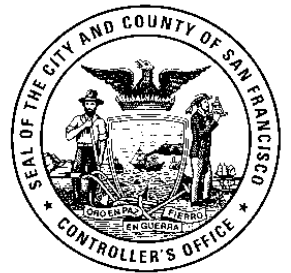


# Whistleblower Program Annual Report and Quarter 4 Results, Fiscal Year 2018-19



**September 26, 2019**  
City & County of San Francisco  
Office of the Controller  
City Services Auditor

## About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the San Francisco Charter that was approved by voters in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

### Whistleblower Program Team:

Steve Flaherty, *Assistant Director*  
Dave Jensen, *Supervising Investigator*  
Steven Muñoz, *Senior Investigator*  
Tiffany Wong, *Senior Investigator*  
Nicholas Moore, *Staff Investigator*  
Matthew Thomas, *Staff Investigator*  
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For more information please contact:

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City and County of San Francisco  
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<http://sfcontroller.org/whistleblower-program>



<http://www.sfcontroller.org>



@sfcontroller



<https://www.linkedin.com/company/sfaudits/>

## Whistleblower Program Authority

CSA conducts investigations under the authority of the San Francisco Charter, Appendix F, which requires that CSA receive individual complaints concerning the quality and delivery of government services, wasteful and inefficient city government practices, the misuse of city government funds, and improper activities by city government officers and employees.

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# Executive Summary

## INVESTIGATION HIGHLIGHTS

The Whistleblower Program received 151 new reports in Quarter 4, bringing the fiscal year 2018-19 total to 502 reports received.

- The 151 reports received in Quarter 4 is the highest quarterly total in this fiscal year and is 54 percent more than the number of reports received in the same quarter last fiscal year.
- The Whistleblower Program has received more reports each year since fiscal year 2012-13.

The Whistleblower Program closed 493 reports in fiscal year 2018-19 and did so in an average of 59 days.

- The program closed 406 (82 percent) of the 493 reports within 90 days of receipt.
- Of the 493 reports closed, more than half (256, or 52 percent) reached closure after an investigation.
- Of the 256 investigations closed, 102 (40 percent) resulted in a department taking a corrective or preventive action.
- The Whistleblower Program substantiated a diverse and complex set of allegations, including those concerning the falsification of time and attendance records, misuse of city resources, unreported additional employment, and a contractor backdating client files.<sup>1</sup>

To continue to manage the sustained, high number of reports received, the program has a multidisciplinary team that collectively possesses the experience and expertise to address the diverse range of allegations received. Having the program as the City's central point for report intake ensures systemic issues and risk trends can be identified in a timely manner, so that city management can address them.

## FISCAL YEAR 2018-19 OUTREACH AND EDUCATION HIGHLIGHTS

The Whistleblower Program publishes fraud bulletins to educate employees on the red flags associated with costly occupational frauds. In fiscal year 2018-19 the program issued bulletins on [construction materials fraud](#), [supply chain fraud](#), [incompatible activities](#), and [overtime abuse](#).<sup>2</sup>

The Whistleblower Program also hosts webinars to promote leading fraud hotline operational practices and effective investigation techniques to jurisdictions throughout the United States. In fiscal year 2018-19 the program hosted a webinar on [Lessons From a Fraud Investigation](#) and a [Fraud Hotline and Investigations Panel](#) with speakers from the City of San Diego, the City of Austin (Texas), and Multnomah County (Oregon).

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<sup>1</sup> The department involved with the contractor that backdated client files is seeking to recoup \$52,898 in grant funds for the incorrect documentation.

<sup>2</sup> Fiscal year 2018-19 bulletins can be found at the end of this report.

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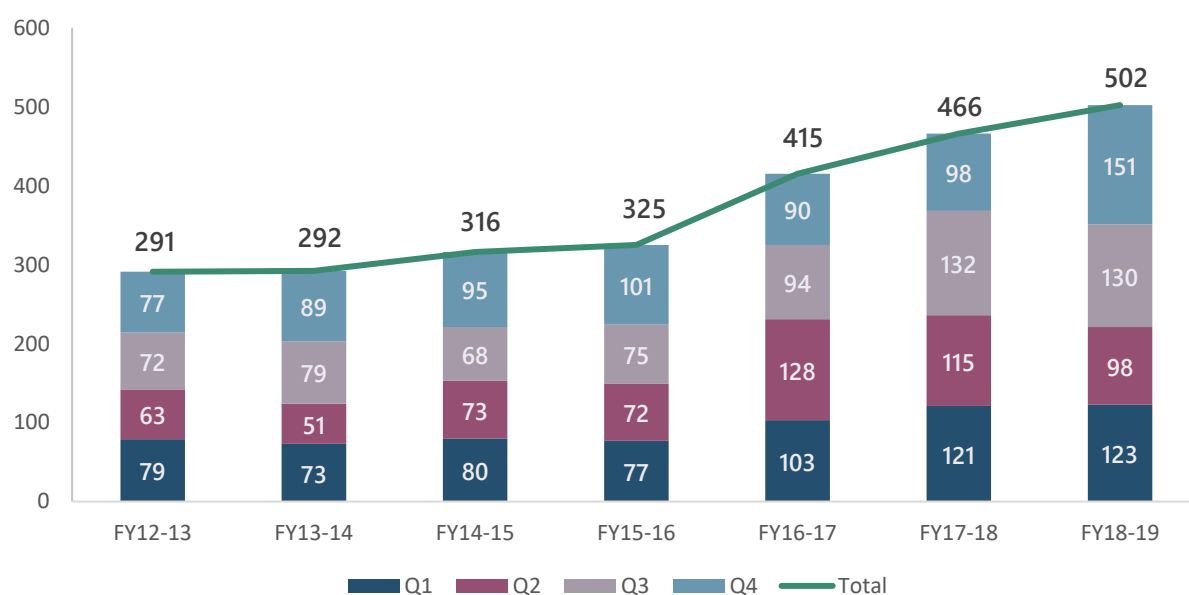
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# Fiscal Year 2018-19 – Key Statistics

## REPORT VOLUME

The Whistleblower Program received 502 new reports in fiscal year 2018-19, an 8 percent increase from the previous fiscal year. Exhibit 1 summarizes the program's receipt of new reports, by quarter, since fiscal year 2012-13.

