

AUDITOR GENERAL'S REPORT

2017 Annual Report on the Fraud and Waste Hotline

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ANNUAL REPORT

Annual report on fraud and hotline activity

This is the 2017 annual report on fraud, waste and wrongdoing at the City including the activities of the Fraud and Waste Hotline. 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.

Role of the Auditor General

The City of Toronto Act assigns the Auditor General the responsibility to assist City Council in holding itself and its administrators accountable for stewardship over public funds and value for money in City operations. This responsibility is fulfilled by completing an audit work plan, operating the Hotline and conducting forensic investigations.

Fraud and Waste Hotline Program

Program established in 2002

In 2002, a Hotline was established so that employees, councillors and members of the public could report allegations of fraud, waste or other wrongdoing without fear of retribution.

Benefits of the Hotline Program

The Hotline Program has helped to reduce losses and resulted in the protection of City assets. The cumulative total of actual and potential losses for complaints received in previous years (2013 to 2017) is more than \$12.4 million (actual) plus \$4.6 million (potential loss) had the fraud not been detected. Additional benefits that are not quantifiable include:

- the deterrence of fraud or wrongdoing
- strengthened internal controls
- improvements in policies and procedures
- increased operational efficiencies
- the ability to use complaint data to identify trends, address risks, make action-oriented recommendations to management and inform the audit work plan

Forensic Unit has expertise to investigate a broad range of complex allegations

The Auditor General's Forensic Unit is comprised of a multi-disciplinary team of professionals who collectively possess the expertise to triage 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.

2017 Accomplishments

5 investigative reports in 2017

Five major fraud and/or waste investigations were conducted during the year. Exhibit 2 contains a summary of each of the 5 investigations that resulted in reports being issued to Audit Committee. The reports contained 37 recommendations for management action.

Implementation of a 24/7 staffed hotline

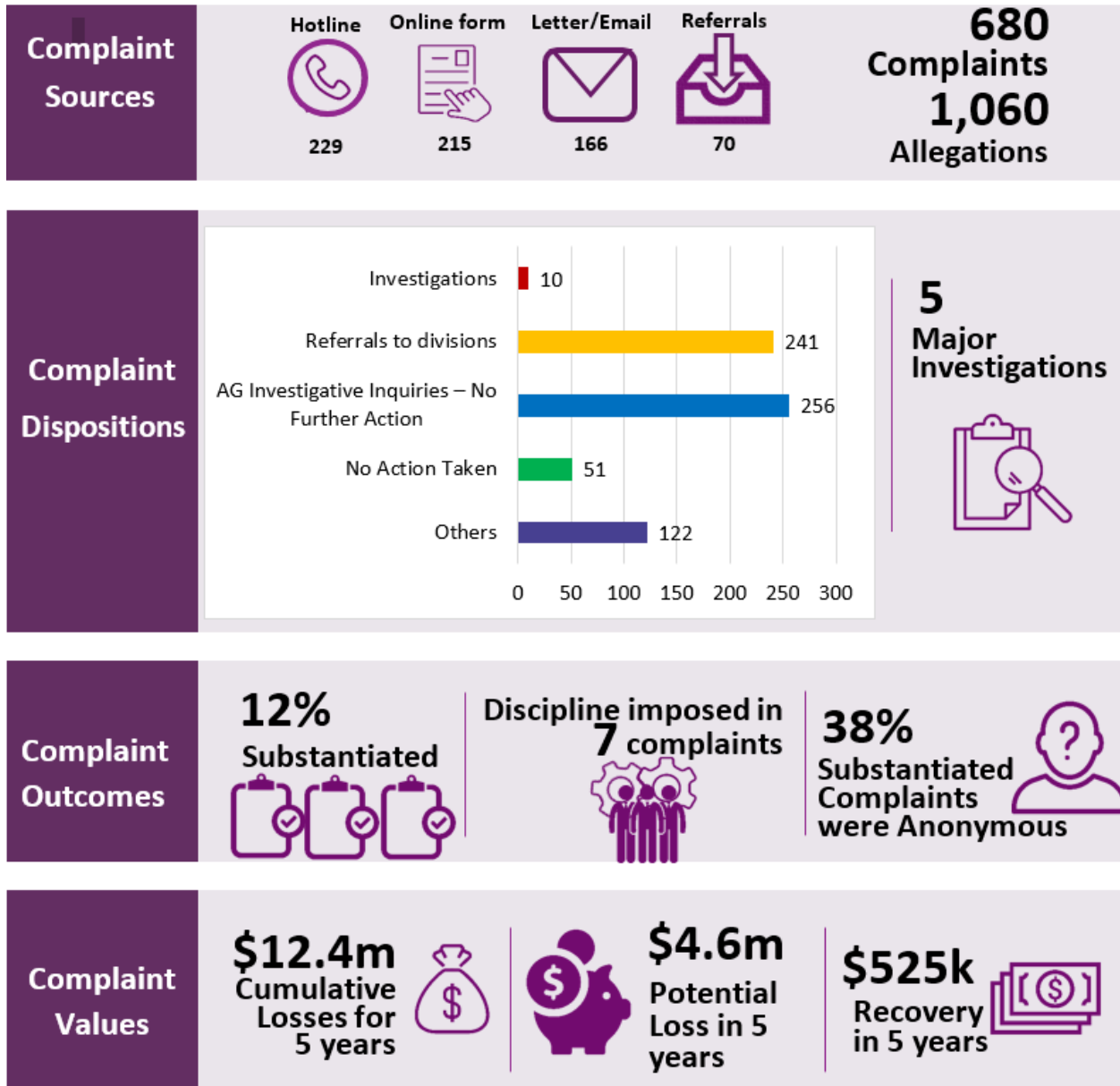
The Hotline receives complaints through different communication channels. The majority of complaints are received by a secure online form or by calling the hotline telephone number and, in the past, leaving a voicemail.

