



Fraud, Waste & Abuse FY 19 Annual Report

Office of the City Auditor— Forensic Investigative Division

“Promoting Accountability and Integrity in City Operations”

In This Issue

- ◇ City & State Codes
- ◇ Investigation Stats
- ◇ Summary of Substantiated Cases
- ◇ Investigation Trends
- ◇ Insight into the World of Fraud
- ◇ The Forensic Audit Manager’s Perspective
- ◇ Providing Training



Message from the City Auditor

The Forensic Investigative Division (FID) was officially named in 2014, but investigative activities have been the duty of the Office of the City Auditor (OCA) since its inception. FID is responsible for investigating potential fraudulent activities that occur in the City of Virginia Beach that are perpetrated by employees, vendors, or contractors. The Fraud, Waste and Abuse Prevention and Reporting Program is designed to ensure that dishonesty, theft and fraud are handled carefully and expeditiously. FID ensures the City’s reputation is maintained and that a strong system of internal controls is in place to prevent, detect and deter fraud.

The program has a 24/7 confidential hotline and online process for employees and citizens to report suspected fraudulent activities.

This report details FID’s activity during FY 19. It will highlight the measures that FID takes to ensure the City’s ethical climate is maintained. During the year, we conducted 77 investigations that led to 29 substantiated cases.

Sincerely,



Lyndon S. Remias
City Auditor

FID Team

Sharon A. Hayes, CFE,
CICA, MAFM Forensic Audit
Manager

Daniel Rinehart, CIA,
Investigator

Bobbie Beddow, Office
Assistant

Patrick Pearce, Office
Assistant

**To Report
Fraudulent Activities
HOTLINE:
757-468-3330**

FY 19 Investigation Statistics

| | | | |
|-------------------------------------------|-----------|-----------|--------------------|
| Allegations received, year-to-date | | | 75 |
| Open | 11 | | |
| Open Referred | 2 | | |
| Closed | 51 | | |
| Closed Referred | 11 | | |
| Substantiated | | 27 | |
| Unsubstantiated | | 35 | |
| In Progress | | 13 | |
| Inquiries received, year-to-date | | | 22 |
| Recoveries—FY19 | | | \$32,944.01 |

State and City Code Sections Related to Conducting Fraud, Waste & Abuse Investigations

State Code: §15.2-2511.2 - Duties of Local Government Auditors

B. "Any fraud, waste, and abuse auditor appointed by the local governing body of any county, city, or town having a population of at least 10,000, or any town constituting a separate school division regardless of its population, who by charter, ordinance, or statute has responsibility for conducting an investigation of any officer, department or program of such body, shall be responsible for administering a telephone hotline, and a website, if cost-effective, through which employees and residents of the locality may report anonymously an incidence of fraud, waste, or abuse committed by any such officer, or within any such department or program, of that body. Such auditor may inform employees of the locality of the hotline and website, if any, and the conditions of anonymity, through the conspicuous posting of announcements in the locality's personnel newsletters, articles in local newspapers issued daily or regularly at average intervals, hotline posters on local employee bulletin boards, periodic messages on local employee payroll check stubs, or other reasonable efforts."

City Code of Ordinances: Chapter 2, Article XXVIII – Office of the City Auditor

Sec. 2-466 (g) —Powers and duties; scope of audits

The city auditor shall have authority to conduct financial and performance audits of departments, offices, boards, activities, agencies, programs, and systems of the entity to independently and objectively determine, depending on the scope and type of audit, whether:

(g) Indications of fraud, waste, and abuse are valid and need further investigation.

| ORGANIZATIONAL VALUES | CODE OF ETHICS |
|----------------------------------------|-------------------------------|
| <u>QUALITY CUSTOMER SERVICE</u> | <u>INTEGRITY</u> |
| <u>TEAMWORK</u> | <u>ACCOUNTABILITY</u> |
| <u>LEADERSHIP AND LEARNING</u> | <u>RESPECT</u> |
| <u>INTEGRITY</u> | <u>PROFESSIONALISM</u> |
| <u>COMMITMENT</u> | <u>CITIZENSHIP</u> |
| <u>INCLUSION AND DIVERSITY</u> | |

