



RON GALPERIN  
CONTROLLER

February 19, 2020

Honorable Eric Garcetti, Mayor  
Honorable Michael Feuer, City Attorney  
Honorable Members of the Los Angeles City Council

**Re: On the Lookout: Fraud, Waste and Abuse Annual Report**

The Controller's Fraud, Waste and Abuse (FWA) Unit seeks to identify and, ultimately, prevent the misuse of City resources by employees, contractors and others. We do this through our 24-hour telephone hotline and web-based complaint form, citywide education and training programs, and proactive investigations. The activity of the FWA Unit in 2019 is the subject of this report.

Last year, 33,670 City employees completed our newly enhanced fraud awareness training. As a result, my office's FWA Unit fielded 543 new complaints, 58 percent more than the year prior, and closed 541 cases, with 23 complaints substantiated and 155 referred to City departments for further action. The most frequent complaint was theft of time, accounting for 21 percent of all cases.

Examples of FWA Unit results:

- Discovered suspected equipment theft at LAPD and made recommendations for policy changes, resulting in improved department inventory controls.
- Found instances of falsified employee time cards and unauthorized discounts given to employees and others, leading to disciplinary actions and termination.
- Investigated an employee for alleged falsified absence documentation, prompting the employee's resignation and referral to the City's Ethics Commission.

As stewards of the public's trust, we have a shared responsibility to hold City departments and all employees to the highest standards of service. My office will continue to do everything possible with the resources available to reduce fraud, waste and abuse of our vital public resources.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Ron Galperin', written in a cursive style.

RON GALPERIN  
L.A. Controller

# ON THE LOOKOUT

## FRAUD, WASTE AND ABUSE

2019 ANNUAL REPORT



**RON GALPERIN**  
LA CONTROLLER

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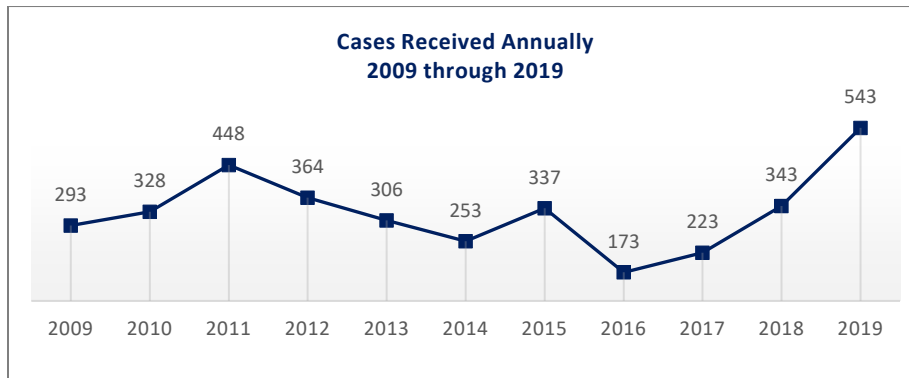
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# BACKGROUND



The Office of the City Controller’s Fraud, Waste and Abuse (FWA) Unit was established to screen, monitor, and investigate allegations of FWA involving City resources. To help support the integrity of City operations, the Unit receives, analyzes, investigates, and reports on allegations of FWA that impact City resources.



During 2019, the FWA Unit received 543 cases, compared to 343 cases received in the prior year, representing an increase of 58%. This increase may be attributed to the enhanced Fraud Awareness Training developed by the FWA Unit and deployed to all City staff as part of the City’s required bi-annual training curriculum. In addition, the FWA Unit has been proactively reaching out to all City departments and staff to ensure they remain knowledgeable in understanding and identifying fraud, waste and abuse in an everyday work setting. The City’s definition of Fraud, Waste and Abuse is as follows:

City’s Definitions of FWA	
<b>FRAUD</b>	Any intentional act or omission designed to deprive the City of its resources to which the individual or person is not entitled, including but not limited to making false statements or submitting false documents, withholding or misrepresenting material facts, bribery, or unauthorized disclosure of confidential procurement documents.
<b>WASTE</b>	The extravagant or excessive expenditure of City funds above and beyond the level that is reasonably required to meet the needs of the City or the consumption or use of City resources that is not knowingly authorized.
<b>ABUSE</b>	The improper use of City resources in a manner contrary to law or City policy or the improper use of one’s position for private gain or advantage for themselves or any other person where not otherwise lawful.

# FWA UNIT PROCESS

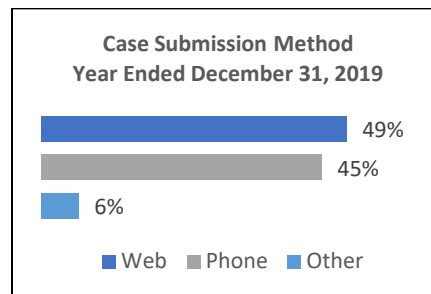
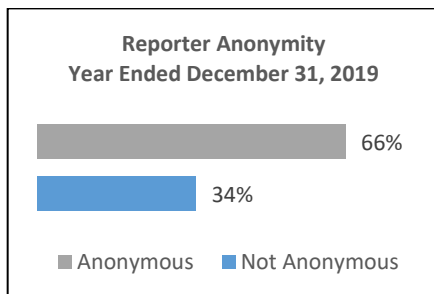


## Case Intake Methods

The FWA Unit may receive cases from any City department, Office, or employee, as well as any member of the public. Cases are primarily received through the Controller’s Fraud Hotline through a web intake form that can be accessed at [lacontroller.org/fraud\\_hotline](http://lacontroller.org/fraud_hotline) or hotline phone number (866) 428-1514.