In 2017, the Office implemented a 24/7 independent and confidential call-answer service to support complainants. This service eliminated the need for complainants to leave a voicemail and instead provides complainants the opportunity to speak to a live agent.

In addition to supporting complainants, the call-answer service has also helped to dramatically improve operating efficiencies in the intake process.

Figure 1: Key Statistics Infographic

The infographic provides key statistics at a glance for the Fraud and Waste Hotline program for 2017.



Exhibits

**Hotline Statistics
Exhibit 1**

Detailed statistical data summarizing the activities of the Hotline Program is included in this report as Exhibit 1.

**Investigation Summaries
Exhibit 2**

Summarized details of the 5 investigative reports issued by the Auditor General in 2017 are included as Exhibit 2.

**Substantiated and Other
Complaint Summaries
Exhibit 3**

Summarized details of certain substantiated and other complaints in 2017 are included as Exhibit 3. These summaries are provided as requested by Audit Committee.

EXHIBIT 1 – DETAILED STATISTICAL SUMMARY

Leveraging complaint data

Audit standards requires that fraud and waste hotline data be considered in all performance audits. Collecting, monitoring and analyzing data on complaints received may identify areas of concern within the City and trends that may point to more systemic problems in areas such as procurement, overtime, business expenses, sick leave abuse and conflict of interest.

Complaint data from the Hotline is also one of the factors considered that may result in an audit being conducted. For example, audits that have been initiated in part due to complaint data from the Hotline include:

Complaint data influenced audit project selection

- Management of the City’s Long-Term Disability Benefits:
 - Phase One: Improving City Management to Address Growing Trends in Long-Term Disability Benefits
 - Phase Two: The Need for a Proactive and Holistic Approach to Managing Employee Health and Disability
- Management of the City’s Employee Extended Health and Dental Benefits:
 - Phase One: The City Needs to Ensure Adequate Detection and Review of Potentially Excessive and Unusual Drug Claims
 - Phase Two: Ineffective Controls and Plan Design Leaving the City Vulnerable to Potential Benefit Abuse

1.Total Complaints

**680
Complaints
received
represent
1,060
allegations**

Since the Fraud and Waste Hotline Program was initiated in 2002, the Auditor General’s Office has handled more than 8,900 complaints. Each complaint may include multiple allegations. In 2017, 680 complaints were received representing 1,060 allegations.

**Dynamic
nature of
hotline**

Complaint activity may increase or decrease because of the dynamic nature of a hotline program and as a result of various factors, including outreach activities and the nature of issues reported by the media.

Table 1 outlines the number of complaints reported from 2008 to date.

Table 1 - Complaints Reported - 2008 to 2017

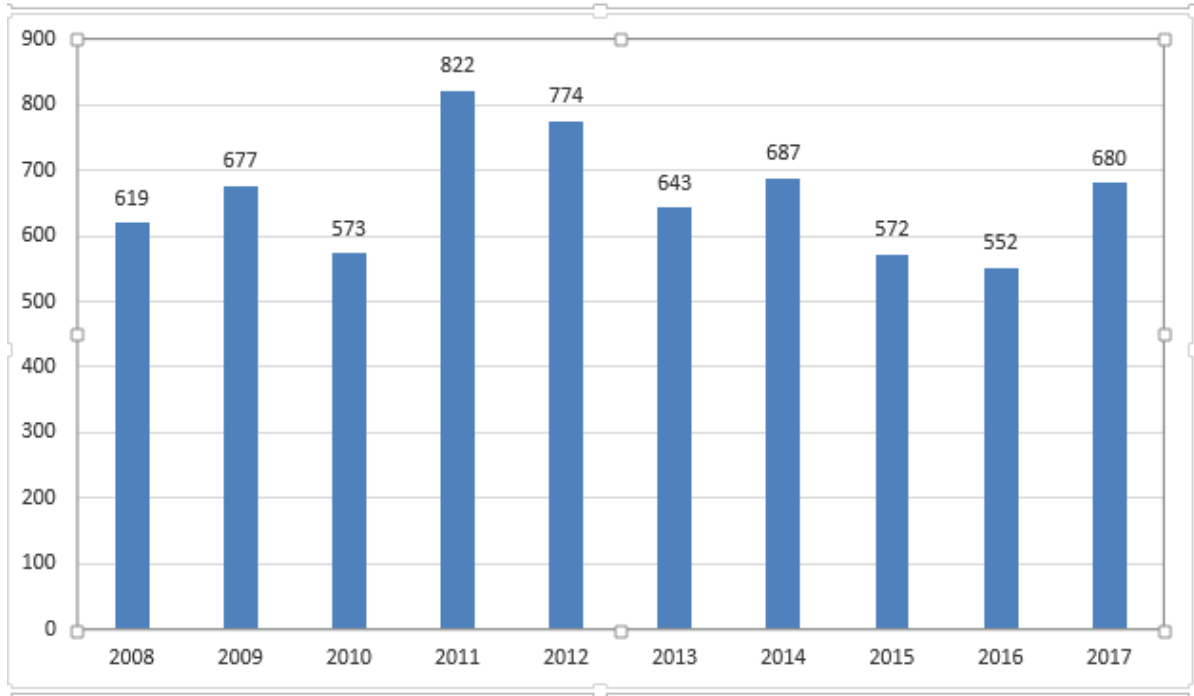
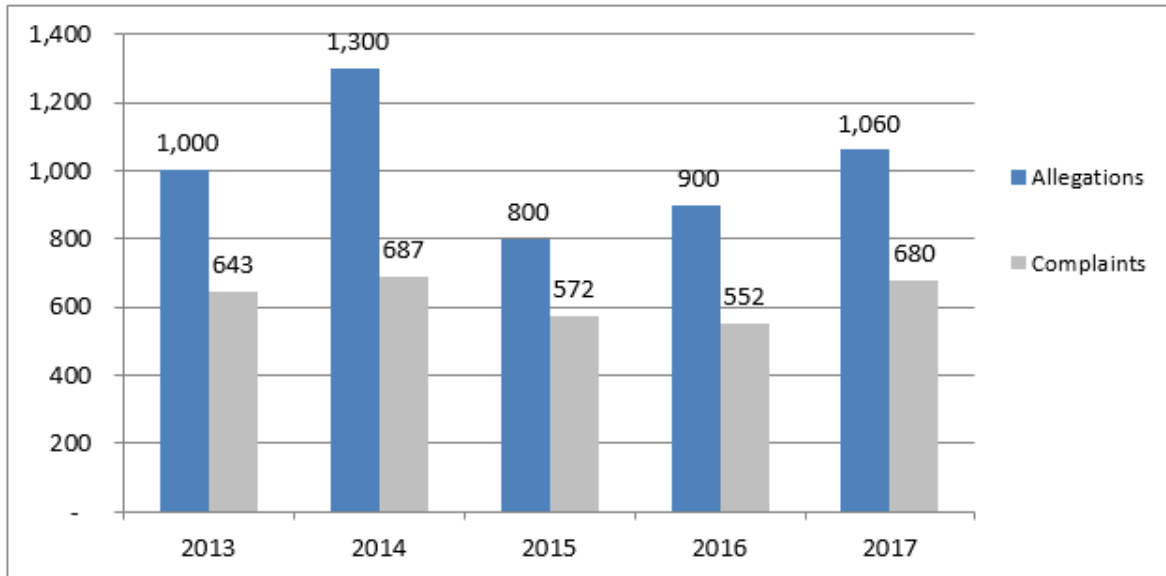


