



**Office of the  
Auditor General**  
City of Ottawa



# **2022 REPORT ON THE FRAUD AND WASTE HOTLINE**

June 2023

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## Acknowledgement

My colleagues and I would like to thank those individuals who contributed to investigations as well as the continued operation of the Fraud and Waste Hotline.

Respectfully,



Nathalie Gougeon, CPA, CA, CIA, CRMA, B.Comm  
Auditor General





## Description of the Hotline

The City's Fraud and Waste Hotline (FWH or the Hotline) was initially launched in 2005 to facilitate the reporting of suspected fraud or waste by employees. Council later made the Hotline available to the public in 2009. The Hotline is a confidential and anonymous service that allows any employee or member of the public to report incidents 24 hours a day, 7 days a week. The Hotline is operated independently, by a third party, and is accessible by either phone or the internet.

Based on research of leading ethical practices, including the Institute of Internal Auditors (IIA), the Association of Certified Fraud Examiners (ACFE), and practices employed in other municipalities, an anonymous reporting mechanism is an important component of a mature ethics management framework. As such, the Hotline demonstrates sound management practice, and reports have led to audits and investigative reviews, as well as disciplinary actions.

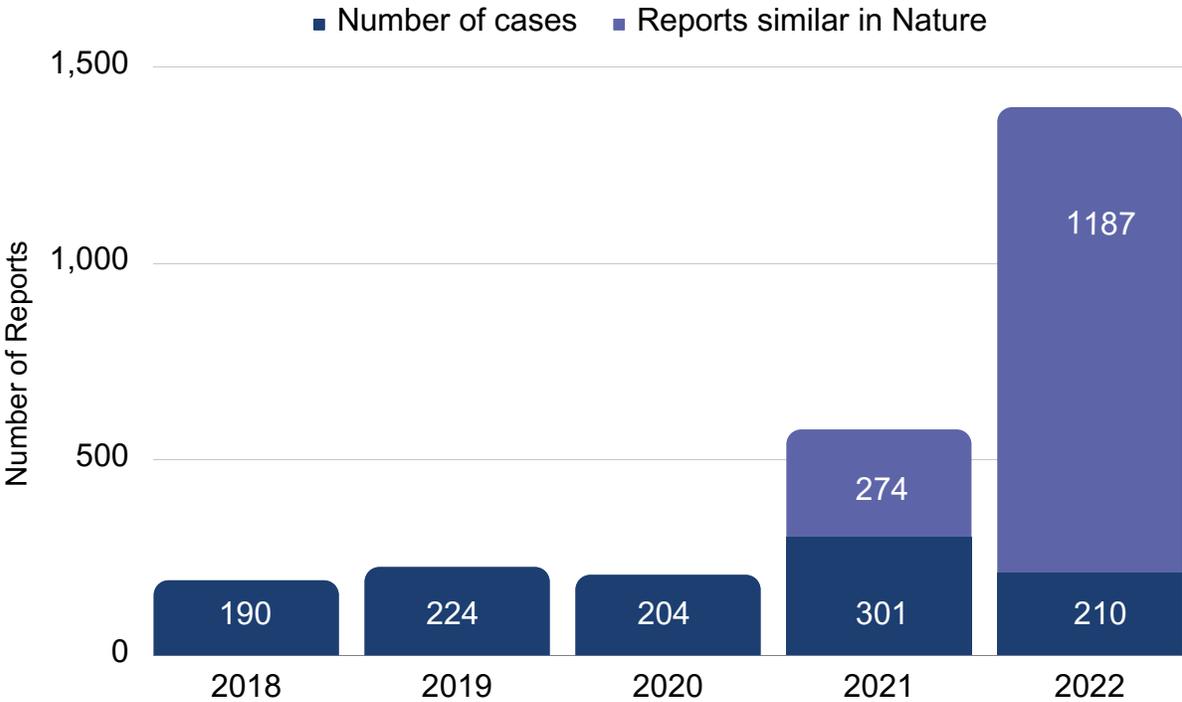
The Hotline may also mitigate ethical risks by discouraging potential wrongdoers and identifying ethical violations when they occur. The Hotline results in savings by preventing potential fraud and abuse; however, it is not always possible to quantify the magnitude of savings realized through the Hotline. A significant value of the Hotline continues to be improving the ethical culture at the City and changing attitudes to deter fraud and waste.



## 2022 Fraud and Waste Hotline report highlights

In past years, we reported on the number of cases received net of duplicates. In 2021, the Hotline recognized the submission of reports similar in nature as a separate reporting category to capture the volume of these reports. During 2022 we received 210 unique reports in addition to 1,187 reports which were similar in nature. While we only requested management to conduct one investigation related to the reports that are similar in nature, the administrative processing of these ongoing reports continues to represent a significant demand of our resources. As a result of these numerous reports and allegations, we conducted a Limited Review of the OC Transpo Bus Operator Compliance with Regulations which was tabled at Audit Committee in June 2022. We have since been working with management to obtain status updates on how they are addressing the issues raised in our report.

