

APPENDIX 1

2007 FRAUD AND WASTE HOTLINE

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Auditor General's Office

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EXECUTIVE SUMMARY

***7th annual report
on Hotline
activities***

This report represents the Auditor General's seventh annual report on the activities of the Fraud and Waste Hotline Program for the year January 1, 2007 to December 31, 2007. The annual reporting of activities of the Fraud and Waste Hotline Program was a directive of Audit Committee.

***Prevention and
detection, key
components to
manage the risk
of fraud and
wrongdoing***

The risk of fraud and wrongdoing is an inherent part of day to day business in all organizations including the Public Sector. Prevention and detection are key components to managing this risk.

The City's strategy in managing this business risk includes the establishment of a Fraud and Waste Hotline Program, operated by the Auditor General's Office.

The Hotline Program has helped the City reduce losses and identify internal control weaknesses.

***Managing fraud
risk is a
continuous and
collective effort,
but primary
responsibility
remains with
management***

Managing the risk of fraud must be a continuous and collective effort involving all levels of staff, but the primary responsibility for maintaining appropriate internal controls to prevent and detect fraud remains with divisional management. In this regard, management initiatives have included divisional fraud action plans and ethics awareness training.

Statistical data concerning the activities of the Fraud and Waste Hotline Program are as follows:

***523 Hotline
Complaints
reported in 2007
represents a 4 per
cent increase***

- In 2007, the Fraud and Waste Hotline received 523 complaints, representing a four per cent increase from the 503 complaints received in 2006. Each complaint may include multiple allegations.
- Seventy-one per cent of all complaints were received via the on-line complaint form, telephone Hotline and other correspondence.

Management has reported 10 percent of complaints

- Ten per cent of all complaints received were referred to the Auditor General's Office by divisional management.

No action

- Forty-four per cent of all complaints received resulted in no action due to insufficient information to process the complaint.

Referrals to divisions

- Twenty-eight per cent of all complaints were referred to divisions.

Investigations

- Ten per cent of all complaints received resulted in investigations (conducted by the Auditor General's Office or divisional management).

Substantiated Complaints

- Twenty-five per cent (50 complaints) of all complaints investigated or referred to divisions in 2007 have been substantiated in whole or in part.

Disciplinary or other action taken by management

- In 2007, divisional management reported that discipline was imposed in 22 of the incidents reported to the Hotline.
- In an additional 19 instances, divisional management took other appropriate action including, for example, reinforcing workplace expectations through communication or training initiatives.

Losses and recovery of losses

For complaints received in 2007, quantifiable losses to the City were \$118,451. An amount of \$37,329 has been recovered. These amounts are expected to increase as outstanding 2007 complaints continue to be concluded in 2008. Updated information relating to losses and recoveries have been provided for previous years complaints that have been concluded.

Internal control weaknesses identified

The value of the Hotline Program should not be measured by the extent of recovered funds. The Program has identified internal control weaknesses and has led to improvements in internal control.

1.0 BACKGROUND – MANAGING THE RISK OF FRAUD AND WRONGDOING

Prevention and detection, key components to manage the risk of fraud and wrongdoing

The risk of fraud and wrongdoing is an inherent part of conducting business in all organizations including the Public Sector. Prevention and detection are key components to managing this risk.

Hotline Program helps City manage the risk of fraud and wrongdoing

The City's strategy in managing the business risk of fraud and wrongdoing has included the establishment of a Fraud and Waste Hotline Program, operated by the Auditor General's Office.

Toronto, first City in Canada to establish a Fraud & Waste Hotline Program

The City of Toronto was the first city in Canada to establish a Fraud and Waste Hotline Program in 2002. Since that time, the Auditor General's Office has provided advice to a number of other Canadian municipalities that have introduced similar programs including Edmonton, Ottawa, Windsor and Calgary. The Auditor General's Office has also provided advice to a number of U.S. cities. Anonymous hotlines have been in existence in a number of U.S. cities for many years.

Managing fraud risk is a continuous and collective effort but the primary responsibility remains with management

The City's Hotline Program has helped reduce losses and identified areas where internal control weaknesses can be strengthened.

Managing the risk of fraud and wrongdoing is a continuous and collective effort involving all levels of staff. The primary responsibility for maintaining appropriate internal controls to prevent and detect fraud, however, remains with divisional management.