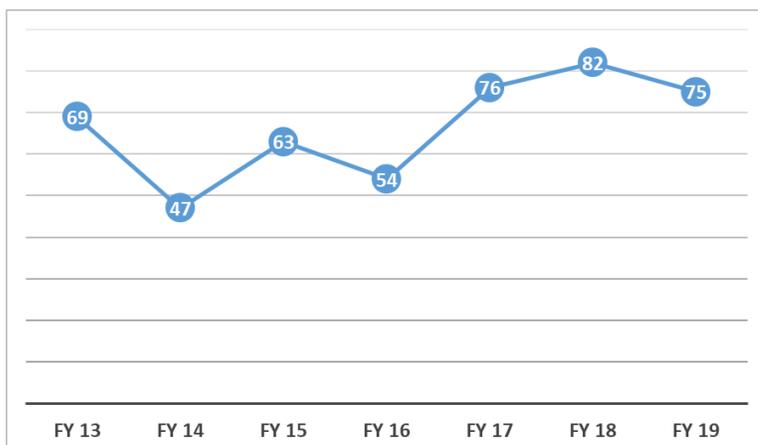
Summary of Substantiated Cases

The table below summarizes the substantiated investigations completed in FY19. Since the Office of the City Auditor obtained this information in confidence, specific details cannot be released in order to maintain confidentiality and anonymity. The Office of the City Auditor determines if a report is necessary for each specific substantiated case. If a report is necessary, a synopsis of the report is provided to City Council and the Audit Committee.

| | Allegation: | Findings and Actions Taken: |
|----|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Misuse of City Time | While under surveillance, an employee left significantly early on various days. The employee turned in a leave slip for only one of those days. The employee was made to pay back the time missed. The supervisor was counseled that they need to ensure the employee works regularly scheduled hours unless authorized. |
| 2 | Falsification of Documents | The employee submitted a false transcript on their job application. Pending termination, the employee resigned. |
| 3 | Misuse of City Time | The employee was absent and/or tardy on twelve different occasions during a span of two and a half weeks. The employee also refused to follow tasks from the supervisor. The employee was terminated. |
| 4 | Falsification of Documents | The employee falsified their timesheet for several pay periods and supervisor knowingly approved. The employee was terminated and pending discipline the supervisor resigned. |
| 5 | Falsification of Documents | The employee lied about living in Hurricane Zone A and was out of work under false pretenses for two days. The employee is designated Alpha I and was required to be at work regardless of their zone location. Upon returning to work, the supervisor attempted to speak with the employee, and the employee walked off the job. The employee refused to meet with the Office of the City Auditor, which is a violation of Administrative Directive 1.16. The employee received a 10-day (80-hour) suspension. |
| 6 | Embezzlement | The employee used City funds totaling up to at least \$57,162.56 over a four-year period to pay for personal expenses and entertainment. The employee created a hostile work environment and ostracized several employees. Pending termination, the employee resigned. This case is pending legal action in the court system. |
| 7 | Falsification of Documents | The contracted employee falsified documents and received rent money from the City totaling \$1,869.46. The contracted employee no longer works for the City, and was required to reimburse the City for the full amount. The case was turned over to the Police for further investigation. |
| 8 | Falsification of Documents | The employee falsified a client's medication administration record. The employee was terminated. |
| 9 | Policies & Procedures Issues | The employee attended and helped to organize a political event on City time. The employee was counseled on the violation of City policy. |
| 10 | Falsification of Documents | The supervisor and three employees altered the uniform order sheet of a terminated employee to obtain additional uniforms for themselves. Pending termination, the supervisor resigned. One of the employees received a five-day suspension, and the other two employees received a three-day suspension. All parties involved were required to reimburse the City for the costs. |
| 11 | Misuse of City Time | This case was referred to Virginia Beach Schools, who conducted the investigation and notified the appropriate parties. Virginia Beach Schools issued a confidential report to their Audit Committee in accordance with applicable School Board policy and regulations. |
| 12 | Misuse of Family Medical Leave (FML) | The employee was working a secondary job while out on FML from their City job. The employee's FML prohibited them from working any type of job during that timeframe. The employee resigned. |
| 13 | Misuse of City Time/ Equipment | The employee used a City vehicle while on City time to run personal errands. The employee also occasionally borrowed money from coworkers. The employee was counseled on not using a City vehicle for personal business and about being professional in the workplace. |
| 14 | Misuse of City Time | Six employees were driving around in City vehicles and wasting time instead of taking the most efficient route from work site to work site. The amount of time wasted varied from employee to employee. One employee received a four day suspension. The other five employees each received a three day suspension. |
| 15 | Financial Irregularities | Over a three month period, there were two weeks where the employee did not work the required 40-hour work week. There were also eight instances where the employee did not submit leave to cover their absences. In total, the employee had 45 hours that could not be accounted for. The employee reimbursed the City \$1,993.05 and was given an 80-hour suspension. The suspension was overturned by the Personnel Board. |

