



3-1-1 is an easy to remember, Citywide, toll free number that provides immediate access to information and more than 1,600 City non-emergency services. Calls are answered 24 hours a day, 365 days a year by specially trained 3-1-1 ambassadors. If you are outside of the Greater Los Angeles area, you can call 866-4LA-CITY.

You can also call 3-1-1 to report:

Graffiti
Illegal Dumping
Building & Safety Issues (Code Enforcement; Nuisance/Abandoned Property)
Street Maintenance
Garbage Collection Services

Other City Contacts

City Campaign and Lobbying Violations: 800-824-4825
LADWP Utility Theft/Tampering; Customer Service: 800-342-5397
Non-Emergency Police Service: 877-ASK-LAPD
Workers Compensation Fraud: 877-742-5352

Non-City Agencies

California Bar Association: 213-765-1000
California Medical Board: 800-633-2322
Child Support Hotline: 800-540-4000
Consumer Affairs: 213-974-1452
Federal Trade Commission: 877-IDTHEFT
Internet Fraud Complaint Center (FBI): www.ifccfbi.gov
Medi-Cal Fraud or Elder Abuse: 800-722-0432
Medicare: 800-447-8477
Welfare Fraud: 800-349-9970