**Exhibit 1- Reports Received by Quarter**







The Whistleblower Program has received more reports each year since fiscal year 2012-13. The rising number of reports received in recent years cannot be attributed to just one factor. To continue to manage the sustained, high number of reports received, the program has a multidisciplinary team that collectively possesses the experience and expertise to address the diverse range of allegations received.

## REPORT INTAKE CHANNEL

**Of the 502 reports filed in fiscal year 2018-19, over three-quarters (424, or 84 percent) came through the Whistleblower Program's website.** The Whistleblower Program is available to anyone, including employees of the City and County of San Francisco (City). Multiple intake channels ensure the program is readily accessible to potential reporters and available to them in a manner with which they are comfortable. **The majority (351, or 70 percent) of reporters filed their reports anonymously.**

Exhibit 2 summarizes reporters' use of various channels to file reports with the Whistleblower Program.

### Exhibit 2 – 424 of the 502 Reports Received in Fiscal Year 2018-19 Came Through the Website

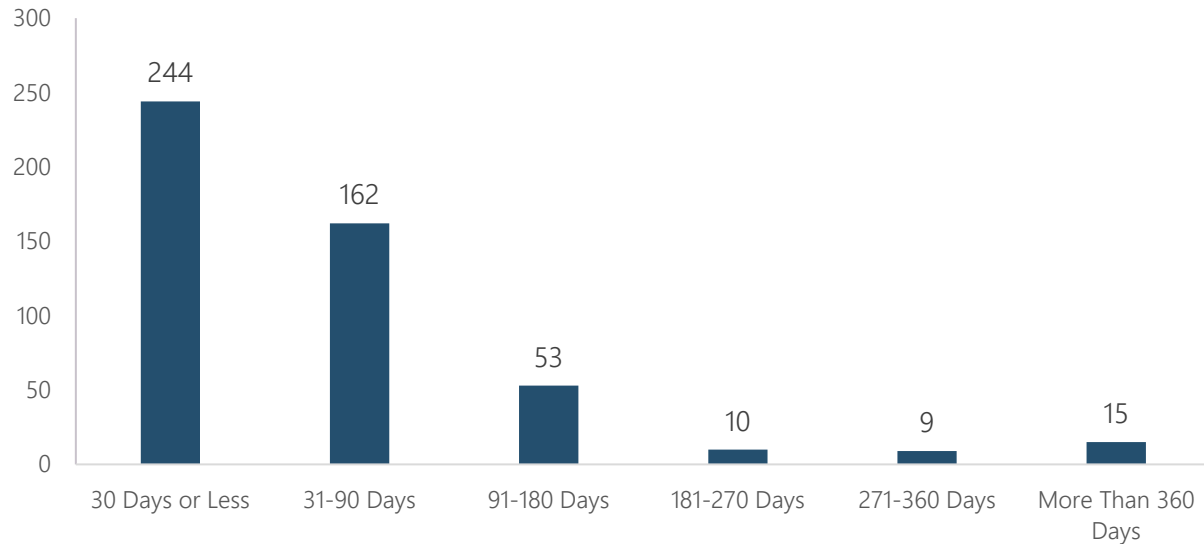
Channel	Reports Filed		Reports Filed Anonymously	
 Online	424	84%	304	61%
 Mail	43	9%	35	7%
 E-mail	17	3%	5	1%
 Phone	15	3%	5	1%
<b>Other</b> (Fax and Walk-In)	3	1%	2	-
<b>Total</b>	<b>502</b>	<b>100%</b>	<b>351</b>	<b>70%</b>

Regardless of the reporting channel used, each report is assigned a unique tracking number and is systematically reviewed so it can be resolved as efficiently and effectively as possible. Having the Whistleblower Program as the City's central point for report intake ensures that systemic issues and risk trends are identified promptly so that city management can address them.

## REPORT CLOSURE TIME

**The Whistleblower Program closed 493 reports in fiscal year 2018-19 and did so in an average of 59 days.** The program closed 406 (82 percent) of the 493 reports within 90 days of receipt, achieving its goal to close at least 80 percent of all reports within 90 days. Exhibit 3 shows the age of reports that were closed in fiscal year 2018-19.

**Exhibit 3 - 82 Percent of Reports Closed in Fiscal Year 2018-19 Were Closed Within 90 Days**



If reports are not resolved in a timely manner, reporters may conclude that their allegations are not being taken seriously. However, there are several factors that can influence report closure time, including:

- The complexity of the report's allegations.
- The number of allegations made in the report.
- The availability of corroborating witnesses and evidence.

**The Whistleblower Program uses a co-sourced investigation model to resolve reports.**

Whistleblower Program staff leads certain investigations, whereas others may be referred to another city department involved in the allegation or with jurisdictional oversight for investigation and response. Coordinating with other departments uses the expertise of all involved and leverages resources to ensure allegations are resolved in a timely manner. Management of the department associated with the report must respond to the Whistleblower Program on any action(s) taken in response.

## DISPOSITION OF CLOSED REPORTS

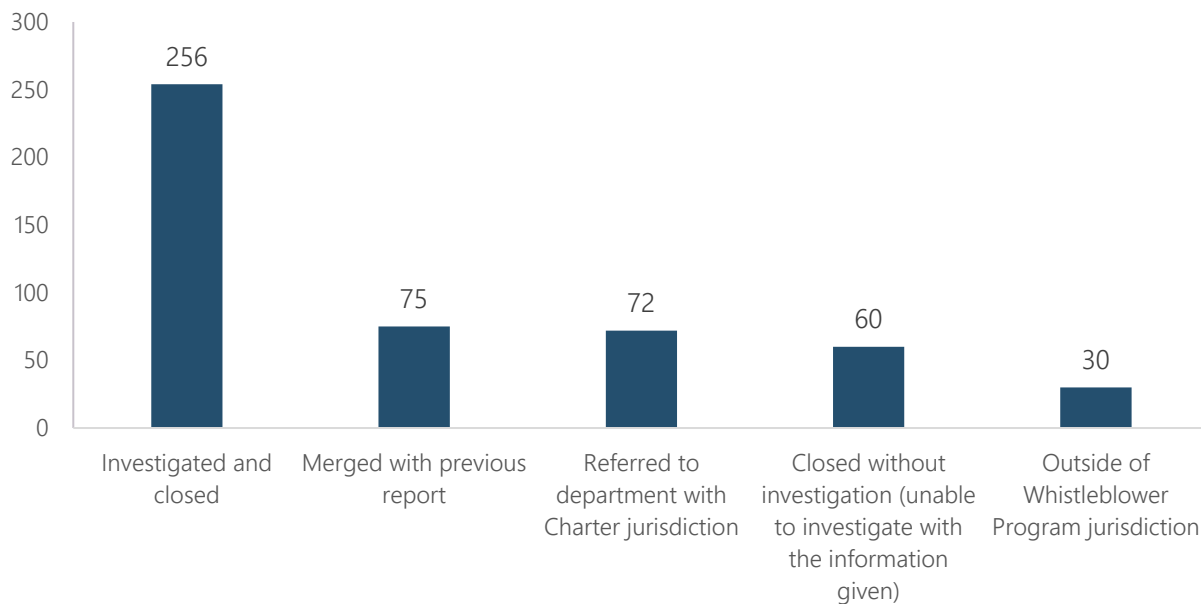
**Of the 493 reports closed, nearly half (256, or 52 percent) reached closure after an investigation.** Investigation includes research and other preliminary information developed in determining whether a full investigation is warranted or possible.