Management initiatives to prevent and detect fraud

In this regard, management has initiated the following:

- development of divisional action plans to identify and address risks to which each division is most susceptible, with a view to taking action to prevent and detect inappropriate behaviour. The Internal Audit Division of the City Manager's Office has reviewed these plans to ensure that divisions have evaluated the controls in place to mitigate the key risks identified.
- ethics awareness training for senior management.

2.0 ANNUAL REPORTING

Seventh Annual Hotline Report

The Annual Reporting of the activities of the Fraud and Waste Hotline Program was a directive of Audit Committee. This report represents the Auditor General's seventh annual report on the activities of the Fraud and Waste Hotline Program for the period from January 1 through to December 31, 2007.

Statistical data concerning the activities of the Fraud and Waste Hotline are contained in this report. In addition, and as requested by Audit Committee, we have provided details of certain complaints substantiated in 2007.

3.0 THE FRAUD AND WASTE HOTLINE PROGRAM

The City's Fraud and Waste Hotline Program was set up with Council's support to provide a centralized facility for employees or members of the public to report improprieties involving City resources, anonymously if the caller prefers.

3.1 Operation of the Hotline Program

Auditor General's Office Forensic Unit operates Hotline Program

In July 2005, a separate Forensic Unit was established within the Auditor General's Office. The Unit is responsible for the operation of the City's Fraud and Waste Hotline Program and for conducting investigations directed at the detection of fraud, waste and wrongdoing involving City resources.

Operation of Hotline Program includes complaint intake, tracking, disposition, etc.

Operation of the Hotline Program includes administration of complaint intake, electronic tracking of complaints, disposition of complaints received (including conducting investigations and coordinating investigations with various City divisions), and the annual reporting on activity of the Hotline Program.

Communication of the Hotline Program is essential to its effectiveness

Operation of the Hotline Program also includes coordinating the marketing and communication of the Program which is essential to its effectiveness. The objective of marketing and communicating the hotline is to promote awareness of the positive benefits of the program. If marketed effectively, a hotline will convey to employees and the public that the City of Toronto takes the detection and prevention of fraud and other wrongdoing seriously.

Details of communication initiatives coordinated by the Auditor

General's Office in 2007 are provided in Exhibit 1.

3.2 Reporting Complaints to the Hotline

Any misuse or attempt to misuse City assets must be reported

All City of Toronto staff have a responsibility to report improper activity involving City resources, pursuant to the City's Fraud Prevention Policy. Incidents should be reported to the Fraud and Waste Hotline Program. Any misuse or attempt to misuse a City asset for personal gain or purposes unrelated to City business must be reported.

In some instances management has not reported incidents to the Auditor General on a timely basis

In 2007, we continued to identify instances in which divisions have not reported or delayed reporting incidents of fraud or wrongdoing to the Auditor General's Office. A number of reasons have been provided by divisions including that staff were not aware that a matter fell within the definition of fraud or within the Auditor General's operation of the City's Fraud and Waste Hotline Program.

We recognize that divisions may wish to conduct certain preliminary enquiries to confirm whether there is merit to allegations of improper activity prior to contacting the Auditor General. However, once the division has reason to suspect there has been improper activity involving City resources that should be investigated, then the Auditor General's Office should be notified on a timely basis. This reporting should occur whether the allegations are subsequently substantiated or not.

Why is it important that incidents get reported to the Auditor General's Office?

It is important that the Auditor General's Office is notified on a timely basis due to the possibility that a similar complaint has been made previously. In this circumstance, Forensic Unit staff will search the Hotline database to determine whether there is information from previous similar complaints that may assist in the investigation of the new complaint or result in our reconsideration of a previously closed complaint. As well, the Auditor General's may provide guidance to identify relevant issues and investigation steps to ensure information is appropriately collected and evidence preserved.

The Auditor General's Office continues to work with the City Manager and Division Heads to increase the level of awareness among City employees with respect to the identification and reporting of fraud and other improprieties involving City resources.

Recommendation:

- 1. The City Manager be directed to ensure that all management staff are aware of their reporting responsibilities under the Fraud Prevention Policy. Such responsibilities include the reporting of allegations pertaining to fraud and wrongdoing to the Auditor General's Office on a timely basis.**

4.0 INVESTIGATIONS

Investigations are conducted by the Auditor General's Office

In 2007, the Auditor General's Office conducted a number of investigations which have involved the collection of evidence related to alleged improprieties by City employees and, in some cases, by external third parties. While the Auditor General takes the lead role in conducting and coordinating these investigations, they are always conducted in consultation with City Legal, Human Resources and divisional staff, as appropriate.

