

FRAUD AND WASTE HOTLINE AT A GLANCE

BACKGROUND

In 2002, a Fraud and Waste Hotline was established to allow employees, councillors and members of the public to report allegations of fraud, waste or other wrongdoing without fear of retribution.

BENEFITS OF THE FRAUD AND WASTE HOTLINE PROGRAM

- Protect City assets
- Reduce losses
- Deter fraud, wrongdoing and waste
- Strengthen internal controls
- Improve policies and procedures
- Increase operational efficiencies
- Identify trends, address risks, make action-oriented recommendations to management and inform the audit work plan

WHAT'S NEW?

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

2016 Annual Report on the Fraud and Waste Hotline

BY THE NUMBERS

- 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

2016 Annual Results

- 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 fully investigated
- 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*

UPDATE ON EMPLOYEE BENEFITS FRAUD

- In 2015, the AG provided an overview of an ongoing employee benefits fraud investigation being conducted by a City Agency.
- As of March 1, 2017:
 - Value of the loss for the Agency may be as high as approximately \$6 million, not including investigative, legal and forensic costs.
 - 724 employees are having their claims reviewed. Of the 724 employees, the total number of employees who may have submitted improper or fraudulent claims has yet to be determined as the investigation is continuing.
 - 164 employees have been questioned by the Agency
 - 73 employees have been terminated
 - An additional 50 to 60 employees resigned or retired during the investigation. The reasons for leaving may not be connected to this investigation.
 - The Agency filed Statements of Claim against the benefits administrator, the service provider and its owners. The Agency is pursuing recovery.