Table 2 shows the number of allegations included in complaints received over the past five years. The average number of allegations over the past five years is approximately 1,000 per year.

Table 2 - Complaints and Allegations Reported - 2013-2017



Increase in complaints

In 2017, 680 complaints were received representing a 23 per cent increase over the number of complaints received in 2016.

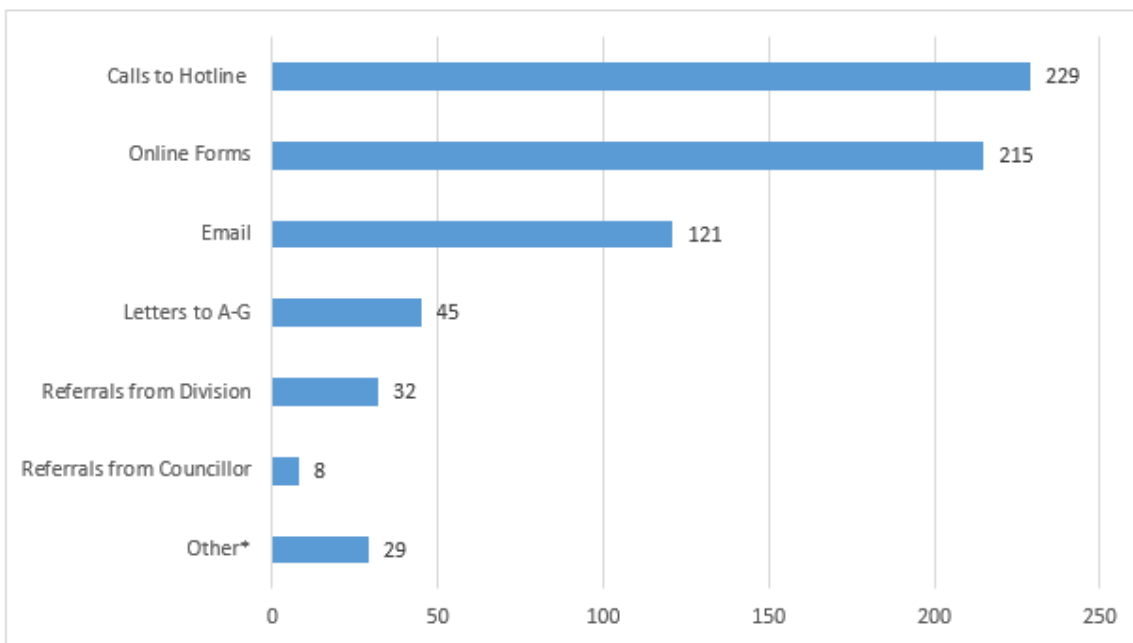
2.Source of Complaints

Table 3 provides a summary of the methods used to report complaints to the Fraud and Waste Hotline Program in 2017.

Sixty-five per cent of all complaints were received through direct telephone calls to the Hotline or via the Auditor General’s secure online complaint form.

According to the Association of Certified Fraud Examiners 2016 Report to the Nations on Occupational Fraud and Abuse, organizations with reporting hotlines were more likely to detect fraud through tips than organizations without hotlines (47 per cent compared to 28 per cent, respectively).