**Figure 1: Number of reports received by year (2018 to 2022)**





## Main points

210 unique reports and 1,187 reports similar in nature were submitted to the Hotline in 2022:

- 37% of the unique reports came from public
- 63% of the unique reports came from employees

## Results

- Two employees were terminated
- Three employees resigned
- Two employees received suspensions without pay
- Other disciplinary actions ranged from discussions, suspension with pay, recovered wages, paid administrative leave, Letters of Expectations, as well as written and verbal warnings and discipline letter

## Hotline statistics

In 2022, 210 unique reports were made to the Hotline. This is a 30% decrease from the number of reports received in 2021. There were 77 unique reports submitted by members of the public, and 133 unique reports submitted by employees of the City of Ottawa (Refer to Table 1).

The reports submitted by employees includes two cases that were brought to the attention of management. Management subsequently reported these cases to the Office of the Auditor General, as required under the *Fraud and Waste Policy*.

[1] 143% increase if reports similar in nature are included.



**Table 1: 2022 Reports by reporter type**

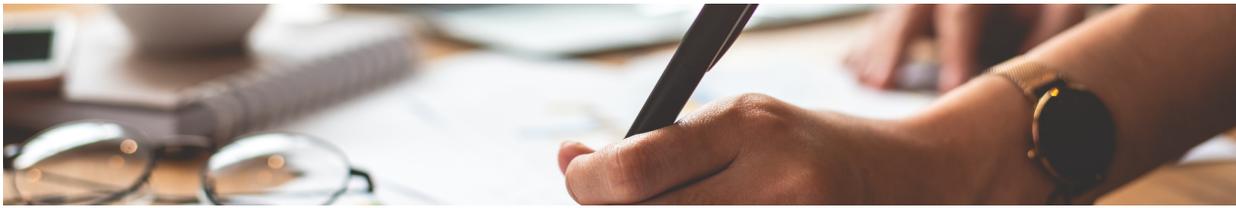
Reporter type	Number of reports	Percentage
Public	77	37%
Employee	133	63%
Total	210	100%

On average, investigations related to Fraud and Waste Hotline reports are expected to take nine weeks. Investigations that are more complex or where additional information is required before proceeding with the investigation may take more time. As at December 31, 2022, there were 51 reports with investigations in progress.

**Table 2: Investigations in progress as at the end of 2022**

Investigations in progress	Number of reports
As at December 31, 2021	53
Add: reports received in 2022 <sup>[2]</sup>	210
Less: reports closed in 2022 <sup>[2]</sup>	(212)
Total investigations in progress as at December 31, 2022	51

<sup>[2]</sup> Does not include the 1,187 reports similar in nature received and closed during 2022.



## Summary of reports by category<sup>[3]</sup>

Table 3 below compares the number of reports received from 2018 to 2022 by report category.

**Table 3: Fraud and Waste Hotline reports received from 2018 to 2022**

Report Category	2018	2019	2020	2021	2022
Unauthorized use or misuse of City property, information, or time	54	53	29	94	61
Violation of laws, regulations, policies, procedures	46	42	43	68	31
Theft, embezzlement, fraud	15	22	34	20	12
Harm to people or potential harm to people	4	2	0	6	11
Unethical conduct or conflict of interest	3	11	6	6	6
Management/Supervisor	0	7	3	4	6
Manipulation or falsification of any data	0	0	0	6	6

<sup>[3]</sup>Refer to Appendix for description of categories.

**Table 3: Fraud and Waste Hotline reports received from 2018 to 2022 (continued)**

<b>Report Category</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Health and safety, environment	0	3	1	6	5
Alcohol or drug use or other substance abuse	2	4	3	3	4
Financial reporting and accounting	0	0	0	0	3
Suggestions for improvement	2	3	2	4	1
Suggested areas for audit	5	19	21	3	0
Social assistance	17	14	10	2	1
Not applicable under the City's Fraud and Waste Policy	39	39	51	77	63
Insufficient information to classify	3	5	0	2	0
<b>Sub-Total</b>	<b>190</b>	<b>224</b>	<b>204</b>	<b>301</b>	<b>210</b>
Reports similar in nature	0	0	0	274	1187
<b>Total</b>	<b>190</b>	<b>224</b>	<b>204</b>	<b>575</b>	<b>1397</b>



## Summary of reports closed - Issues arising from the Hotline

This section includes summaries of the substantiated fraud and waste cases that were closed during 2022 (Refer to table 4). Note, that on occasion, we receive more than one report on the same matter resulting in more than one report for a substantiated case.