Any person submitting a complaint or allegation to the FWA Unit may do so anonymously. The City’s Ethics Ordinance protects whistleblowers who report or attempt to report possible violations of law from retaliation. Any person who believes that he or she has been subjected to whistleblower retaliation may file a confidential complaint with the City Ethics Commission, which shall investigate and take appropriate action. Specific information regarding FWA Unit investigations may not be disclosed except as necessary to conduct the investigations, carry out referrals for appropriate action, or as required by law.

During 2019, the majority of cases received were reported anonymously. Most cases were received through the Controller’s Fraud Hotline through the web intake form or hotline phone calls. A small number of additional cases were received via email, U.S. mail, or in-person.



Except as prohibited by applicable law, Los Angeles Administrative Code Section 20.60.4 requires City departments and appointed Offices to report to the Controller’s Office FWA Unit matters involving potential FWA within ten days of discovery of information that reasonably indicates that the matter involves FWA of City resources.

## Case Evaluation Process

The FWA Unit completes an evaluation of every case received. The evaluation includes a thorough review of all information submitted by the reporting party and can include a review of City or other public databases and other information to thoughtfully evaluate the allegations. After completing the evaluation, the FWA Unit will determine whether the allegations: 1) are

outside the FWA Unit’s jurisdiction and/or have no FWA allegations; 2) are non-FWA investigative matters requiring referral to another City department or other jurisdiction for appropriate action; or 3) are FWA investigative matters requiring investigation or review to be conducted by the FWA Unit or a City department. The FWA Unit may also conduct joint investigations with other entities as appropriate.

Cases evaluated as outside the FWA Unit’s jurisdiction are those that are either unrelated to City operations, involve personnel related matters, and/or cases in which there are no FWA allegations. Nevertheless, cases may be referred to the appropriate outside agency or City department for review. For example, a number of cases were received related to phone scammers posing as utility employees; the cases were referred to LADWP and/or law enforcement as appropriate. After the FWA Unit makes the referral, the case is considered closed for no further action by the FWA Unit. A case may also be closed for no further action if the risk reported has been addressed through a City policy change or if it is the subject of ongoing litigation, in which case it will be referred to the Office of the City Attorney.

Cases evaluated as requiring referral to another City department or other jurisdiction for appropriate action are non-FWA investigative matters. These cases are best suited for the department to take action but do not warrant an investigation. Examples include minor employee misconduct and/or customer service operations.

Cases evaluated as FWA investigative matters requiring investigation or review are those that have sufficient information either through the FWA Unit’s research into the allegations or documentation provided by the reporting party that provides a reasonable basis that an FWA matter occurred or is still occurring. The FWA Unit may assign a case to a City department for investigation based on those that have a lower sensitivity level of the allegations, if the case relies more heavily on factual supported records (i.e., invoices or contracts) versus relying on information gathered through interviews, and amount of resources required. Due to current resource constraints, the FWA Unit has referred the majority of investigative cases to City departments to conduct the investigation.

The FWA Unit’s evaluation of the 543 cases **received** during the year is summarized in the following chart.

Cases Received During Calendar Year Ended December 31, 2019				
Case Status	Total	Evaluation of Cases Received		
		Non-FWA Investigative Matters Requiring Department Action	Investigation or Additional Review by Department or Other Agency	Investigation or Additional Review by FWA Unit
New Cases Received	543			
- Cases Outside FWA Unit’s Jurisdiction and/or No FWA Allegations	(275)			
Remaining Cases for Evaluation	268	139	89	40

# 2019 CASE OUTCOMES



The following highlights several key outcomes from substantiated cases during the year for fraud, waste and abuse related reviews and investigations conducted by or in collaboration with the FWA Unit:

## Theft (Fraud)

- A report from a state law enforcement authority was made to the FWA hotline to report that a City employee was obtaining sensitive information while carrying out their job duties for personal use. The investigation resulted in the employee resigning in lieu of termination and the case was referred to LAPD for criminal investigation.
- A report was made by a City department to the FWA Unit regarding suspected theft of equipment identified during a review of purchase card transactions. The case was reported to LAPD for investigation while the FWA Unit investigated department inventory controls. As a result, the FWA Unit provided recommendations resulting in establishing policy changes that included creating an improved system of inventory tracking and implemented periodic inventory counts.
- A hotline tip alleged a City employee was holding on to complementary admission tickets for personal benefit that were designated to be distributed to non-profit organizations. The investigation found that the employee was not holding the tickets for personal benefit but had been using improper procedures for maintaining the ticket inventory. As a result of the investigation, the complementary ticket program was suspended while the department assessed its current business practices and conducted retraining of assigned employees. The employee under investigation was counseled by the department and given additional training on performance management over assigned tasks.