The remaining 237 closed reports (48 percent) were categorized as follows:

- Referred to another department with Charter jurisdiction. Reporter was referred to the city department with Charter-granted jurisdiction over the alleged issue.
- Closed without investigation. Reporter provided insufficient information to investigate. For example, no indication of department, employee(s) involved, or vehicle number was given.
- Merged with previous report. Reporter provided information for a matter that is already under investigation or that the Whistleblower Program previously investigated.
- Outside of jurisdiction. The alleged issue falls within the jurisdiction of a federal, state, or other noncity government agency or is a suggestion or general report about decisions that are within management's discretion. The Whistleblower Program will advise reporters to file such reports with another fraud hotline program, where one is available and appropriate.

Exhibit 4 summarizes the disposition of the 493 reports closed in fiscal year 2018-19.<sup>3</sup>

### Exhibit 4 - 256 of the 493 Reports Closed in Fiscal Year 2018-19 Were Investigated



<sup>3</sup> The Quarter 2 and Quarter 3 reports each miscategorized a report that was "Investigated and closed" as "Information requested and provided." One of the two investigations was substantiated and is summarized on page 15 of this report.



## REPORTS INVESTIGATED AND CLOSED, BY DEPARTMENT

**The Whistleblower Program investigated and closed 256 reports in fiscal year 2018-19.** The vast majority (236, or 92 percent), of the investigations occurred at city departments with more than 200 authorized full-time equivalent (FTE) positions. Exhibit 5 summarizes the number of reports investigated and closed at these departments.

**Exhibit 5 – Reports Investigated and Closed in Fiscal Year 2018-19, by Department**

Department	Number of Reports <sup>a</sup>					Number of Reports as a % of Total Investigated and Closed	Budgeted FTE Positions as a % of Total Workforce <sup>b</sup>
	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total		
Department of Public Health	21	12	12	20	65	25.39%	20.77%
Municipal Transportation Agency	9	9	16	7	41	16.02%	17.36%
Police Department	-	2	-	-	2	0.78%	8.68%
Public Utilities Commission	4	5	4	1	14	5.47%	6.85%
Human Services Agency	5	6	5	5	21	8.20%	6.46%
Fire Department	4	-	2	4	10	3.91%	5.36%
Airport Commission	1	2	1	3	7	2.73%	5.19%
Public Works	3	10	8	6	27	10.55%	4.63%
Sheriff's Department	-	-	8	11	19	7.42%	3.13%
Recreation & Park Department	-	2	4	1	7	2.73%	2.97%
City Administrator	1	1	-	5	7	2.73%	2.50%
Public Library	-	2	2	-	4	1.56%	2.04%
City Attorney	-	-	1	-	1	0.39%	0.90%
Department Building Inspection	2	-	-	1	3	1.17%	0.88%
District Attorney	-	-	-	-	-	0.00%	0.87%
Port	-	1	-	1	2	0.78%	0.85%
Controller's Office	-	1	-	-	1	0.39%	0.83%
Emergency Management	1	-	2	-	3	1.17%	0.83%
Department of Technology	-	-	-	-	-	0.00%	0.77%
Juvenile Probation	-	-	-	-	-	0.00%	0.71%
Planning Commission	-	-	-	-	-	0.00%	0.66%
Office of the Treasurer & Tax Collector	-	-	1	-	1	0.39%	0.64%
Human Resources	-	1	-	-	1	0.39%	0.62%
All Others <sup>c</sup>	4	5	6	5	20	7.81%	5.49%
<b>Total</b>	<b>55</b>	<b>59</b>	<b>72</b>	<b>70</b>	<b>256</b>	<b>100.00% <sup>d</sup></b>	<b>100.00% <sup>d</sup></b>

**Notes:**

<sup>a</sup> See Exhibit 4 for the disposition of all reports closed in the fiscal year, including those referred to another department with jurisdiction over the alleged issue per the Charter and those closed because they had insufficient information to investigate, were merged with another report, or concerned alleged matters outside the City's jurisdiction.

<sup>b</sup> The City had 37,132 authorized FTE positions in fiscal year 2018-19 (City and County of San Francisco, *Salary Ordinance for Fiscal Year Ending June 30, 2019, and Fiscal Year Ending June 30, 2020*).

