Winnipeg
Audit Department
Service de vérification

Fraud and Waste Hotline Annual Report

February 2014

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Annual Report on Fraud Hotline

The City established a Fraud Hotline in 2012 with Audit Committee's support to provide an independent resource for employees to report wrongdoing involving City resources, anonymously if preferred. In July 2013 the hotline was expanded to include accessibility to citizens of the City of Winnipeg and renamed the Fraud and Waste Hotline.

One of the purposes of reporting on the operations of the Fraud Hotline is to demonstrate to employees and the public that action is taken when issues of fraud and wrongdoing are reported to the City Auditor.

Sincerely,

February 15, 2014

Background

In July 2006, the City of Winnipeg Fraud, Theft or Related Irregularities Administrative Standard was approved by the Chief Administrative Officer (CAO) with the City Auditor agreeing to conduct investigations referred by the Public Service under this Administrative Standard. A research study on fraud and waste hotlines was identified in the City Auditor's Audit Plan for 2009 to 2010 and presented to Audit Committee in May 2011.

On May 25, 2011, Council approved the implementation of a Fraud Hotline to be managed by the Audit Department. In conjunction with launching the Fraud Hotline, the City's *Fraud, Theft or Related Irregularities Administrative Standard* was updated and three new sections were incorporated.

> ***Confidentiality of Information***
> All participants in an investigation of a fraud, theft, misappropriation or other related irregularity or retaliation shall keep the details and results of the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputation of an employee alleged to have committed a fraud, theft, misappropriation or other related irregularity and the allegation is subsequently found to be unsubstantiated.
>
> ***Whistleblower Protection***
> The City will protect and support employees who report in good faith or participate in an investigation of any suspected acts of fraud, theft, misappropriation or other related irregularities. This is specifically outlined in Administrative Standard HR-008, City of Winnipeg Fraud, Theft, Misappropriation or Related Irregularities.
>
> If an employee is targeted for reprisals by other employees because they think that the employee has made a complaint, please report this to the Hotline as well. We will investigate complaints of reprisals against employees.
>
> ***Bad Faith Allegations***
> Bad faith complaints and false accusations are not acceptable and action will be taken against complainants where an allegation has been made in bad faith. This is specifically outlined in Administrative Standard HR-008.

Fraud Hotline Operation

The Fraud Hotline commenced operations on April 30, 2012 as an option for staff to report complaints. In July 2013 the hotline was expanded to include accessibility to citizens of the City of Winnipeg and renamed the Fraud and Waste Hotline. The Fraud and Waste Hotline is a confidential and anonymous service that allows citizens and staff to report complaints 24 hours a day, 7 days a week. The Hotline is operated independently by a third party and is accessible by phone or Internet.

Each complaint submitted is given a tracking number and a password, so the reporter can follow the progress of the case and see what action has been taken. The feature enables Audit Department staff to pose additional questions to the person submitting the complaint, thereby enabling the reporter to submit additional information if they so choose.

The City Auditor reviews each complaint. For many complaints, preliminary investigative inquiries are conducted by Audit Department staff to determine if the allegations have merit or to obtain additional information to make the matter actionable. If there is insufficient information to proceed and the complaint was made anonymously, the Audit Department staff will pose additional questions in the event the person who submitted the complaint checks on the status of their complaint. If no response is received within 30 days, the complaint will be considered closed. Where contact information was provided, the Audit Department staff will try to obtain sufficient information to investigate or resolve the matter. The unique circumstances of each complaint require the application of professional judgment to determine the appropriate disposition in each case. If warranted the City Auditor will ensure an appropriate, objective and impartial investigation is conducted, regardless of the alleged wrongdoer's position, title, and length of service or the relationship with the City of any party who might be involved in such an investigation.

In cases where the Audit Department led the investigation or conducted a significant amount of investigative work, a separate report including recommendations may be issued to management. Decisions regarding the appropriate level of discipline are the sole responsibility of departmental management.

Fraud and Waste Hotline Budget

The Hotline was established within the existing approved budget for the Audit Department without incremental funding. Existing staff resources were assigned to complaints as they were received. The annualized operating cost for the external service provider in 2013 was approximately $36,186 (includes provision of service through to March 31, 2014).

Hotline Activity in 2013

The following table summarizes the types of complaints received through the Fraud Hotline by the City Auditor's Office during the period January 1 to December 31, 2013.

