

## **2017 Annual Report on the Fraud and Waste Hotline**

**Date:** January 24, 2018

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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This report represents the 2017 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 the complaints 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 2017, 680 complaints comprised of approximately 1,060 allegations were received by the Auditor General's Office.

### **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 City of Toronto Act identifies that, as part of her responsibilities, "the Auditor General is responsible for assisting City Council in holding itself and city administrators accountable for the quality of stewardship over public funds..."

Stewardship over public funds involves reviewing controls and verifying that allegations of fraud and waste are addressed.

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 forensic 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.

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.

Approximately 680 complaints comprised of 1,060 allegations were received this year. In addition to following up on these complaints, five major fraud and/or waste investigations were conducted this year.

The Auditor General's report entitled "2017 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 the Annual Report as Exhibit 1. Exhibit 2 contains a summary of each of the 5 investigations that resulted in reports being issued to Audit Committee. Exhibit 3 provides summaries of a sample of complaints received in 2017.

Highlights of the 2017 statistics from Exhibit 1 are as follows:

- More than 8,900 complaints received since 2002
- Approximately \$17 million cumulative losses for past 5 years; \$12.4 million actual losses plus \$4.6 million potential losses had the fraud not been detected
- 680 complaints in 2017 made up of approximately 1,060 allegations
- 100 per cent of complaints reviewed
- 89 per cent of complaints involved an AG preliminary investigation
- 37 per cent or 251 complaints investigated including referrals to divisions
- 12 per cent of 251 complaints investigated were substantiated in whole or in part. This number is expected to increase as outstanding 2017 complaints continue to be concluded in 2018

- Substantiated complaints include employee benefits fraud, subsidy fraud, conflicts of interest, operating a personal business, misuse of City resources and, time theft
- 38 per cent of substantiated complaints were anonymous
- Actions taken include:
  - 2 employment relationships being terminated
  - 5 employees being disciplined
  - 22 cases where other appropriate action was taken, including reinforcing workplace expectations and training
- \$56,000 actual loss in 2017. This amount is expected to increase as outstanding 2017 complaints are concluded in 2018
- Typically, 58 per cent 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

## **ATTACHMENTS**

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Attachment 1: 2017 Annual Report on the Fraud and Waste Hotline