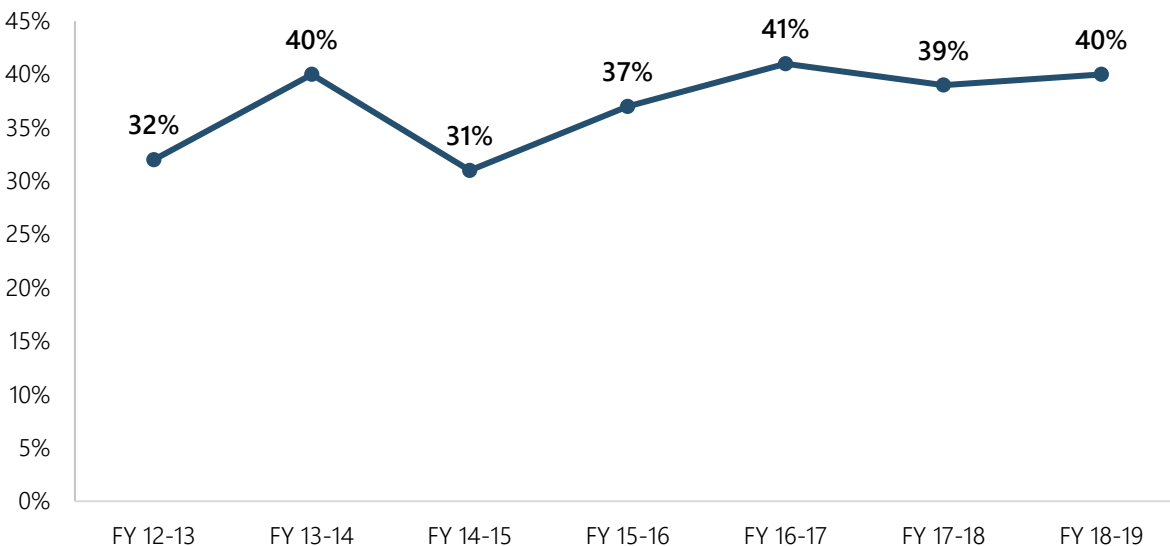
<sup>c</sup> Includes reports investigated and closed at departments with fewer than 200 authorized FTE positions. The names of these departments are excluded from this table to protect the confidentiality of those who reported.

<sup>d</sup> Rounded to nearest whole number.

## REPORT OUTCOMES

**Of the 256 investigations closed in fiscal year 2018-19, 103 (40 percent) resulted in a department taking a corrective or preventive action.** Exhibit 6 shows the percentage of investigated reports that resulted in a corrective or preventive action since fiscal year 2012-13.

**Exhibit 6 - Percentage of Investigated Reports That Resulted in Corrective or Preventive Action**



A high substantiation rate is achieved when well-informed reporters make high-quality reports that are effectively investigated. The Whistleblower Program increased its efforts to educate employees on matters appropriate for investigation by publishing bulletins to make employees aware of the red flags associated with costly occupational frauds. In fiscal year 2018-19 the program issued a bulletins on [construction materials fraud](#), [supply chain fraud](#), [incompatible activities](#), and [overtime abuse](#).

The Whistleblower Program focuses on investigative excellence by collaborating with other jurisdictions to host fraud hotline webinars. In fiscal year 2018-19 the program hosted webinars on [Lessons From a Fraud Investigation](#) and a [Fraud Hotline and Investigations Panel](#) featuring presenters from the City of San Diego, the City of Austin (Texas), and Multnomah County (Oregon). Such webinars promote leading fraud hotline operational practices and effective investigation techniques to jurisdictions throughout the United States.

The Whistleblower Program receives and tracks information on the corrective and preventive actions taken by departments in response to reports. Some reports may involve multiple subjects or contain multiple allegations. Thus, a report may have multiple outcomes.

Exhibit 7 shows the 150 corrective or preventive actions taken by departments in response to report investigations in fiscal year 2018-19.

### Exhibit 7 – Report Outcomes in Fiscal Year 2018-19

Action Taken	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Personnel Action					
Employee Counseled (Verbal/Written Warning)	11	10	17	14	52
Personnel Action Pending	4	3	5	2	14
Employee Terminated	2	-	-	-	2
Employee Resigned During Investigation	-	2	2	2	6
Employee Suspended	-	-	-	-	-
Other Corrective Action*	9	9	11	11	40
Procedures Changed/Reinforced	9	7	16	2	34
Restitution/Repayment	2	-	-	-	2
<b>Total</b>	<b>37</b>	<b>31</b>	<b>51</b>	<b>31</b>	<b>150</b>

\* Note *Other Corrective Action* generally includes nonpersonnel corrective actions. Examples include completing a request for additional employment documentation, making employees sign an acknowledgement of receipt of policies, and amending a statement of economic interests.

## REPORT REFERRALS

The Whistleblower Program refers reports to other city departments for appropriate action when they have Charter-granted jurisdiction over the issue.<sup>4</sup> Exhibit 8 shows for fiscal year 2018-19 the number of reports referred to other departments with Charter-granted jurisdiction over the topic of the report.

### Exhibit 8 – Reports Referred to Another Department in Fiscal Year 2018-19, by Quarter

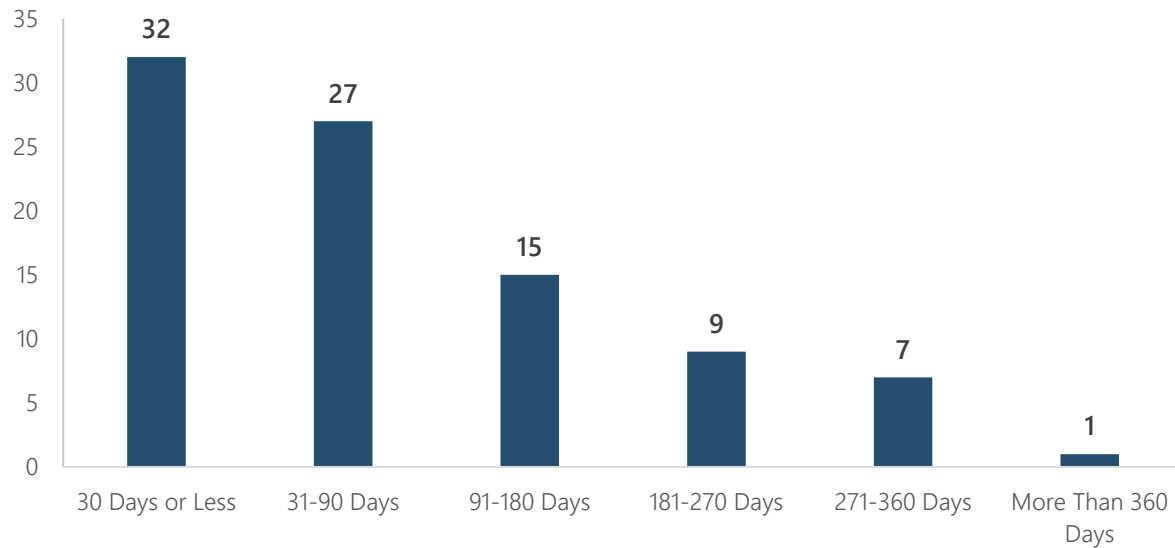
Department	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Building Inspection	2	2	-	-	4
City Attorney	5	-	1	1	7
Civil Service	6	1	12	2	21
District Attorney	2	1	1	1	5
Ethics	1	-	2	4	7
Housing Authority	-	1	-	-	1
Human Resources	5	4	5	1	15
Human Rights	-	-	1	-	1
Human Services	-	-	1	-	1
Labor Standards and Enforcement	1	1	-	-	2
Police	-	-	1	-	1
Police Accountability	-	2	-	-	2
Public Health	-	1	1	1	3
Public Works	-	-	1	-	1
Unified School District	-	-	-	1	1
<b>Total Referred Reports</b>	<b>22</b>	<b>13</b>	<b>26</b>	<b>11</b>	<b>72</b>