Investigations may be coordinated with divisional management

Investigations may be coordinated with divisional management having regard to the nature of the allegations, management staff's expertise and staff levels. Management staff is often asked to conduct the necessary steps and procedures to compile information as the lead in an investigation, while consulting with the Auditor General's Office on issues such as appropriate investigative steps. This coordinated approach to investigations utilizes the expertise of all staff and allows for the leveraging of resources to ensure matters are dealt with in a timely fashion.

Divisional action is reviewed by the Auditor General's Office

Divisional management is required to report back to the Auditor General on any action taken. Divisional action and investigative findings are reviewed by the Auditor General's Office. Based on this review, a determination is made as to the adequacy of the information provided and whether additional action is required by a division prior to the Auditor General's Office closing the complaint.

Recommendations are made by the Auditor General in investigation reports

Matters investigated by the Auditor General's Office may result in the reporting of recommendations. In 2006 and 2007, investigations conducted by the Auditor General's Forensic Unit resulted in an average of 10 recommendations per year.

5.0 STATISTICAL SUMMARY

Complaints Received – January 1, 2007 to December 31, 2007

5.1 Total Complaints

The number of complaints or allegations received is not always a complete picture as fraud, by its nature, is concealed and often difficult to detect.

Complaint activity in previous years

Since the inception of the Fraud and Waste Hotline Program in 2002, the Auditor General's Office has handled over 2300 individual complaints. Each complaint may in turn include multiple allegations. During the first four years of the Program, the volume of complaints increased significantly (i.e., approximately 60 to 70 per cent in 2005 and 2004 respectively).

In 2006, 12 per cent decrease in complaints

In 2006, the 503 complaints received represented a twelve per cent decrease in the number of hotline complaints over the 577 received in 2005. As previously reported, the decrease for the most part related to a decrease in the number of complaints received relating to City hiring practices which received attention due to a number of relatively high profile incidents in 2005.

In 2007, 523 Hotline Complaints, represents a 4 per cent increase from last year

In 2007, the Fraud and Waste Hotline received 523 complaints, representing a four per cent increase from the 503 complaints received in 2006.

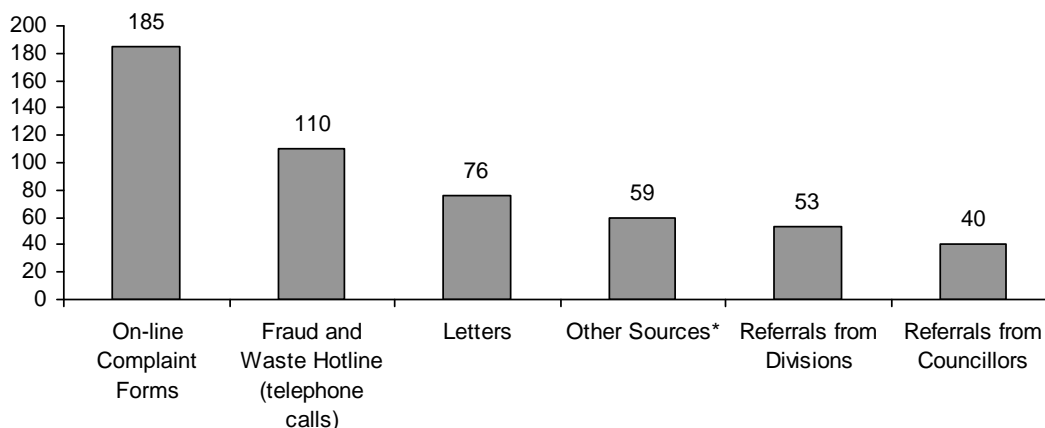
5.2 Source of Complaints

How were Complaints reported to the Hotline Program?

Chart 1 provides a summary of how complaints were reported to the Fraud and Waste Hotline Program.

Chart 1:

Source of Complaints



Total complaints: 523

*Other Sources include telephone calls, e-mails, faxes and walk-ins.

Complainants prefer to use the on-line complaint form and telephone Hotline

Seventy-one per cent of all complaints were received via the on-line complaint form, telephone calls to the Hotline and other correspondence.

