

## **2016 Annual Report on the Fraud and Waste Hotline**

**Date:** March 10, 2017  
**To:** Audit Committee  
**From:** Auditor General  
**Wards:** All

### **SUMMARY**

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This report represents the 2016 annual report on fraud, waste and wrongdoing at the City including the activities of the Fraud and Waste Hotline Program (the Hotline Program). It highlights those issues that have been communicated to the Auditor General's Office. It does not represent an overall picture of fraud or other wrongdoing across the City.

In 2016, 552 complaints were received by the Auditor General's Office. A significant number of complaints included at least two or more allegations. We estimate the actual number of allegations is in the range of 900.

### **RECOMMENDATIONS**

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The Auditor General recommends that:

1. City Council receive this report for information.

### **FINANCIAL IMPACT**

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The recommendation in this report has no financial impact.

### **DECISION HISTORY**

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The Fraud and Waste Hotline Program began as a six-month pilot program starting March 1, 2002. City Council approved it as a permanent program at its meeting of November 6, 2002, along with the recommendation that the Auditor General report to the Audit Committee on the operation and activities of the Hotline Program.

## COMMENTS

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The Auditor General's Forensic Unit is comprised of a multi-disciplinary team of professionals that operate the Hotline Program and collectively possess the expertise to resolve a broad range of complaints and conduct investigative work into complex allegations. The Forensic Unit also provides independent oversight of management led investigations to review the adequacy of work conducted including steps taken to reduce losses, protect City assets and prevent future wrongdoing.

In February 2017, City Council approved additional resources for the Auditor General's Office. These resources will enable the Office to lead more major fraud and/or waste investigations going forward. Four major investigations are underway at this time.

The Office has also recently implemented a 24/7 independent and confidential call-answer service to support complainants. This service is similar to the process offered by other municipal Auditor General Offices.

One of the benefits of the annual report is to demonstrate to employees and the public that the City of Toronto is committed to taking action when issues of fraud, waste or other wrongdoing are reported to the Auditor General's Office.

The Auditor General's report entitled "2016 Annual Report on the Fraud and Waste Hotline" is attached as Appendix 1.

Detailed statistical data concerning the activities of the Hotline Program is included in this report as Exhibit 1. Summaries of certain substantiated complaints in 2016, including disciplinary action taken, are included as Exhibit 2 to the report. Disciplinary action that results from investigations is the responsibility of management and not the Auditor General's Office.

Highlights of the 2016 statistics from Exhibit 1 are as follows:

- More than 8,300 complaints received since 2002
- \$6.3 million cumulative losses for past 5 years; \$4.5 million actual losses plus \$1.8 million potential losses had the fraud not been detected
- 552 complaints in 2016 made up of over 900 allegations
- 100% of complaints reviewed
- 81% of complaints involved an AG preliminary investigation
- 45% or 249 complaints investigated, including referrals to divisions

- 17% of 249 complaints investigated were substantiated in whole or in part. This number is expected to increase as outstanding 2016 complaints continue to be concluded in 2017
- Substantiated complaints include employee benefits fraud, subsidy fraud, conflicts of interest, operating a personal business, misuse of City resources, sick leave abuse, time theft
- 47% of substantiated complaints were anonymous
- Actions taken include:
  - 12 employment relationships being terminated
  - 13 employees being disciplined
  - 17 cases where other appropriate action was taken, including reinforcing workplace expectations and training
- \$290,000 actual loss in 2016. This amount is expected to increase as outstanding 2016 complaints are concluded in 2017.
- \$72,000 being recovered - total recoveries for 2016 are expected to increase as pursuit of recovery continues. Typically, 58% of victim organizations do not recover any of their fraud losses according to the Association of Certified Fraud Examiners 2016 Report to the Nations on Occupational Fraud and Abuse.

## **CONTACT**

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## **SIGNATURE**

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Beverly Romeo-Beehler  
Auditor General

## **ATTACHMENT**

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Appendix 1: 2016 Annual Report on the Fraud and Waste Hotline