Table 3 - Source of Complaints



* Other Sources include telephone calls to the Auditor General Office’s general phone line, faxes and walk-ins.

3. Disposition of Complaints

All complaints considered

All complaints received are evaluated by designated staff of the Auditor General’s Office to determine the disposition or action to be taken.

Preliminary investigative work conducted in 89% of complaints

The Auditor General’s Office conducted a significant amount of preliminary investigative work or inquiries to determine whether allegations have merit, prior to determining the disposition or action to be taken on a complaint.

In 2017, the Auditor General’s Office conducted preliminary investigative work in the majority (89 per cent) of complaints received. Preliminary investigative inquiries are also conducted prior to referring complaints to divisions for action.

Allegations with limited detail or merit may be held until further details are received.

Professional judgment used to determine the disposition of a complaint

The unique circumstances of each complaint require the application of professional judgment to determine the appropriate disposition.

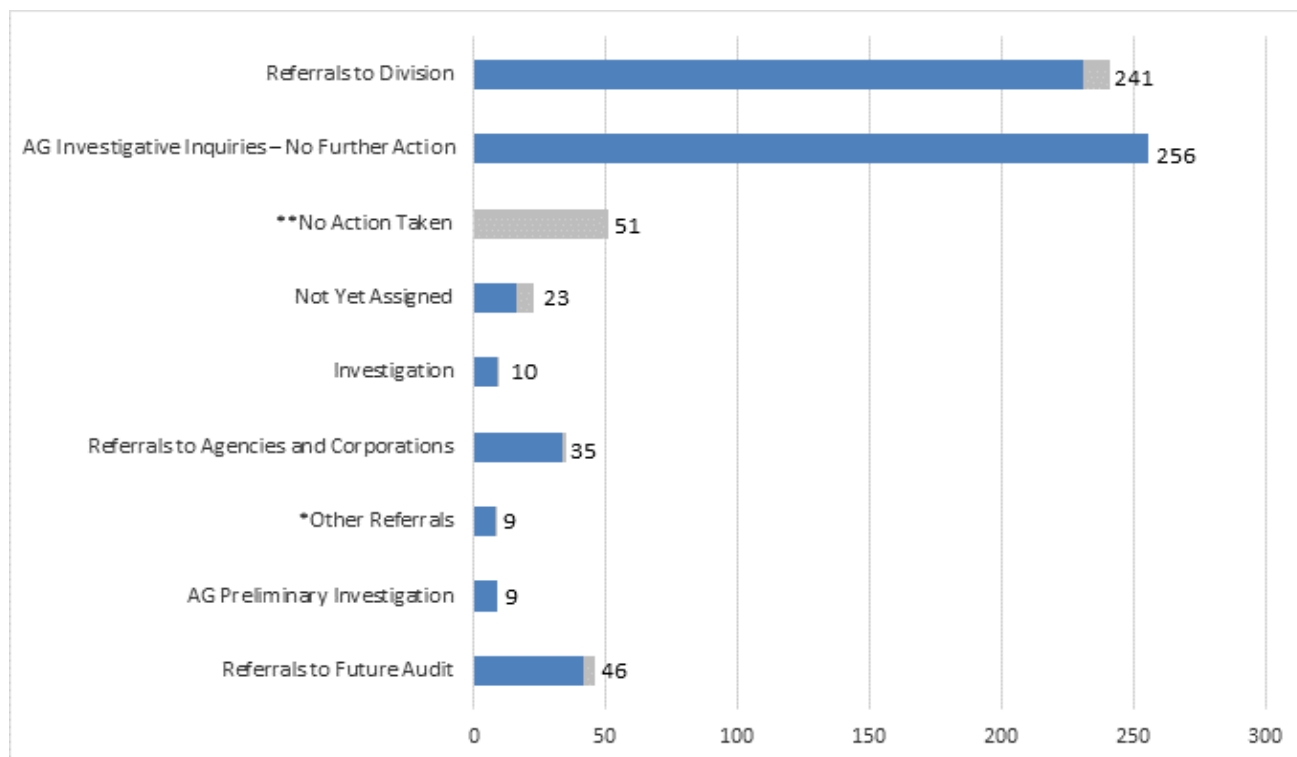
The dispositions of complaints are determined by the Forensic Unit. Depending on the circumstances, discussion pertaining to the disposition of complaints is also conducted with the Auditor General.

AG conducts investigative work in majority of complaints

Table 4 provides a breakdown of the disposition of complaints received in 2017 and illustrates that in the majority of complaints (89 per cent) the Auditor General conducts investigative work.

Table 4 - Disposition of Complaints

■ AG Preliminary Investigative Inquiries Conducted
■ AG Preliminary Investigative Inquiries Not Conducted



*Other Referrals include to 311, the Integrity Commissioner and Outside Agencies.

**No Action Taken include complaints with insufficient information or are outside our jurisdiction.

Investigations	Thirty-eight per cent of complaints received (256 complaints) were closed following preliminary investigative work by the Auditor General's Office. Ten complaints resulted in a full investigation conducted and led by divisional management or the Auditor General's Office.
Referrals to divisions	Thirty-five per cent of all complaints (241 complaints) were referred to divisions for review and appropriate action or for information only. Complaints that are significant enough to require a response from divisional management are monitored until the necessary action is taken.
No Action	In 8 per cent of complaints (51 complaints), the disposition was "No Action" because of insufficient information or the matter was outside the Auditor General's jurisdiction.