**Table 4: Assessment of reports closed in 2022**

Reports Closed in 2022 by Outcome	Number of reports	Percentage
<b>Substantiated</b> (allegation accurate and constituted fraud or waste)	22	27%
<b>Accurate but compliant</b> (allegation accurate but does not constitute fraud or waste)	27	28%
<b>Inaccurate</b> (allegation is not accurate)	41	45%
<b>Total Investigated Reports Closed in 2022</b>	<b>90</b>	<b>100%</b>
<b>Not applicable</b> (allegation not under OAG's purview)	76	--
<b>Insufficient information</b> (allegation is unclear and cannot be investigated)	46	--
<b>Total Reports Closed during 2022<sup>[4]</sup></b>	<b>212</b>	<b>--</b>

Where reports are found to be substantiated, any disciplinary action that is taken is the responsibility of management. Where management has taken action, the outcomes are provided below.

<sup>[4]</sup> Does not include the 1,187 reports similar in nature received and closed during 2022.



## **Manipulation or Falsification of Data**

Management self-reported two similar instances of Manipulation or Falsification of Data to the Office of the Auditor General. In both instances a supervisor had questioned the vaccination documents provided by an employee with medical related duties. Both individual's employment with the City of Ottawa was terminated for providing falsified proof of vaccination documents.

## **Violation of Laws, Regulations, Policies, Procedures**

There were five cases involving six employees where there was a violation of laws, regulations, policies, or procedures:

- Prior to leaving the City, an employee who had resigned downloaded 405 files to an external device without authorization to do so. Management recovered all City assets and barred the employee from its properties but was unable to recover the personal external device containing the City's information. Two letters were sent outlining the individual's obligation not to use or disclose any personal and/or confidential information available to them through their employment with the City, and that this obligation survives after the end of their employment with the City. The employee acknowledged and confirmed this obligation.
- An employee who was acting in a position requested to be returned to their substantive position; however, continued to be paid at a higher rate of pay as they helped with some of the tasks of the position they had filled. This period exceeded the six-month duration permissible under the collective agreement. The Program Manager who made this decision was reminded of the collective agreement requirements related to six-month duration of acting assignments. As a result of this report, the employee's pay was returned to their substantive pay once the additional duties had ceased.

- Two employees made a collective decision to provide preferential treatment to a resident requiring emergency care due to their political position. Both employees received verbal feedback, which included a review of the *City's Employee Code of Conduct*.
- For a short duration, a supervisor was approving the time entry of an employee who is also family member; which is a conflict of interest. The reporting structure was changed.
- An employee was posting messages which contravened the *City's Personal Use of Social Media Guidelines*. The employee was requested to remove the message and was issued a written warning.

### **Unauthorized Use or Misuse of City Property, Information, or Time**

There were 13 cases involving 12 employees and one private company where there was unauthorized use or misuse of City property, information, or time. Management found that policies and procedures were not consistently followed as detailed below:

- An employee used, without authorization, a City vehicle to participate in the convoy protest during working hours. The employee voluntarily resigned from the City.
- An individual was working full time for both the City and one of its suppliers. The employee resigned from the City before management was able to meet with them to discuss the allegation. The City and the Union (acting on the employee's behalf) entered into an agreement that the employee irrevocably resigned and would not be eligible for future employment with the City of Ottawa.
- An employee was using a City gym during work hours, without authorization, for approximately one hour daily. The employee received a 10-day suspension, of which 7 days were unpaid and 3 days was paid administrative leave. The employee's supervisor will monitor their conduct more closely going forward to prevent this issue from recurring.

- An employee was taking a City vehicle home when on-call, as is permitted under the Personal Use of City Vehicles Policy. However, the employee occasionally took a City vehicle home when not on-call (e.g., online training, breaks/lunch when home is on the way). The employee was required to review the *Personal Use of City Vehicles Policy* and to commit to not bringing the City vehicle home unless on-call going forward. A Letter of Expectation was issued and placed on the employee's file.
- An employee whose position required them to drive around a designated work zone was found to bring a City vehicle to their home, outside of their work zone, during the workday. The employee did not return to their position and subsequently retired.
- On a few occasions, an employee took a City vehicle to their personal residence during their break without their supervisor's knowledge and authorization. Since this was the employee's first reported incident, a Letter of Expectation was provided to the employee by their Section Head.
- A supervisor did not respect the seniority rules outlined in the Collective Agreement for allocating overtime. The supervisor received a formal verbal reprimand.
- An employee was using their City email account for inappropriate personal use and some of the language used was unprofessional. The employee was reminded of the importance of the City's *Responsible Computing Policy* and the City's *Employee Code of Conduct*, and to ensure that their actions represent the City of Ottawa in a positive manner.
- An employee who had not disclosed using the Internet for personal and business (non-City) purposes, had an exceedingly large amount of bandwidth usage. In addition to being issued a Letter of Expectation, the employee was reminded to familiarize themselves with all City corporate policies, in particular the *Responsible Computing Policy*, the *Employee Code of Conduct*, and the *Alternate Work Arrangements Policy*.