<sup>4</sup> San Francisco Campaign and Governmental Conduct Code, Article IV, Section 4.107(b)

## REPORTS OPEN ON JUNE 30, 2019

Of the 91 reports open on June 30, 2019, the majority (59, or 65 percent) were 90 days old or less at that time. Exhibit 9 shows the age of reports open on June 30, 2019.

**Exhibit 9 - 59 of the 91 Reports Open on June 30<sup>th</sup> Were 90 Days Old or Less**



The Whistleblower Program examines the factors that delay report closure and, in some cases, works with departments' leadership to address these issues. The Whistleblower Program has focused on training departmental staff responsible for investigating reports to standardize the investigation processes used, increase the investigative skillsets of these employees, and ensure they have a uniform understanding of the responsibilities entrusted to them to carry out Whistleblower Program investigations.

## WHISTLEBLOWER RETALIATION

**Retaliation against whistleblowers is illegal.** That is, no city officer or employee may terminate, demote, suspend, or take other similar adverse employment action against a city officer or employee because that person has in good faith filed a report alleging that a city officer or employee engaged in improper governmental activity. **The Ethics Commission is the department responsible for investigating reports alleging whistleblower retaliation.**<sup>5</sup>

Exhibit 10 summarizes the results reported by the City’s Ethics Commission, including that 13 retaliation reports (9 related to the Whistleblower Program) were open on June 30, 2019, and the number of retaliation reports the Ethics Commission received, closed, and sustained in Quarter 4.

### Exhibit 10 - Whistleblower Retaliation Reports Received and Closed by the Ethics Commission in Quarter 4

Retaliation Reports With the Ethics Commission	All Retaliation Reports	Retaliation Reports Related to the Whistleblower Program
Open on April 1, 2019	13	10
Received	4	-
Closed	4	1
Sustained (of those closed)	-	-
Open on June 30, 2019	13	9

Source: Ethics Commission

The Ethics Commission did not sustain any retaliation allegations in Quarter 4. To establish retaliation, a reporter must demonstrate by a preponderance of the evidence that the reporter’s engagement in a protected activity was a substantial motivating factor for an adverse employment action.

The Ethics Commission’s [website](#) has more information on retaliation protections, retaliation report investigations, and available remedies in the event retaliation occurred.

<sup>5</sup> San Francisco Campaign and Governmental Conduct Code, Article IV, Section 4.115(a)

# Investigation Results

Investigations highlighted in this section, by quarter, resulted in a department taking some corrective or preventive action. The diversity of these allegations and resolutions demonstrates the breadth and complexity of the Whistleblower Program's investigative work.

A complete list of reports published in previous reporting periods can be found on the [Whistleblower Program Summary Reports](#) page.

## QUARTER 4 INVESTIGATION HIGHLIGHTS

Allegation	Resolution Based on Investigation
An employee falsifies their time and attendance records and uses a city e-mail account for personal communication. This behavior was reported to the employee's supervisors, but no action was taken.	The investigation substantiated that the employee modified timesheets after they should have been final, pre-signed timesheets with incorrect shift-end times recorded, used their city e-mail account for personal communication, and took extended lunch breaks without recording the extra time as leave. The investigation also substantiated that some or all of this behavior had been reported to management, and previous directors were aware of this falsification but did not act to correct or end it. Personnel action is pending.
An employee closed a work location early and allowed staff there to be paid for their regularly scheduled work hours.	The investigation substantiated that an employee closed the work location early and allowed employees to work eight hours without a break so they could work a full shift and leave earlier than they would if they had taken the required lunch break. The department counseled the employee and their supervisor on time and attendance policies, including required breaks, and required the employee's supervisor to develop a contingency plan to address unforeseen staffing shortages.
Two employees falsify time and attendance records. Their supervisor is aware of this falsification but promoted both employees.	The investigation did not substantiate that the employees falsified their time and attendance records but did substantiate that one of the employees had unreported additional employment. The employee retired before the department could take corrective action. Further, the investigation found that the two employees had beds in their offices. The department removed the beds.

## QUARTER 3 INVESTIGATION HIGHLIGHTS

Allegation	Resolution Based on Investigation
<p>An employee records, but does not work, a full 40-hour work week, and is not qualified to supervise their staff.</p>	<p>The investigation did not substantiate that the employee falsified their time and attendance records. However, the employee's actual work hours and work schedule did not match. The employee's supervisor and timekeeper were unaware of the employee's schedule and did not verify the employee's work hours in the payroll system before submitting and approving them. Further, the employee's time and attendance records contain irregularities, including unsigned and undated alterations, use of correction fluid, inaccurate recording of standby hours, and incorrect calculations of hours worked. These irregularities occurred because the employee inaccurately reported their time, and neither the supervisor nor timekeeper verified the employee's time and attendance records. Corrective action is pending.</p>
<p>A city contractor violated its grant agreement by hiring multiple family members, falsified time billed to the contract, and used a grant-funded vehicle for personal transportation.</p>	<p>The investigation substantiated that the contractor permitted its employees to hire their relatives without receiving authorization from the contracting department. The investigation did not substantiate that the contractor falsified time billed under the contract or used a grant-funded vehicle for personal transportation. The department issued a memorandum to its contractors reminding them of their relevant contractual obligations.</p>
<p>Employees collect, categorize, and store blood samples in a manner that does not adhere to industry standard procedures and practices.</p>	<p>The investigation substantiated that employees did not follow industry standard procedures and practices. The department instituted new policies and revised protocols to help ensure employees adhere to professional standards for handling blood samples.</p>
<p>An employee falsifies time and attendance to perform their unreported additional employment.</p>	<p>The investigation substantiated that the employee had additional, unreported full-time employment that overlapped with their scheduled work hours. The employee used vacation and sick leave to fulfill their additional employment. Corrective action is pending.</p>