Ten per cent of all complaints received were referred to the Auditor General’s Office by City divisions.

5.3 Disposition of Complaints

What did we do with Complaints reported?

All complaints received are screened by designated staff of the Auditor General’s Office and reviewed and investigated in accordance with internal protocols, procedures and guidelines. The unique circumstances of each complaint require the application of professional judgement to determine the appropriate disposition in a particular case. The disposition of all complaints is reviewed and approved by senior staff in the Auditor General’s Office.

All complaints are screened and addressed in various ways e.g., no action, referral to divisions or investigation

Complaints received by the Auditor General’s Office are addressed in a variety of ways as follows:

- no action is taken generally because there is insufficient information to proceed further;
- preliminary inquiries are conducted by the Auditor General’s staff to determine the validity of the complaint;
- referrals to divisions, Agencies, Boards and Commissions

- depending on the nature of the complaint;
- referrals to the Integrity Commissioner and in future to the Ombudsman;
- referrals to other City hotline programs, including the City’s Social Services’ hotline that handles complaints regarding social assistance fraud;
- referrals to outside agencies, including provincial and federal agencies;
- deferred for future audit; and
- a formal investigation conducted by the Auditor General.

10 per cent of complaints result in investigations

As noted in Chart 2, 10 per cent of all complaints received resulted in investigations (conducted by the Auditor General’s Office or divisional management).

28 per cent are referred to divisions

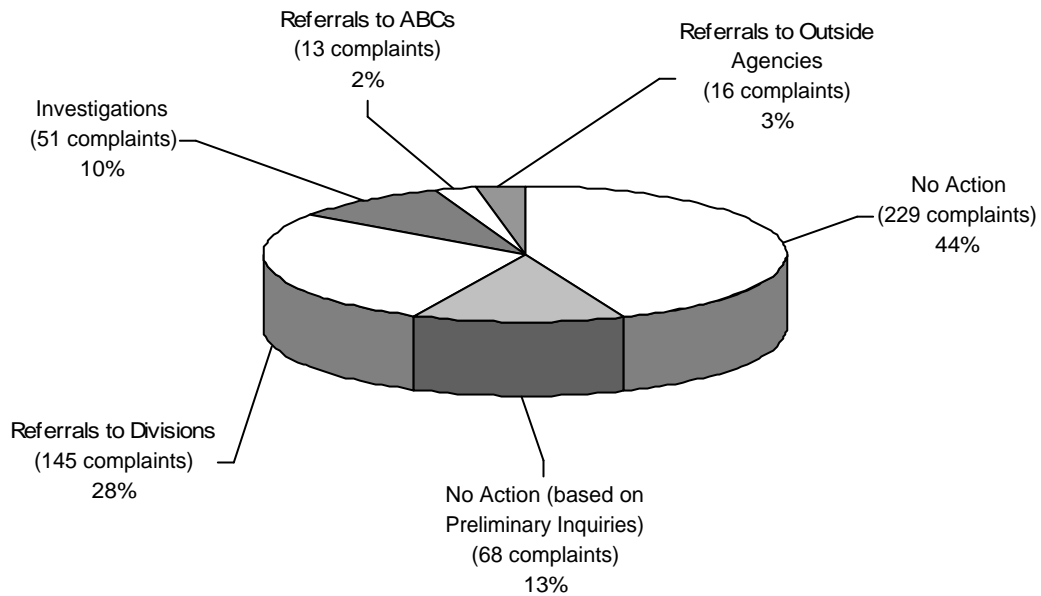
Twenty-eight per cent of all complaints resulted in referrals to divisions.

44 per cent no action

Forty-four per cent of all complaints received resulted in no action due insufficient information to process the matter.

Chart 2:

Disposition of Complaints



5.4 Complaint Conclusions

What was the final outcome of the Complaints reported?

Chart 3 provides a summary of the final resolution of complaints reported to the Auditor General's Office.