4. Complaint Conclusion

	Each complaint is managed until it has been resolved or concluded.
Unsubstantiated complaints may highlight issues of concern	In cases where the evidence does not support a finding of wrongdoing, the complaint conclusion is tracked as "unsubstantiated". However, this does not mean that the complaint is without merit. In many of these cases, a review or investigation highlight internal management control issues and risks that need to be addressed.
Substantiated complaints 12%	Twelve per cent (29 complaints) of the 251 complaints investigated or referred to divisions in 2017 have been substantiated in whole or in part. This number is expected to increase as outstanding 2017 complaints are concluded in 2018.
Anonymous complaints	Thirty-eight per cent of substantiated complaints were anonymous.
Internal control weaknesses	Where internal control weaknesses contributed to or facilitated the wrongdoing in substantiated complaints, divisions have confirmed that the internal control weaknesses have been addressed.

Previous years complaints concluded in subsequent years

Some complaints cannot be concluded until a future year. In cases where a previous years' complaint is concluded, statistics are updated in the Auditor General's database to capture information such as whether the complaint was substantiated and whether there was a loss to the City.

5. Disciplinary Action in Substantiated Complaints

Disciplinary action is a management responsibility

Where investigations indicate fraud or wrongdoing by an employee, the appropriate level of discipline is the sole responsibility of divisional management. Information regarding disciplinary action taken is communicated to and tracked by the Auditor General's Office.

Discipline imposed in 7 complaints

In 2017, divisional management reported that discipline was imposed in 7 of the substantiated complaints. In an additional 22 instances, divisional management took other appropriate action including reinforcing workplace expectations through training.

An important consideration for management in disciplining employees is to ensure fairness and consistency throughout the City. Management also uses knowledge gained through investigations to provide guidance on and reinforce acceptable conduct for all City employees.

6. Loss and Recovery

Cost of fraud difficult to measure

Measuring the total cost of fraud is difficult because fraud by its nature is concealed and can sometimes go undetected for many years. The standard of proof is high. In some cases, it may not be possible to determine the duration of the fraud, thereby making it difficult to accurately quantify losses.

The Association of Certified Fraud Examiners 2016 Report to the Nations on Occupational Fraud and Abuse reported that 58 per cent of victim organizations do not recover any of their fraud losses.

Impact of fraud exceeds dollar values

The impact of fraud on a corporation includes more than just financial losses. Wrongdoing perpetrated in the workplace can damage the morale of co-workers and can negatively impact the reputation of the corporation. In addition, significant management time is required to investigate instances of fraud.

Actual and potential losses to the City for all complaints received are tracked by our Office.

\$56,000 actual losses

For complaints received in 2017, quantifiable actual losses to the City were in the range of \$56,000. This amount is expected to increase as outstanding 2017 complaints are concluded in 2018.

Information concerning complaint conclusion, resolution, or the determination of loss and recovery may occur several years after the allegations are received. Amounts reported for complaints received in previous years are adjusted once concluded in subsequent years.

For example, in 2017, 20 complaints from 2016 were concluded as substantiated or substantiated in-part.

\$17M cumulative actual and potential losses for 5 years

The cumulative total for actual and potential losses of complaints received in previous years (2013 to 2017) is more than \$12.4 million (actual) plus \$4.6 million (potential loss) had the fraud not been detected.

7. Divisions, Agencies and Corporations with Substantiated Complaints

Table 5 provides a summary of substantiated complaints associated with Divisions, Agencies and Corporations. This table does not necessarily reflect wrongdoing on the part of employees of these entities. In certain cases, the wrongdoing may have been perpetrated by vendors or other members of the public.

Table 5 - Divisions and Agencies and Corporations with Substantiated Complaints

Accounting Services	Public Health
Chief Corporate Officer*	Real Estate Services
Children's Services*	Revenue Services
City Clerk's Office	Solid Waste Management Services
Employment and Social Services*	Toronto Paramedic Services
Engineering & Construction Services	Toronto Transit Commission
Fire Services	Toronto Water
Long Term Care Homes and Services*	Toronto Zoo
Parks, Forestry and Recreation*	Transportation Services*

* Divisions, Agencies and Corporations with 2 or more substantiated complaints in 2017. In certain cases, the wrongdoing may have been perpetrated by vendors or other members of the public, but addressed by the Division.

EXHIBIT 2 – INVESTIGATION SUMMARIES

Below are summaries of the 5 major investigative reports issued by the Auditor General in 2017.

- **Toronto Building Division – Strengthening System Controls to Safeguard Cash Receipts, March 2017**

The Auditor General conducted this investigation based on a complaint made to the Fraud and Waste Hotline in mid-2016. The complaint alleged that some of Toronto Building Division's cash receipts had been misappropriated by staff. The focus of the Auditor General's review was on the system utilized by the Division to collect, record, process and report billing and payment related transactions.

One specific area examined was the refund process. Toronto Building service counter staff collect payments for various permit fees, and frequently need to issue refunds due to reasons like overpayment or the cancellation of an application to the Division. Most of the refunds are individually for less than \$20,000, but the total amount is substantial. For example, one district issues \$1.6 million in refunds per year.

The investigation did not find sufficient evidence to substantiate the allegation, but it found several system control deficiencies, as well as opportunities for improvement.