## QUARTER 2 INVESTIGATION HIGHLIGHTS

Allegation	Resolution Based on Investigation
<p>An employee used a city-provided pass to attend a festival on a nonwork day. The employee was to use the pass only to conduct official duties on a workday.</p>	<p>The investigation substantiated that the employee used the festival pass on a day off and gave another city-issued festival pass to a family member. Corrective action is pending.</p>
<p>A contractor used a subcontractor to perform work under the contractor's city contract, which violates its terms.</p>	<p>The investigation determined that the contract does not explicitly allow the contractor to subcontract for the services the City hired the contractor to provide. The department did not provide the required written approval of the subcontract, and there is no documentation that the subcontractor was selected through the city-required competitive solicitation process. Corrective action is pending.</p>
<p>An employee interfered with another department's equipment procurement to favor a supplier in which the employee has an undisclosed conflict of interest. The employee also accepted dinners from the preferred supplier's sales representatives.</p>	<p>The investigation did not substantiate that the employee interfered with the procurement process. However, the employee did accept restaurant dinners from a supplier, the total value of which may have required reporting under city rules and which presents the appearance of a conflict of interest. The department reprimanded the employee in writing, required the employee to file an amended statement of economic interests (Form 700), and instructed the employee to retake ethics training.</p>



## QUARTER 1 INVESTIGATION HIGHLIGHTS

Allegation	Resolution Based on Investigation
A contractor instructed its employees to edit client files after clients had signed documents in the files.	The investigation did not substantiate that the contractor directed its employees to inappropriately alter client files after clients had signed documents in the files. However, the department determined that some client files were backdated and lacked supporting documentation. The department seeks to recoup \$52,898 in grant funds from the contractor for the incorrect documentation and recommended the contractor establish privacy practices and create written documentation and compliance policies to safeguard against future backdating and other noncompliant practices.
An employee falsified their time and attendance records.	The investigation substantiated that the employee falsified time records to inflate the number of hours they worked. The department adjusted the employee's leave balance to reflect the time they were not at work. Also, the department changed its time-tracking process and counseled the employee's supervisor. Additional corrective action is pending.
An employee falsified their time and attendance records and instructed subordinates not to inform anyone that the employee was out of the office.	The investigation found that the employee correctly informed the department that they would be out of the office. However, due to miscommunication, a different employee incorrectly entered the time off as worked. The department developed an attendance communication policy, corrected the employee's timesheet, and recouped the \$1,114 overpaid to the employee, which was necessary because the employee did not have enough paid leave to cover the time away from work.
A contractor recorded a deceased client as a facility occupant to boost the facility's occupancy rate so the contractor could maintain city funding.	The investigation substantiated that the contractor's employees continued to record a deceased client as a facility occupant for five days after the client's death, but the contractor stated that this occurred erroneously. Moreover, the investigation determined that there was no direct financial incentive for the contractor to falsify facility occupancy rates. The contractor counseled staff and implemented new procedures.

## SUMMARY OF ALL OTHER INVESTIGATIONS RESULTING IN CORRECTIVE OR PREVENTIVE ACTION IN QUARTER 4

Investigations highlighted in this section addressed allegations that were either substantiated, in full or in part, or resulted in a department taking some corrective or preventive action in Quarter 4.

Allegation	Resolution Based on Investigation
An employee failed to follow proper cash collection protocols.	The investigation did not substantiate that the subject employee acted improperly but identified potential deficiencies in the department's protocols for handling cash and checks. Corrective action is pending.
An employee has an unreported outside job and uses city time and resources to perform this work. Also, the employee assigns most of their duties to subordinates and takes time off without providing notice.	The investigation substantiated that the subject used city resources, including a city computer and e-mail account, for personal business. The department warned the employee in writing and required the employee to submit an additional employment request form and to delete data related to the additional employment from the city computer used for this purpose. The investigation did not substantiate the other allegations.
Employees gamble on city time, use city computers to facilitate the gambling, and encourage other employees to participate. Also, the employees use a city vehicle to run personal errands. Management is aware of this behavior but does not act.	The investigation did not substantiate that the employees gambled on city time but did find that the employees used city vehicles to get coffee during breaks. The department reiterated city and departmental policies on city vehicle usage during breaks.
A supervisor favors an employee when approving overtime and leave requests and ignored complaints about the employee's work performance. Management was aware of these allegations but did not act. Also, the subordinate employee has an unreported outside job.	The investigation substantiated that the employee had unreported additional employment. The department reprimanded the employee in writing for engaging in secondary employment without approval. The employee's supervisor, who received the employee's additional employment form but did not submit it to the department's human resources unit, was issued a written reminder about the importance of following the City's Civil Service Commission Rules concerning additional employment. The department resolved the allegations of favoritism before the Whistleblower Program received the report.
An employee blocked a resident's driveway with a city vehicle.	The investigation substantiated the allegation. The employee was counseled by the department on proper parking procedures.

Allegation	Resolution Based on Investigation
An employee takes longer breaks than allowed by office policy.	The investigation did not substantiate the allegation, but the department reviewed its break policy with the employee.
An employee is unprofessional toward coworkers.	The investigation did not substantiate the allegation, but the department issued its Equal Employment Opportunity Policy to everyone in the employee's job classification and obtained signed acknowledgements.
An employee recklessly operated a city vehicle and used unprofessional language while interacting with a member of the public.	The investigation did not substantiate the reckless driving or use of derogatory language toward a member of the public, but the employee admitted to losing their composure during the interaction. The department counseled the employee on their customer service etiquette.
An employee uses a city computer for personal purposes.	The investigation substantiated that the employee used a city computer for personal purposes. The employee received a counseling letter.
Coworkers are in an undisclosed romantic relationship resulting in an uncomfortable work environment for their colleagues.	The investigation did not substantiate the allegation, but the department required the two employees to acknowledge in writing the City's policy on family and romantic relationships at work.
A supervisor makes offensive statements in the workplace, treats employees disparately, is unqualified, and allows employees to work out of their classifications.	The investigation did not substantiate the allegations, but the supervisor was counseled and acknowledged in writing receipt of the City's policies on equal employment opportunity and respectful treatment of coworkers and members of the public.
An employee leaves work early daily.	The investigation found inconsistencies in the subject's requested time off and time and attendance records. The employee resigned during the investigation.
An employee work less than their reported hours, has an outside job, and does not perform their job duties. The employee's supervisor is aware of these issues but does not take any action.	The investigation substantiated that the subject leaves work early and that their supervisor was aware of this behavior. The investigation also substantiated that the subject used a city e-mail account for personal purposes and had unreported additional employment. The employee submitted a Request for Additional Employment form and an amended statement of economic interests. The department reminded the unit's employees of timekeeping procedures and trained the supervisor on verifying payroll records.
An employee works, including operating a city vehicle, under the influence of drugs.	The investigation did not substantiate the allegations, but the department reissued the City's Citywide Substance Abuse Prevention Policy and Drug-Free Workplace Policy to relevant department employees.