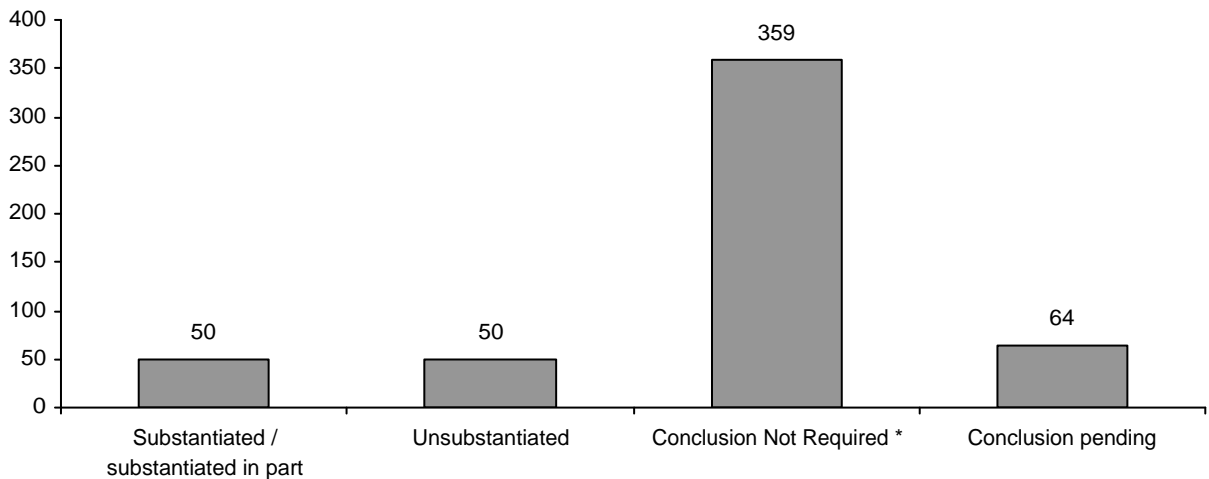
Every complaint received, whether it is brought to the Auditor General's attention through the Hotline Program or otherwise, is dealt with pursuant to the Auditor General's Office mandate and in accordance with the City of Toronto's Fraud Prevention Policy. Generally, a complaint may have merit; however, sufficient evidence is required to support the allegations and arrive at a fair and conclusive finding of wrongdoing.

25 per cent of all complaints investigated were substantiated

Twenty-five per cent (50 complaints) of all complaints investigated or referred to divisions in 2007 have been substantiated in whole or in part.

Chart 3:

Complaint Conclusions



* Conclusion Not Required: a conclusion is not required when no action is taken or the matter is referred to management for information only.

64 complaints received in 2007 are outstanding

As indicated in Chart 3, a total of 64 complaints in 2007 have a "conclusion pending" (as the review of the matter is ongoing). We will report out on the final resolution of these pending items in the Auditor General's 2008 Annual Report.

5.5 Disciplinary Action in Substantiated Complaints

Discipline was imposed in 22 of the incidents reported

In 2007, divisional management reported that discipline was imposed in 22 of the incidents reported to the Fraud and Waste Hotline Program. In an additional 19 instances, divisional management took other appropriate action including, for example, reinforcing workplace expectations through communication or training initiatives.

Discipline should be fair and consistent, and reinforce acceptable conduct for all City employees

While information regarding disciplinary action taken is communicated to and tracked by the Auditor General's Office, decisions pertaining to the appropriate level of discipline are the sole responsibility of divisional management. An important consideration for management in disciplining employees is that it should be fair and consistent throughout the Corporation and should provide guidance on and reinforce acceptable conduct for all City employees.

5.6 Value and Recovery

Cost of fraud is difficult to measure

Measuring the total cost of fraud is difficult because fraud is concealed and can sometimes go undetected for many years.

Direct financial losses and related management costs

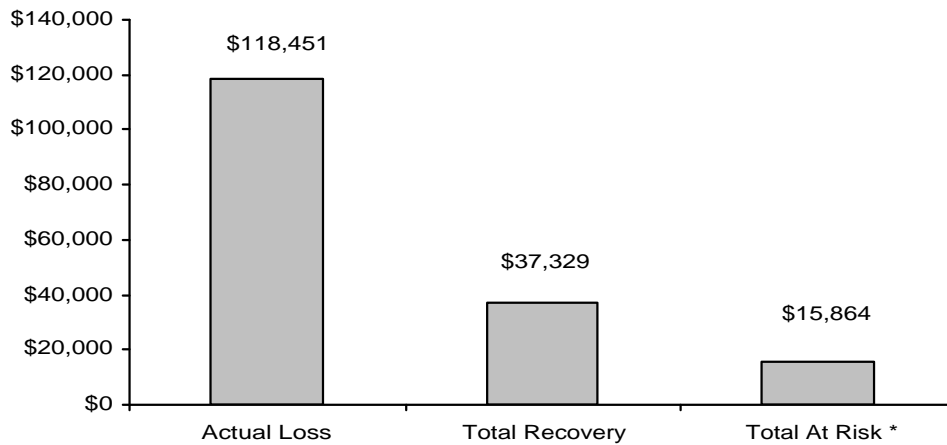
In addition to direct financial losses, organizations must deal with “management costs” which result from fraud or wrongdoing. This includes for instance, the reallocation of management time to investigate incidents of wrongdoing. This time can be significant.