The investigation found:

- There are risks of staff misappropriating refunds, which could potentially be made to persons other than the original payers.
- Some staff access to the system for handling refunds (IBMS, or Integrated Business Management System) were not adequately segregated, and individual access was not reviewed on a periodic basis. This resulted in control gaps and some users having unnecessary system privileges.
- System administrators' activities were not monitored to detect potential security breaches.
- The division had 1,370 overpayment transactions on its account, totaling \$475,000, as of July 31, 2016. Some dated as far back as 2006. The handling of overpayments needs to be improved to ensure prompt returns and error corrections.
- The report also noted that since credit card processing fees are increasing, there is a need for a corporate-wide initiative to minimize credit card purchasing fees.

The report made one confidential and six public recommendations in order to strengthen controls over cash receipts.

The report is available here:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-101886.pdf>

- **Auditor General's Observations of a Land Acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority – Part 2, June 2017**

The first part of this review was completed in October 2016 and focused on a pending property acquisition at Finch Avenue West and Arrow Road by the Toronto Parking Authority (TPA). The report found that, in our view, TPA would have overpaid for this land by \$2.63 million had the review not been conducted. Subsequent to the issuing of the Auditor General's report, the transaction was cancelled.

This second report focused on the remaining aspects of this pending land acquisition. The main findings were that the TPA did not use a qualified, independent business valuator to determine the value of a digital sign on the property – an important factor in the overall price of the land. The TPA's sign consultant valued the sign at \$4.5 million, while the Auditor General assessed the value to be much less.

Other key findings pertained to the use of a lobbyist and a sign consultant who had potential conflicts of interest. Further recommendations were made to improve board functioning.

Since the conclusion of the second part of this report, City Council voted to place the President of the TPA and the TPA's Vice President of Real Estate, Development and Marketing on administrative leave pending a further independent investigation.

The report is available here:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-105391.pdf>

- **Toronto Building Division – Conditional Permits, October 2017**

This review was initiated as a result of a complaint to the Fraud and Waste Hotline. The complainant alleged that there was a financial incentive for conditional permit applicants to obtain above-grade conditional permits in advance of scheduled development charge rate increases. It was also alleged that some above-grade conditional permits were not issued in full compliance with the *Building Code Act*. This review concluded that both parts of the complaint were substantiated.

Above-grade permits, conditional or otherwise, are a critical milestone for the construction of a building. When these are issued, development charges are calculated and payable. Development charges are a significant source of revenue for the City; more than \$702 million in development charges have been collected over the past four years. These charges help to pay for infrastructure needed to service growth from development. Development charges (DC) rate increases can be significant. For example, the DCs collected for one development was \$5.8 million on July 30, 2015. Had the charge been calculated two days later, a scheduled rate increase would have increased the amount due by almost \$1 million.

Conditional permits are a tool used in the development review process. The Chief Building Official can issue a conditional above-grade permit under certain conditions as a way of recognizing the complexities of complying with the *Building Code Act*. Many conditional permits are being issued in advance of scheduled development charge increases, a number that has grown from 30 or 40 a year when this practice was first introduced 15 years ago, to more than 500 in 2017.

There are no clear, objective guidelines for issuing conditional permits. There are draft guidelines, made in 2016, but they have not been formalized. Based on the draft guidelines, the review identified situations where a conditional permit appeared to have been issued prematurely. The investigation found that \$8 million in DCs were lost on 11 files where conditional permits appear to have been issued prematurely.

The review made 17 recommendations to Toronto Building management, and all were accepted. The implementation of these recommendations will set objective criteria for issuing conditional permits, ensure the equitable treatment of applicants and strengthen the monitoring and enforcement of conditional permit agreements.

The report is available here:

<http://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-108178.pdf>

- **Review of Complaint Regarding the June 29, 2016, Toronto Transit Commission Briefing Note, October 2017**

This report provided the Auditor General's findings in relation to whether there was any political interference involved in the crafting and dissemination of a briefing note about large-scale transit project options for the City of Toronto, and Scarborough, specifically. The title of the briefing note in question, which is dated June 29, 2016, is, 'Issues Relating to Re-introduction of LRT Replacement for Line 3 (SRT)'.

The main complaint, which came to the Auditor General from a citizen group, was that political interference resulted in inaccurate, incomplete and misleading information being provided to City Council about the costs of the Scarborough Subway Extension (SSE) compared to the Scarborough Light Rail Transit (SLRT) option.

In particular, the complainants alleged that the briefing note, "erroneously and deliberately inflated the price of the SLRT option by approximately \$1 billion", which they believe led to the adoption of the SSE as opposed to the SLRT.

The report addressed how the briefing note came to be drafted, evaluated the reasonableness of financial and other information in the note, addressed possible pressures influencing the contents of the note, and considered the process used to distribute the note.

The Auditor General found:

i. No evidence of any lack of integrity on the part of TTC CEO Andy Byford or other TTC personnel in the preparation of the briefing note.

ii. No evidence of a systemic problem of political interference or staff being pressured by elected officials, including the Mayor and his office, in relation to the development of the ridership numbers and the preparation and distribution of the note.

iii. That in the Auditor General's view, the briefing note estimate for the costs of the SSE compared to the SLRT were within an acceptable range given the state of the project, the nature of a briefing note and the caveats contained therein. The briefing note highlights that the figures are "estimates only," intended for a "high level cost comparison." After evaluating the reasonableness of the figures, it is our view that even if construction on the SLRT could have begun several years earlier, the potential difference between the briefing note figures and our calculated escalated cost is within an acceptable range for estimates at that stage of completion.

The report made three recommendations, including one to ensure a transparent and equal distribution of information to Councillors and/or Board Members by recommending the establishment of a protocol defining when it is appropriate for City Clerk's Office to register and share briefing notes and other such communications issued by Divisions and City Agencies.