Allegation	Resolution Based on Investigation
An employee is unprofessional toward colleagues and attempted to get their former spouse hired at their department.	The investigation did not substantiate the allegations, but the department counseled the employee on appropriate workplace behavior.
An employee sleeps on duty, smokes in a work vehicle, is unprofessional toward other employees, and sends inappropriate electronic communications to other employees.	The investigation substantiated that the employee smoked in a city vehicle while on duty but did not substantiate the remaining allegations. The employee received a counseling letter.
Three employees at the same department park personal vehicles in a city parking lot without paying for a permit, have unprofessional electronic communications and interactions with colleagues, sleep on the job, and falsify reports.	The investigation substantiated that two of the employees improperly parked their personal vehicles on city property. These employees received counseling letters. The investigation did not substantiate the remaining allegations, but the department counseled one of the employee's supervisors to limit the number of overtime hours the employee works.
An employee falsifies time and attendance records and uses city computers for personal purposes.	The investigation substantiated that the employee used a city computer for personal purposes, and the employee received a counseling letter. The investigation did not substantiate that the employee falsified time and attendance records.
An employee stored a personal vehicle and other personal items on city property.	The investigation substantiated that the employee, who no longer works for the department, stored a personal vehicle and other personal items on city property. The department notified management of the division where the employee formerly worked to prohibit staff from storing personal items at the workplace.

# File a Report

Report the misuse of funds, waste, or mismanagement in City and County of San Francisco programs and operations by contacting the Whistleblower Program.

**Internet:** <http://sfcontroller.org/whistleblower-program>

**Telephone:** 311 or, if outside the 415 area code, 415-701-2311

OR download a [report form](#) and return it via:

**E-Mail:** [whistleblower@sfgov.org](mailto:whistleblower@sfgov.org)

**Mail:** Office of the Controller  
Attention: Whistleblower Program  
1 Dr. Carlton B. Goodlett Place, Room 316  
San Francisco, CA 94102

**Fax:** 415-554-7856

**INVESTIGATIONS ARE CONFIDENTIAL.  
REPORTERS MAY REMAIN ANONYMOUS.**

## Whistleblower Program Contact Information

Steve Flaherty	<i>Assistant Director</i>	415-554-7657	<a href="mailto:steve.flaherty@sfgov.org">steve.flaherty@sfgov.org</a>
Dave Jensen	<i>Supervising Investigator</i>	415-554-7521	<a href="mailto:dave.a.jensen@sfgov.org">dave.a.jensen@sfgov.org</a>
Steven Muñoz	<i>Senior Investigator</i>	415-554-7653	<a href="mailto:steven.munoz@sfgov.org">steven.munoz@sfgov.org</a>
Tiffany Wong	<i>Senior Investigator</i>	415-554-5327	<a href="mailto:tiffany.b.wong@sfgov.org">tiffany.b.wong@sfgov.org</a>
Nicholas Moore	<i>Staff Investigator</i>	415-741-5131	<a href="mailto:nicholas.moore@sfgov.org">nicholas.moore@sfgov.org</a>
Matthew Thomas	<i>Staff Investigator</i>	415-554-5308	<a href="mailto:matthew.s.thomas@sfgov.org">matthew.s.thomas@sfgov.org</a>
William Zhou	<i>Staff Investigator</i>	415-554-7553	<a href="mailto:william.zhou@sfgov.org">william.zhou@sfgov.org</a>

# Fiscal Year 2018-19 Fraud Bulletins

## Construction Materials Fraud



### Whistleblower Program Office of the Controller – City Services Auditor

Construction Fraud – Materials

September 2018

## CONSTRUCTION FRAUD – MATERIALS

Construction fraud can happen at any phase of the project – from design and bidding to construction and payment. Materials construction fraud involves the contractor overbilling for materials or using substandard materials, while willfully not meeting contract specifications to realize substantial cost-savings and financial profit. When materials fraud goes undetected, agencies pay a premium price for inferior work.

## RED FLAGS OF MATERIALS FRAUD

Reporters should consider the following red flags to identify materials fraud in construction projects.

<b><u>Falsified Materials Testing</u></b> A contractor misrepresents the results of quality control tests to limit costs or increase profits, earn contract incentives, or avoid project shutdown.	<b><u>Product Substitutions</u></b> A contractor misrepresents the type or quality of product used to reduce costs for construction materials.	<b><u>Materials Overcharging</u></b> A contractor misrepresents how much construction material was used on a job to be paid for more material than was used.	<b><u>Improper Base and Sub-Base Materials</u></b> Durability issues in the work products arise shortly after construction is complete. Also, the product's end of useful life is reached much earlier than expected.

## FILE A REPORT

An effective program designed to prevent and detect construction fraud typically includes people, process, and technology controls, and continuous monitoring and follow-up strategies:

- People – Use independent consultants to perform unannounced tests and inspections on work and materials.
- Processes – Perform background checks on subcontractors and principals looking for tax liens, judgments, and other violations.
- Technology – Use project management platforms to record all discussions, decisions, reviews, and approvals as a cumulative audit trail.

Report suspected construction fraud to the City and County of San Francisco's [Whistleblower Program](http://www.sfccontroller.org).