Was there a quantifiable loss to the City?

Chart 4 summarizes the total quantifiable values and recoveries associated with complaints received in 2007.

Chart 4:

Value and Recovery in 2007



* Total at Risk is the value of City funds “at risk.” That is, but for detection, the irregular activity may have continued and resulted in an actual loss of funds to the City. The Total at Risk value is not included in the Actual Loss or Total Recovery figures.

5.7 Value and Recovery in Previous Years’ Complaints

Information about complaint conclusion, resolution, or the determination of loss and recovery often occurs some time after the original allegations are received.

Increase in previously reported loss and recovery

For example, in our 2005 and 2006 annual reports we indicated that the actual losses were \$346,000 and \$83,000 respectively. Subsequent to the final close out of 2005 and 2006 cases, these amounts increased to \$446,000 and \$90,000 respectively.

Total recoveries relating to these losses were \$293,000 and \$43,000 respectively.

5.8 Divisions or ABCs with Substantiated Complaints

As noted in Chart 5, complaints substantiated within the report period included the following City Divisions, Agencies, Boards and Commissions:

Chart 5:

Divisions or ABCs with Substantiated Complaints

Children's Services	Revenue Services
City Clerk's Office	Shelter, Support, Housing & Administration
Corporate Finance	Social Development and Administration
Emergency Medical Services	Solid Waste Management Services
Facilities and Real Estate	Technical Services
Homes for the Aged	Toronto Community Housing Corporation
Human Resources	Toronto Transit Commission
Parks, Forestry and Recreation	Toronto Water
Pension, Payroll and Employee Benefits	Toronto Zoo
Public Health	Transportation Services
Purchasing and Materials Management	

5.9 Type of Substantiated Complaints

As shown in Chart 6, the type of complaints substantiated within the report period included the following:

Chart 6:

Type of Substantiated Complaints

Nature of Substantiated Complaints	Description
Conflict of Interest	<ul style="list-style-type: none">▪ Employees falsifying inspection reports for personal gain▪ Employee from a Division with a personal relationship to a vendor requested the issuance of an RFP and evaluated the vendor's RFP submission▪ Employee from a Division with a personal relationship to a contractor unilaterally approved a contract to that vendor
Fraud and improper employee conduct	<ul style="list-style-type: none">▪ Theft of City property▪ Inappropriate use of TTC's Wheel Trans Program▪ Employee returned items purchased by the City for a personal refund▪ Theft from petty cashbox, theft of credit cards▪ Improper methods use to weigh haulage vehicles

	<ul style="list-style-type: none"> ▪ Theft of City water ▪ Employee theft from a City client ▪ City facilities not open on time ▪ Unauthorized use of City property ▪ Theft from employees personal lockers ▪ Inappropriate application of tenant selection policy
Misuse of City funds and resources	<ul style="list-style-type: none"> ▪ Use of City vehicle for personal use ▪ Use of a City cell phone for personal use ▪ Inappropriate computer use
Retribution	<ul style="list-style-type: none"> ▪ Employee was threatened by a co-worker for making a complaint to management

6.0 SUMMARIZED DETAILS OF SUBSTANTIATED COMPLAINTS

Attached as Exhibit 2 are summarized details of various complaints that were investigated and concluded in 2007. These summaries are being provided as requested by Audit Committee.

7.0 CONCLUSION

This report represents the Auditor General's seventh annual report on the activities of the Fraud and Waste Hotline Program for the period January 1, 2007 to December 31, 2007.

Communication of the Hotline Program

Communication of the Hotline Program is essential to its effectiveness

Continued communication of the Hotline Program is essential to its effectiveness. A formal communication strategy to promote the Fraud and Waste Hotline Program to City staff, suppliers and the public was developed in consultation with the City's Corporate Communications Division.