| | Allegation: | Findings and Actions Taken: |
|----|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 16 | Financial Irregularities | There was a shortage in a change fund till. The employee who was responsible for the till left their post unattended to deal with a separate issue when the money went missing. It could not be proven that the employee took the funds. Counseling was provided to the employee. |
| 17 | Falsification of Documents | The employee was writing reports for another employee, who would then sign the reports as if they had done the work themselves. Before the completion of the investigation both of the employees resigned. |
| 18 | Falsification of Documents | The employee falsified their timesheet. Pending termination, the employee resigned. |
| 19 | Misuse of City Time | The employee left the premises for a meeting and did not return to work after the meeting. The employee filled out their timesheet notating that they had worked a full day. The employee received a two week suspension. |
| 20 | Falsification of Documents | The employee falsified their timesheets. The employee was terminated. |
| 21 | Human Resource Issues/ Misuse of City Time | The contracted employee was bullying and harassing other staff members. The contracted employee was terminated. The City employee was regularly arriving to work late with the understanding that there was a "grace period" for doing so. The City employee was counseled. |
| 22 | Falsification of Documents | The employee cut and pasted documentation from other worker's notes into their own notes to make it appear they completed assigned work. The employee also failed to fully document cases and make client visits in a timely manner. Pending discipline, the employee resigned. |
| 23 | Inappropriate Expenditures | The employee used a City procurement card to make a personal purchase. Pending discipline, the employee resigned. The purchase was ultimately canceled. |
| 24 | Falsification of Documents | The employee falsified their timesheet. The employee was terminated. |
| 25 | Falsification of Documents | The employee falsified their timesheet. Pending termination, the employee resigned. |
| 26 | Falsification of Documents | The employee falsified their timesheet. In addition, the employee was teleworking all day at a remote location, which is not allowed by the department. The employee received a two day suspension. |
| 27 | Misuse of City Time | The crew, which included a supervisor and two employees, misused city time by having lengthy stops at work sites without completing work but just to waste time. This was done at the direction of the supervisor. The two employees raised concerns with the supervisor but did not report it to anyone else. Pending termination, the supervisor resigned. Counseling was provided to the two employees. |

Trend Analysis of Investigations from FY 13 – FY 19



Below are the actual number of cases for the respective fiscal years

FY13 - 69 Cases

FY14 - 47 Cases

FY15 - 63 Cases

FY16 - 54 Cases

FY17 - 76 Cases

FY18 - 82 Cases

FY19 - 75 Cases

The Forensic Audit Manager's Perspective

We have come to the end of another fiscal year and we cannot avoid the issue that this has been a year full of unexpected events. Although we have faced some old and new challenges, we have stayed the course of providing our City with the best possible assurance that the resources that they have invested in our City are safeguarded. As with previous year's perspectives, once again we have to be the beacon for the City and remind them that they must stay watchful and diligent in ensuring that our City resources are protected.

Let's spend a moment on talking about resources. What are resources? In accordance with the dictionary, "resources are supplies, funds, materials and employees that are used in order to make an organization run effectively." Yes, it said employees! Do you understand that you are an asset to the City? Without you we could not run effectively. That's why it is important that you complete your assignments with the upmost skills, knowledge and abilities possible. WE NEED YOU!