The report is available here:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-107811.pdf>

- **Auditor General's Observations on the Quantity of Product Realized from the City's Single Stream Recyclable Material (Blue Bin) Program, October 2017**

The Auditor General was asked to review a potential shortfall in material recovered through its Single Stream Recyclable Material (Blue Bin) Program. The allegation was that the shortfall was a deliberate diversion of materials – an allegation of fraud. The Auditor General did not find any evidence of fraudulent activity, but made four recommendations to strengthen the program's controls and oversight.

The City manages the blue bin recycling program to collect a variety of printed paper and packaging products in an effort to divert recyclables from landfills. Recyclables collected are sent to a Material Recovery Facility operated by Canada Fibers Ltd., which is under contract with the City. The materials are then processed to maximize their re-use potential, and the City has entered into various agreements with third parties to generate revenue from the sale of these processed blue bin recyclables.

The report is confidential because it is about litigation or potential litigation that affects the City or one of its agencies or corporations.

Read the public cover report here:

<https://www.toronto.ca/legdocs/mmis/2017/au/bgrd/backgroundfile-107808.pdf>

EXHIBIT 3 – SUBSTANTIATED AND OTHER COMPLAINT SUMMARIES

Below are summaries of various reviews and investigations concluded in 2017. A sample of summaries has been requested by Audit Committee so that it can better understand the nature of the complaints received by this Office.

The Auditor General is independent of City operations. The extent and nature of discipline of an employee is the responsibility of management and not the Auditor General. We can say, however, that for the cases we have examined, management is diligent in taking appropriate action to address the situation.

We have included 17 complaints summaries. These complaints resulted in a total loss of over \$160,000 and the termination of employment of four employees. Four complaints identified internal control weaknesses that were rectified by management.

1. Conflict of Interest

1.1 Breach of Confidentiality

During an audit of a Division, the Auditor General's Office received allegations that an employee had breached the City's Conflict of Interest and Confidentiality policy, including disclosing legal advice and internal positions prior to negotiations with third parties.

The Auditor General's Office conducted preliminary investigative work and subsequently, the matter was referred to the Division for further investigation.

The investigation concluded that the employee had inappropriately shared confidential legal information and city information with third parties, potentially compromising the integrity of the City. While this was the potential result of the employee's actions, during the course of the Divisional investigation it was confirmed that "...sharing the documentation would not have afforded [the relevant third party] any tactical advantage in negotiations with the City".

The employee also used inappropriate tones in emails to describe co-workers and superiors. Further, the employee placed themselves in situations where it appears that their personal interests were in conflict with the interests of the City by using their City email address to oppose City approved community development plans in the ward of the employee's personal residence.

1.2 Vendor Payments

The Auditor General's Office received an allegation that a senior employee had a conflict of interest with a City vendor and arranged to issue a payment to assist the vendor to meet a sales target.

The investigation was led by the Auditor General's Office. The investigation concluded that there was no wrongdoing regarding the payment. However, the employee created a potential conflict of interest when they had a discussion with the vendor's sales person who had raised a concern about not achieving their sales target and receiving a bad performance appraisal.

The Auditor General's Office recommended a change in the sales representative to avoid any further potential conflicts of interest and additional conflict of interest and lobbyist training be provided for the employee.

1.3 Operating a Personal Business and Misuse of City Resources

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that an employee was conducting a personal business during City hours and using City resources by offering classes on City property.

The investigation was led by the Division. The investigation concluded that the employee had inappropriately used City resources and had violated a number of policies including the City's Conflict of Interest Policy.

Employment with the City was terminated.

1.4 Operating a Personal Business and Misuse of City Resources

An anonymous complaint was received through the Fraud and Waste Hotline alleging that an employee was operating a personal business by applying for film permits during City hours and using City resources.

An investigation was conducted by the Division. The investigation concluded that the employee had inappropriately used City resources and had violated the City's Conflict of Interest and Acceptable Use Policies.

The employee was issued a letter of discipline and a 5 day unpaid suspension. In addition, the employee was required to retake training on the Toronto Public Service By-law.

1.5 Second Job

The Auditor General's Office was advised by a Division that an employee was alleged to have a second job that conflicted with their role and responsibilities as a City employee.

The investigation was led by the Division and concluded that the employee had violated the City's Conflict of Interest Policy.

The employee was issued a written warning and reminded to abide by the Division's Code of Ethics and the Toronto Public Service By-law. In addition, management has reinforced the Division's Code of Ethics and Toronto Public Service By-law with all staff of the affected unit.

1.6 Collecting personal loyalty program points

An anonymous complaint was received through the Fraud and Waste Hotline Program alleging that employees of a Division were collecting personal loyalty points on City-related purchases such as fuel.

The investigation was led by the Division and concluded that one employee was in violation of the City's Conflict of Interest policy. The employee had collected personal loyalty points from fuel purchases that appear to have been made for legitimate business purposes.

The employee was issued a letter of expectation and the Division head reinforced the Conflict of Interest policy with the Executive Team of the affected Division.

Subsequently, the City's P-Card policy was strengthened to prohibit the accumulation of personal loyalty rewards with the use of the City's P-Card for business purchases.

1.7 Acceptable Use Policy Violation

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that an employee was in a personal relationship with a vendor and also managing that vendor's contract. It was also alleged that the employee received gifts and went on paid trips with the vendor.

The first line investigation was led by the Division. The Auditor General's Office provided oversight and conducted further investigative work. The investigation concluded that the employee had declared a conflict of interest. In order to manage the conflict of interest more appropriately, the Division has strengthened its internal controls.