Over the last year, the Auditor General has continued to develop communication strategies, in consultation with the City's Corporate Communications Division, to enhance the awareness of the Hotline Program. Communication strategies to promote the existence of the permanent Hotline Program have been combined with initiatives to enhance awareness of the City's Fraud Prevention Policy.

Communication initiatives have continued in 2007

Communication initiatives in 2007 have included:

- article and information in the City's Corporate Newsletter, "Inside Toronto";
- information displayed on the City's Internet/Intranet sites;
- continued display of a Fraud and Waste Hotline poster – advertising the Hotline telephone number 416-397-STOP;
- the development and use of a new Fraud and Waste Hotline visual identifier; and
- presentations at a number of public sector and government related conferences.

Summarized Details of Substantiated Complaints

Below are summarized details of various reviews and investigations conducted during 2007. These summaries are required as requested by Audit Committee.

1. Inappropriate Use of Sick Leave

The Auditor General's 2006 work plan included a review of how the City manages its construction contracts. A contract compliance audit was initiated in 2007 and during preliminary stages of the audit, additional information was obtained in relation to the use of sick leave. It was determined that a City employee had taken extended sick leave with no follow-up from management. The Division advised that the lack of follow-up was also compounded by the disruption to the unit due to key management staff leaving the unit and short staffing.

Although the employee subsequently provided management with medical documentation in support of the extended absence, the Auditor General's Office expressed concerns with how the administration of sick leave was managed. In our view, there was non-compliance with the City's Attendance Management Program. The employee appeared to have pre-planned his extended sick leave absence (by documenting specific dates for sick leave in advance of his leave) and used a significant amount of accumulated sick bank, in excess of the amount eligible for pay out at retirement. Immediately following the extended absence, the employee retired and was entitled to receive the equivalent of six months of salary as a sick leave grant. Better oversight of this matter may have reduced the risk of the employee inappropriately using the sick bank.

2. Loss of City Revenue

In September 2007, a complaint was received through the Fraud and Waste Hotline regarding the lease of a City property. The organization leasing the property was not paying the requisite utilities as provided for in the lease agreement and was operating the premises in contravention of the lease.

The division responsible for the lease is currently working with new management of the organization to ensure the premises is being used for the intended purpose within the terms and conditions of the lease agreements and to make arrangements for collection of outstanding utility charges due to the City. Divisional staff are also communicating with City Legal to

explore amendments to the current lease agreement with respect to financial accountability reporting, subleasing conditions and permitted fundraising. This matter raises general concerns regarding the management of lease arrangements that exist with various outside organizations, as outlined in a previous report issued by the Auditor General's Office.

3. Conflict of Interest

A complaint received through the Hotline Program alleged that a City employee requested the inappropriate cancellation of parking tickets. The allegations were substantiated through an investigation conducted by the Auditor General's Office. The investigation also raised additional issues of potential breaches of the City's Acceptable Use Policy relating to excessive personal use and distribution of inappropriate images via the internet. As well, potential contraventions of the *Municipal Freedom and Protection of Privacy Act* arose from the disclosure of personal information concerning City employees to third parties. These additional issues were investigated and substantiated by divisional management. The employee was disciplined and management has formally reminded staff of their responsibility to protect personal information collected in the course of their employment duties. In addition, training on conflict of Interest and Freedom and Protection of Privacy Act has been scheduled for staff in 2008.

4. Misuse of City Resources

In June 2006, the Auditor General's Office received a complaint alleging the contravention of the City's Acceptable Use Policy and misuse of City time and resources by several City employees. It was alleged that the employees regularly exchanged video clips during work hours using City computers.

The division reviewed the matter and confirmed excessive personal use. As a result, the division took action to remove the relevant software from the computers and restrict staff's internet access.

5. Misuse of City Funds and Conflict of Interest

In October of 2006, divisional management contacted the Hotline regarding an employee who had not provided receipts for a \$200 advance from petty cash. Although the advance was provided to the employee in the course of regular job duties, the employee

was not able to provide receipts in support of the petty cash provided. Subsequently, the employee met with the supervisor and provided the outstanding receipts and cash for the \$200 that had been issued in August 2006. During its review, the division was informed that the employee had allegedly borrowed \$1,000 from a client. The employee claimed that half of these monies had been repaid and that the balance owing would be paid to the client at a later date. The Division has been unable to contact the now former resident to confirm this claim.