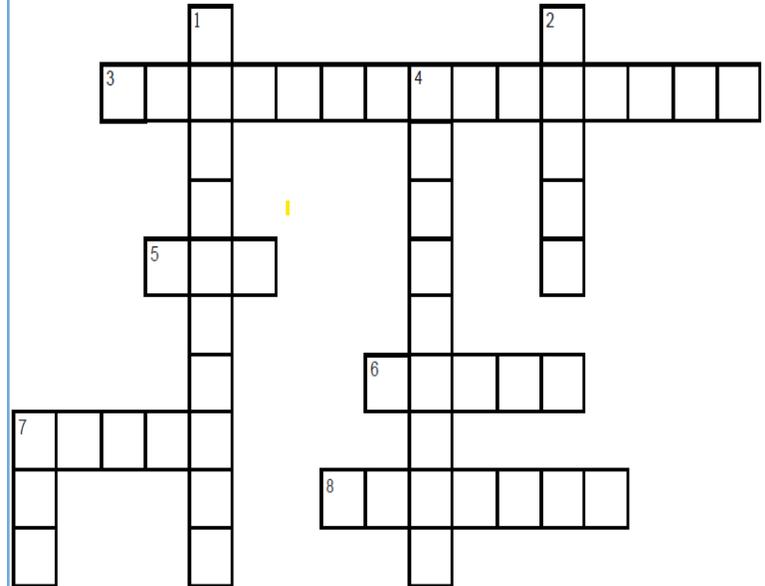
How does this connect with this perspective? Well part of your ability is sensing when something is not operating effectively. The best thing to do is ask questions. There may be a reason why and you just might not know, but by you asking, you might be preventing something from happening. You have to remember that it is your responsibility to prevent fraud and unethical behaviors from going undetected. Once again, WE NEED YOU!

In conclusion, although we have faced so many challenges this year, let the record show that we have remained strong because of people like you and our citizens. When we work together, we become a force to be reckoned with. As a City, we have faced these challenges and will continue to face them because we have embraced the understanding that WE NEED YOU!

We thank you for your time, resources, efforts and most of all service. As we state every year, if you need our assistance, please don't hesitate to give us a call. Don't wait until something happens, call us before it happens so that the outcome will result in a better ending. We are proud to serve.



Crosswords



ACROSS

- 3 ORGANIZATIONAL ETHIC
- 5 DIV OF CITY AUDITORS OFFICE
- 6 SPOT IT, STOP IT
- 7 MISUSE
- 8 WHAT YOU GOING TO CALL

DOWN

- 1 ORGANIZATIONAL VALUE
- 2 CARELESSLY
- 4 MORAL PRINCIPLE
- 7 VEHICLE TRACKING DEVICE

For answers email BBeddow@vbgov.com

The words for this crossword can be found in this report. The definitions are clues!

Fraud Prevention and Awareness – Outreach and Training Provided

| | |
|-------------------------------------------------|-----------------------------------------------------------------------------------------|
| Lyndon S. Remias , City Auditor | Parks & Recreation (3) |
| Sharon A. Hayes , Forensic Audit Manager | Parks & Recreation (3), Public Utilities, Public Works Leadership, Building Maintenance |
| Daniel A. Rinehart , Investigator | Public Utilities, Building Maintenance |

- As of June 2019, **10,713** members have received the City's Integrity Connection training. There have been several campaigns marketing the programs message; members are provided with personal Integrity Connection cards to keep and a hotline where they can report suspected fraudulent activities.
- Sharon Hayes gave a presentation on the Ethics Steering Committee at the DLM meeting in April.

What's New: The Office of the City Auditor (OCA) now offers Automated Vehicle Locating (AVL) training to help prevent fraud, waste and abuse. Most City vehicles are equipped with AVL tracking devices that show where the vehicle is located at all times. The OCA is willing to provide training to any department that requests it. For more information, please call the Office of the City Auditor at **757-385-5870**.