During the Auditor General's investigative work, however, an additional finding was identified. There appeared to be inappropriate email correspondence between the employee and a colleague. The Division advised that the employees' respective Directors have reinforced the City's Acceptable Use Policy with each employee individually.

2. Reprisal and Retaliation

The Auditor General's Office received allegations of reprisal from an employee for reporting wrongdoing through the Fraud and Waste Hotline Program.

The investigation was led by the Auditor General's Office who interviewed the complainant and other city employees involved and reviewed relevant emails to the situation. The Auditor General's Office concluded that reprisal had not occurred.

3. Falsifying Letter of Employment

The Auditor General's Office was advised by a Division that an employment letter prepared by the City for an employee was fraudulently altered for purposes of obtaining mortgage funding from a financial institution.

The first line investigation was led by the Division in consultation with Pension, Payroll & Employee Benefits, Legal Services, and Labour Relations. The Auditor General's Office provided oversight and conducted additional investigative work.

The investigation was unable to definitively determine whether it was the employee who altered the payroll documents as there were third parties involved with assisting the employee in submitting the mortgage application.

The employment of this employee was terminated for other reasons.

4. Employee Benefits Fraud

4.1 Falsifying Dependent Information

The Auditor General's Office received an anonymous complaint that alleged an employee was obtaining fraudulent extended health care benefits by falsifying dependent information.

The investigation concluded that the employee had fraudulently added dependents to the City's benefits plan and received extended health care benefit claims totaling approximately \$19,500. To strengthen internal controls, management now requires proof of eligibility for the enrolment of all spouses and dependents for extended health care benefits plans.

The employment of this employee was terminated giving rise to a grievance which is being processed in accordance with the grievance process.

4.2 Irregular Benefits Claim

The Auditor General's Office was advised that the City's benefits administrator was investigating allegations of fraudulent benefits claims submitted by an employee of a City Agency.

The investigation concluded that the employee had submitted fraudulent extended health care benefit claims totaling approximately \$600.

Employment was terminated.

4.3 Operating an Unreported Business

The Auditor General's Office was advised by a Division that the City's benefits administrator was investigating allegations of a City employee operating a business while receiving long-term disability benefits.

The benefits administrator conducted the investigation and reported that the employee was able to function at a level higher than reported and was operating an unreported business. Long-term disability benefits were ceased. This investigation resulted in an overpayment of long-term disability benefits that may exceed \$100,000.

Employment was terminated and the matter was referred to the Toronto Police Service where the employee was charged with fraud over \$5,000. The benefits administrator and the City continue to pursue the recovery of funds.

5. Time Theft and Acceptable Use Policy Violation

The Auditor General's Office was advised by a Division that a City employee was alleged to be committing time theft and potentially violating the City's Acceptable Use and Human Rights and Anti-Harassment Policies by viewing inappropriate internet sites during work hours.

The investigation was led by the Division, in consultation with Labour Relations and Legal Services. The employee was put on paid leave during the investigation.

The investigation concluded that the employee had violated the City's Acceptable Use, and Human Rights and Anti-Harassment policies.

The employee was suspended for twenty days with no pay and given a final written warning letter. The warning letter provided for the employee's immediate dismissal for any misconduct for which discipline is warranted. The employee was directed to thoroughly review and abide by the City's Acceptable Use, and Human Rights and Anti-Harassment policies. The employee was advised that their internet usage would be monitored at various intervals for the next two years.

Subsequently, the Acceptable Use Policy, management controls and the Division's overtime policy were reinforced by the Director during a meeting with all Managers and Supervisors.

6. Misuse of City Resources

The Auditor General's Office received an anonymous complaint of allegations that an employee was using a City vehicle for personal use.

The investigation was led by the Division.

Four years prior, outdoor renovations were ongoing at a certain City location. Employee parking was limited. The employee received permission to commute to a City yard closer to their home, then use a City vehicle to commute the rest of the way to work because of the lack of parking spaces. When renovations were completed, the employee continued using the City vehicle as part of their commute, until the Division was contacted by the Auditor General's Office.

The employee was advised by management that, in the future, any unauthorized use of a City vehicle for personal purposes may result in disciplinary action.

The Division asked senior managers to confirm that their staff are driving directly to the work site and not shortening their commute by going to the nearest City yard, then using a City vehicle to complete their commute.

7. Subsidy Claim Fraud

7.1 Falsifying Information

The Auditor General's Office was advised by a Division that a member of the public was receiving subsidies through fraudulent claims.

The investigation was led by the Division and concluded that the individual had received subsidies for which they were not entitled to. The total amount of ineligible overpayment was approximately \$23,000. The City is pursuing recovery.

7.2 Fraudulent disclosure of income

The Auditor General's Office received an anonymous complaint through the Fraud and Waste Hotline alleging that a member of public was receiving subsidies through fraudulent claims.

The investigation was led by the Division and concluded that the individual received subsidies for which they were not entitled to. The total amount of overpayment was approximately \$8,000. The City is pursuing recovery. The individual has agreed to a payment plan arrangement of \$100 per month starting September 2017. Payments have been made on the account, so no legal action has been initiated.

7.3 Failure to disclose income

The Auditor General's Office was advised that an employee was allegedly receiving subsidies through fraudulent claims.

The investigation was led by the Division and concluded that the employee received subsidies for which they were not entitled to. The total amount of ineligible overpayment was approximately \$7,000. The City is pursuing recovery.