Category	Reports	Closed
Financial Reporting and Accounting	0	0
Health and Safety, Environment	1	1
Unethical Conduct and Conflict of Interest	5	2
Manipulation or Falsification of Data	0	0
Harm to People or Property	1	1
Theft, Embezzlement, Fraud	2	1
Violation of Laws, Regulations, Policies, Procedures	0	0
Organization	0	0
Management/Supervisor	0	0
Compensation, Pension and Benefits	2	1
Product/Customer Service	3	3
Office and Equipment Requirements	1	1
Safety and Security Issues	0	0
Suggestions for Improvement	0	0
Miscellaneous	0	0
Undefined	1	1
Total	16	11

Disposition of Complaints

Audit Department staff reviews each hotline complaint to determine next steps in the process. Complaints that are significant enough to require a response from department management are monitored until the necessary action is taken. Complaints with limited detail may be held until further details are reported. Complaints are analyzed to identify trends that should be considered in developing the Audit Department Audit Plan.

Each complaint is screened and can be disposed of in one of four ways:

1. **No Action -** Not enough information provided at initial stages to warrant further investigation, the matter was outside our jurisdiction or because preliminary inquiries by the Audit Department determined that the complaint was not actionable.
2. **Referral to Another Agency** - Matter is more appropriately addressed by another body eg. Winnipeg Police Service.
3. **Referral to Department** – Complaint referred to Department for review and appropriate action or for information only. In these circumstances, department management takes the lead role in the investigation. The Audit Department provides advice, guidance and may participate in parts of the investigative work, such as conducting interviews and preparing or reviewing investigative plans as deemed necessary.
4. **Investigation –** The Audit Department takes the lead role in conducting these investigations. While it is expected that the majority of investigations will be coordinated with department management, the level and type of participation of departmental management is determined on a case by case basis.

If complaints are significant enough to require a response from department management, then department management is requested to report back to the Audit Department on the resolution and any action taken. We review the results of these investigations prior to closing the reports on the hotline system.

If “No Action” is taken on a report it would typically be due to insufficient information being supplied to support the allegation. Despite attempts by the Audit Department staff to obtain additional information through the hotline system, there may not be sufficient information to proceed.

	Carry Forward from Prior Year	Complaints Received in 2013	Closed
No Action		1	1
Referral to Another Agency			
Referral to Department		14	10
Investigation	2	1	3

We investigated all complaints received in 2013 in accordance with internal procedures and guidelines, as well as professional standards. We gathered evidence to confirm or dispel the allegations reported. We consulted with other appropriate internal or external experts as deemed necessary.

Outcomes of Investigations

	Closed
Substantiated	4
Unsubstantiated	9
Conclusion pending	5

Note – counts may include complaints received in prior year.

In 2013, the Audit Department received sixteen complaints and closed eleven, three complaints have been referred to the appropriate Department for follow-up and two complaints are still under investigation by Audit Department staff. We also reviewed results of the reviews conducted by Departments with respect to complaints referred to Departments to ensure that the reviews were adequate prior to closing those reports. In cases where the evidence does not support a finding of wrongdoing, the complaint conclusion is reported as “unsubstantiated”. Of the thirteen closed complaints (eleven from 2013 and two from 2012), four allegations were substantiated; the remaining nine closed complaints were unsubstantiated and could not be confirmed based on the information available. However, in some cases, a determination could be made that the evidence does not support the finding of wrongdoing; but, this does not mean that the complaint is without some merit. In some cases, the review or complaint can highlight weaknesses in internal control or risks that are of a concern.

Through the investigations conducted this year, recommendations to management resulted in the following actions:

- The implementation of a revised recruitment process whereby a departmental human resource representative is included on the hiring panel to ensure compliance with City standards and procedures.
- Staff was reminded of requirement to comply with existing departmental guidance regarding appropriate conduct in the workplace.
- A review of the overtime authorization process to ensure proper approval is sought in advance.
- Management communicating with a contractor and highlighting specific instances of inappropriate behavior of the contractor’s staff resulting in the dismissal of some of their employees.
- The identification of opportunities to streamline the performance of an internal administrative function supported by information technology will be considered when undertaking future process changes.

Benefits of the Fraud Hotline Program

The main benefits that can be derived from the Fraud Hotline Program include the following:

- the deterrence of fraud and wrongdoing by increasing the perception of detection;
- the promotion of ethical conduct that in turn strengthens integrity at the City;
- the resolution of complaints leads to improvements related to internal controls, policies and procedures and mitigates misuse of City resources;
- the reporting of wrongdoing (anonymously, if preferred) is facilitated through the Hotline; and
- the ability to use complaint data to identify trends and address risks.