The employee was disciplined as a result of this matter.

The division has also strengthened its procedures over petty cash disbursements and receipts.

6. Irregular Purchasing Practices

In May 2007, divisional management advised the Auditor General's Office of a matter involving contractor invoices authorized by an employee for work not completed. The amount of the invoices totalled approximately \$22,000.

The division's investigation concluded that the employee authorized a contractor to purchase an item on behalf of the City of Toronto. The employee then requested the contractor bill the cost of the item by providing false invoices to the Division showing repairs that had never been provided. This was done in order to circumvent the City's purchasing process. The investigation determined that the actual cost of the item was equal to the amount of the invoices. The division has since received an accurate invoice from the purchase of this item.

There was no indication of any personal gain by the employee.

The employee was disciplined as a result of this matter.

7. Conflict of Interest, Misuse of City Resources and Contravention of the Acceptable Use Policy

The Auditor General received a complaint in September 2007 about an email sent by a City employee from a City computer soliciting interest in a pyramid scheme.

The Division reviewed the matter and the employee admitted to sending the email concerning a personal business venture.

The employee was disciplined. Divisional management also reminded all staff of the provisions of the City's Acceptable Use Policy.

8. Inaccurate Record Keeping

An employee reported to divisional management that certain employees were being paid for more statutory holidays than they were entitled. The division reviewed the matter and made the necessary corrections. It was determined that 156 statutory holidays were to be repaid by employees and that eight statutory holidays were to be paid to employees who did not receive their full entitlement. This was due to a misunderstanding of SAP processes and the discontinuation of previously used manual back-up systems for attendance management.

A full reconciliation of records was completed and in total, over \$26,000 in overpayments was recovered from employees. The division has strengthened controls over appropriate coding of statutory holidays and has directed that the back-up manual system be re-introduced until an automated solution can be developed.

9. Fraudulent Benefit Claims

A City employee, whose spouse worked for the City's benefits provider, became aware that his spouse had created false receipts and submitted them to the City's benefits provider for payment. False claims totalled over \$8,300.

The matter was investigated by both the City's benefits provider and Waterloo Regional Police. Full restitution was made by the employee's spouse who no longer works for the City's benefit provider. The police did not lay charges.

10. Fraud

In August 2007, management in the Purchasing Materials Management Division was contacted by a vendor concerning a City employee from another division who had attempted to return industrial use items to the vendor for a personal refund. The items were for industrial use and not commonly sold. The vendor confirmed that the items were purchased via a purchase order by the City of Toronto. The employee was given a refund of over \$1,000 by the vendor.

The investigation was unable to confirm that all the items were initially purchased by the City. Nevertheless, the employee paid back the value of one of the items valued at approximately \$700. The employee has been disciplined.

The division has suspended future purchases from this supplier pending the strengthening of controls over equipment returns.

11. Fraud

As a result of a complaint from a member of the public, management at one of the City's Agencies, Boards and Commissions, determined that an employee was incorrectly processing entrance fees. The investigation found that the employee issued receipts for admission which indicated a zero dollar sale. The visitor paid the appropriate fee in cash and the employee misappropriated the cash.

It was determined that \$1,200 was misappropriated by the employee. The employee was terminated and charges have been laid by the Toronto Police. Court proceedings are pending.

12. Fraud

In September 2007, divisional management received reports that, contrary to internal policy, an employee worked on inspection files outside of the employee's assigned area. It appeared that the employee selected files belonging to contractors which may have been in a position to complete personal favours, such as work at the employee's home, in return for favourable inspection reports. In providing false inspection reports, contractors were refunded their deposits. This resulted in a loss to the City of approximately \$4,700. The employee no longer works for the City.

The investigation also identified \$14,000 in refunds that had been improperly authorized by the employee and stopped payments preventing additional losses to the City.

Supervisory oversight has been enhanced over files prior to the authorization and release of deposits to contractors.

13. Retribution for a Previous Complaint

A City of Toronto employee reported a colleague's unprofessional behaviour to their supervisor, including unauthorized use of employee parking facilities. The employee was threatened by the co-worker both at work and at a function outside of work hours.

The co-worker received a suspension for the inappropriate behaviour.

The employee who originally made the allegations was given the opportunity to remain at the work location or to move. The employee selected an alternate work site.