- An employee was using their City cell phone to operate a personal business. The City cell phone number was listed on an advertisement on social media. Management did not believe that disciplinary action was warranted, as it was deemed a lapse in judgment and the employee swiftly corrected the action by removing the City cell phone number from the advertisement.
- A private company was using the City of Ottawa logo. Legal Services reviewed the company's webpage, which confirmed that there was unauthorized use of the City's logo.
- The City issued a cease-and-desist letter to the company on August 3, 2022. The company acknowledged receipt of letter and agreed to remove the City of Ottawa trademark. Given that the company quickly complied with the cease-and-desist letter and the City trademark was removed, management chose not to pursue further action.
- A city employee deviated from deadhead route without proper authorization, in violation of internal fleet procedures. Management issued a Letter of Expectation to the employee.
- An employee took an unauthorized leave of absence from work. As part of the attendance management process, the City took disciplinary action and recovered one full day of pay from the employee.

## **Alcohol or Drug Use or Other Substance Abuse**

- There was one case of Alcohol or Drug Use or Other Substance Abuse. An employee had drugs at the workplace; was found to have left work to go shopping without recording the absence; and brought home, without authorization, supplies from the workplace for personal use.
- As part of the progressive discipline process and following other unrelated performance concerns and previous suspensions, the employee received a five-day suspension without pay.



## **Other – Social assistance**

The City's Fraud and Waste Hotline is not intended to be used for allegations regarding social assistance, as there is a dedicated social assistance fraud line at 1-800-394-STOP (7867) for this purpose. Starting in 2021, the Office of the Auditor General (OAG) only reports the number of social assistance cases sent to management for review. One report was referred to Community and Social Services in 2022.

## **Other – Ottawa Public Health**

Fraud and Waste reports related to Ottawa Public Health (OPH) are outside the OAG's jurisdiction. When such reports are received, these are forwarded to OPH management for investigation. In 2022, four such reports were provided to OPH management.

## **Investigation and review resulting from Fraud and Waste Hotline report**

In addition to the above, the OAG presented the following review and investigation reports to the Audit Committee on June 13, 2022:

- Review of Job Evaluation Processes
- Limited Review of OC Transpo Bus Operator Compliance with Regulation
- Cybersecurity Investigation Report (reported in-camera only)

## Appendix 1: Fraud and Waste Hotline reporting categories

Category	Description
<b>Harm to people or potential harm to people</b>	Concerns related to physical or mental harm or potential harm to employees or others relating to violence, threat, discrimination or harassment.
<b>Health and safety, environment</b>	Items related to the safety of people and the protection of the environment in which they work and live.
<b>Alcohol or drug use or other substance abuse</b>	Issues related to alcohol or drug use or other substance abuse.
<b>Theft, embezzlement, fraud</b>	Any act of stealing from an organization or individual, by whatever means, and attempts to conceal it.
<b>Unauthorized use or misuse of City property, information or time</b>	Items related to the unauthorized use or misuse of City property, equipment, materials, records, internet or harm or threat of harm to City property, equipment, materials or Internet. This would also include abuse of work time or fraudulent use of sick leave.
<b>Manipulation or falsification of data</b>	Changes (unauthorized or authorized) made to any data, information, records, reports, contracts or payment documents possibly to cover mistakes or fraud, improve financial / operating / statistical results or to gain financial advantage or unfair advantage in a contract.
<b>Unethical conduct and conflict of interest</b>	Unethical or dishonest conduct by any person at any level of the organization and any situation or action of an employee that puts them in conflict, or could be perceived as putting them in conflict, with the interests of the organization.

## Appendix 1: Fraud and Waste Hotline reporting categories (Continued)

Category	Description
<b>Violation of laws, regulations, policies, procedures</b>	Violation of any law, rule or policy set down by an organization, regulatory authority including securities commissions, or any level of government.
<b>Financial reporting and accounting</b>	Items related to the accuracy and completeness of financial statements and other financial reporting to the Board of Directors, Board of Governors, or other governing body, and to regulatory bodies or the public (e.g., securities regulators, tax authorities, government departments, annual public reports).
<b>Management/supervisor</b>	Any issues, concerns or comments related to the level of support received through the actions or inactions of your direct managers and/or supervisors.
<b>Suggestions for improvement</b>	Suggestions to improve any aspect of the organization including ideas, concerns or comments related to municipal services and products, customer service and any other suggestions to aid the attainment of its objectives or to manage its risks.
<b>Suggested areas for audit</b>	Any suggestion to audit an area of the organization.