## Supply Chain Fraud



### Whistleblower Program Office of the Controller – City Services Auditor

Fraud Awareness and Protection

December 2018

## SUPPLY CHAIN FRAUD

A supply chain is a system of organizations, people, activities, information, and resources involved in procuring a product or service, spanning requisition specifications and supplier selection through to end use. Supply chain risks not only extend upstream or externally to an organization's direct suppliers and to subcontractors who provide source materials or subcomponents to the suppliers, but also downstream or internally to staff purchasers, materials managers, shopkeepers, invoice processors and others. Mitigating supply chain fraud risks requires a coordinated effort among multiple stakeholders in an organization, including procurement, materials management, legal, and finance personnel.

## RED FLAGS OF SUPPLY CHAIN FRAUD

Reporters should consider the following red flags to identify supply chain fraud.

<b><u>Purchase Order Irregularities</u></b> Purchasing employees use unapproved vendors or do not obtain optimal pricing, possibly to benefit themselves, family members, or other related parties.	<b><u>Unusual Payment Patterns</u></b> Potentially fraudulent payment patterns include increased frequency of payments, numerous transactions just under audit thresholds, and multiple invoices received in a short period.	<b><u>Substandard Parts</u></b> Substandard parts may be supplied when quality assurance protocols are modified or circumvented and when obvious safety concerns are ignored due to pressure for expedience.	<b><u>Third-Party Risks</u></b> Lack of details in third-party invoices and sole-source supplier agreements that don't clearly explain the good or service to be provided.

## FILE A REPORT

An effective program designed to manage the risk of supply chain fraud typically includes people, business process, and technology controls, as well as continuous monitoring and follow-up strategies:

- **People** – Perform due diligence review of procurements and suppliers for potential conflicts of interest, performance and compliance. Ensure the segregation of employee duties in the supply chain process.
- **Business Process** – Perform timely monitoring of supply chain processes, including unannounced inspections of the inventory counts, support documentation, and quality assurance reviews.
- **Technology** – Provide data analytics and reporting tools for continuous, timely monitoring and the identification of questionable procurement patterns and transactions.

Report suspected supply chain fraud to the City and County of San Francisco's [Whistleblower Program](#).



## Incompatible Activities



### Whistleblower Program Office of the Controller – City Services Auditor

Fraud Awareness and Protection

March 2019

#### ADDITIONAL EMPLOYMENT & OTHER OUTSIDE ACTIVITIES

Employees of the City and County of San Francisco (City) must comply with the rules and regulations outlined in the City's Statement of Incompatible Activities, which includes the requirement that no employee may engage in outside activity (regardless of whether the activity is compensated) that would cause the employee to be regularly absent from their assignments or otherwise require a time commitment that is demonstrated to interfere with the employee's performance of their city duties. Further, if considering additional employment, a city employee must obtain approval before engaging in any outside employment. Approval must be received as an advance written determination from the employee's department and conclude that such activities are not incompatible with their duties. Additional employment includes, but is not limited to, business ownership, consulting, and working as an independent contractor. The additional employment request and approval process is governed by San Francisco's [Campaign and Governmental Conduct Code, Article 3, Chapter 2](#), and [Civil Service Commission Rules, Rule 18, Conflict of Interest](#).

#### RED FLAGS OF CONFLICTING & INAPPROPRIATE ACTIVITIES

Reporters should consider the following red flags to identify conflicting and inappropriate activities.

<b><u>Inappropriate Solicitation of Services</u></b> Employee soliciting business from coworkers during or outside of work hours.	<b><u>An Unexplained Decrease in Employee Performance</u></b> The outside activity interferes in any way with performance of the employee's regular city duties or responsibilities.	<b><u>Unusual Employee Schedule or Attendance Pattern</u></b> Employees performing their outside activities during their regular city work schedule or use sick leave to attend to their additional employment.	<b><u>Unusual Use of City Equipment and Property</u></b> Employees browsing the internet, sending e-mails, or making phone calls that clearly fall outside of the employee's normal scope of work duties.

#### FILE A REPORT

An effective program designed to manage the risk of inappropriate activities includes people, business processes, and technology controls to ensure the public's resources are protected and used appropriately.

Inappropriate and unauthorized outside activities and employment can be reported to the City and County of San Francisco's [Whistleblower Program](#).



## Overtime Abuse



### Whistleblower Program Office of the Controller – City Services Auditor

Fraud Awareness and Protection

June 2019

#### OVERTIME ABUSE

City and County of San Francisco employees must comply with the overtime rules and regulations outlined in the San Francisco Administrative Code, labor agreements, and policies specific to the employee's work assignment. The Administrative Code generally prohibits employees from working overtime hours that exceed 25 percent of their regularly scheduled hours in a fiscal year without prior approval of the director of human resources or, if appropriate, the director of the Municipal Transportation Agency (MTA).

The Controller, in consultation with the directors at the Department of Human Resources (DHR) and MTA, submits an annual overtime report to the Board of Supervisors reporting the budgeted and actual overtime costs by city departments. The report also details the number of exemptions granted by DHR and MTA directors, an aggregate analysis of the justifications for these exemptions, the identification of critical staffing shortages, improved management practices, and other recommendations to reduce overtime spending.

#### RED FLAGS OF OVERTIME ABUSE

Reporters should consider the following red flags of overtime abuse.

<b>Overly consistent employee overtime:</b> always on the same day of the week or the same number of hours each time	<b>Overtime taken without a formal request or supervisor approval</b>	<b>Relationships between specific employees and their work patterns, such as clusters of individuals with comparable titles across departments earning the same overtime payments</b>	<b>Excessive logging of overtime, including unusually high weekend overtime</b>

#### FILE A REPORT

An effective program designed to control and manage overtime costs includes people, business process, and technology controls, as well as continuous monitoring and follow-up strategies:

- **People** – Employees may only work overtime if authorized by their appointing officer or a designee and may not assign themselves to work overtime. Appointing officers or their designees shall only assign overtime when work cannot be completed within normal work schedules. Periodically review overtime documentation to ensure overtime was properly approved and documented.
- **Business Process** – Ensure adequate controls and policies exist to govern overtime use, approval, and assignment. Ensure overtime procedures are acknowledged and understood by employees and reinforced by supervisors.
- **Technology** – Provide data analytics and reporting tools for continuous, timely monitoring and identification of questionable overtime patterns and payments.

Report suspected improper use of overtime to the City and County of San Francisco's [Whistleblower Program](#)