## Misuse of Authority (Abuse)

- An investigation prompted by a hotline tip found that a City employee gave unauthorized discounts to employees and volunteers which violated Department policy resulting in an estimated loss of \$11,275. The employee resigned prior to the start of the investigation. The investigation resulted in procedural changes being implemented with greater oversight that amounts due are paid in full.
- A City department reported an employee's alleged misuse of authority to the FWA Unit. During the investigation, it was revealed that the employee had accessed and tampered with a departmental system database for personal reasons. In addition the investigation also found the employee had falsified timecard entries. As a result, the employee was discharged by the department based on the investigation findings.

- A reporter submitted a hotline tip that they had observed a City work truck parked at a residence. The case was investigated by the relevant City department which identified the employee assigned to that truck on the reported date. The investigation findings resulted in the employee receiving a suspension for unauthorized usage of a City vehicle.

#### **Purchase Card (Fraud)**

- The FWA Unit identified that tickets purchased for a Department's authorized external event exceeded the number of registered attendees. The investigation into the overage found that other events had similar variances in the overage of number of tickets purchased. The purchase card holder resigned prior to the start of the investigation. The investigation resulted in proposed control recommendations to the Department related to the event ticket purchase process.
- The FWA Unit initiated a follow-up review into the purchase card status of employees that had resigned or were terminated as a result of the investigations. The FWA Unit identified that in some instances, the employee's purchase card remained active after the employee was no longer an active City employee. The FWA Unit promptly notified the affected City department who then took action to cancel the purchase card. Further, the department reviewed their separation checklist procedures related to purchase card cancellation.

#### **Payroll (Fraud)**

- Several cases were reported to the FWA Unit regarding allegations of employees not working the hours reported on their timecard. Cases were referred to the appropriate City department for investigation. Outcome of the investigations resulted in varying degrees of employee disciplinary action with one case resulting in the resignation of the employee.
- A hotline tip reported a City employee submitted falsified documentation to cover absences from work. The investigation resulted in the resignation of the employee and case was referred to Ethics Commission.

#### **Workers' Compensation (Fraud)**

- There were five cases reported to the FWA Unit during the year alleging Workers' Compensation Fraud against three Civilian and two Sworn employees. The FWA Unit does not have jurisdiction over these cases as there is a dedicated City Workers' Compensation Division of the Personnel Department that investigates allegations of Workers' Compensation Fraud. These cases were referred to the Workers' Compensation Division for investigation and follow-up. These cases take significant time to investigate and outcomes are confidential.



# 2019 CASE METRICS



## Caseload Status

The following chart summarizes caseload status count for the calendar year.

Caseload Status Count During Calendar Year Ended December 31, 2019			
Beginning Caseload	Cases Received	Cases Closed	Ending Caseload
70	543	541	72

During this year, the FWA Unit **closed** a total of 541 cases. The case closure by category is summarized in the following chart.

Cases Closed During Calendar Year Ended December 31, 2019				
Case Status	Total	Case Closure by Category		
		Non-FWA Investigative Matters Requiring Department Action	Investigated or Reviewed: Unsubstantiated	Investigated or Reviewed: Substantiated
Total Closed Cases	541			
- Cases Outside FWA Unit's Jurisdiction and/or No FWA Allegations	(277)			
Remaining Closed Cases	264	155	86	23

## Case Analysis by Issue Type

Theft of time was the leading type of issue reported for cases received during the year which accounted for 55 of the 268 cases determined to require investigation or review by departments and referred to departments for action.

Cases Received During Calendar Year Ended December 31, 2019 by Issue Type Requiring Investigation or Additional Review or Non-FWA Investigative Matters Requiring Action					
Issue Type	Total	%	Issue Type	Total	%
Theft of Time	55	21%	Safety Issues and Sanitation	13	5%
Waste or Inefficiency of City Resources	39	15%	Human Resource Concerns	13	5%
Misuse of Authority or Position	27	10%	Conflicts of Interest	11	4%
Other Fraudulent Claims	22	8%	Employee Relations	8	3%
Theft of Cash, Goods, or Services	18	7%	Utility Related Issues	8	3%
Wage/Hour Issues	15	6%	Policy Issues	6	2%
Contractor Fraud or Selection Process	14	5%	All Other Issues	19	7%
			<b>Total</b>	<b>268</b>	<b>100%</b>

## Case Analysis by Location

The cases requiring investigation or review by departments and number of cases referred to departments for action are as follows:

Schedule of Cases by Department			
Primary Department	Total Open Cases	Closed Cases Investigated or Reviewed	Closed Cases Non-FWA Investigative Matters Requiring Action
Water and Power	31	24	47
Public Works - Bureau of Sanitation	9	6	11
Airport	6	17	16
Recreation and Parks	4	4	16
Fire	3	4	1
Police	2	5	14
General Services	2	6	3
Harbor	2	6	2
PW - Bureau of Street Services	2	1	4
Public Works - Bureau of Engineering	2	1	-
Economic Workforce Development Department	2	-	1
Housing and Community Investment	1	3	6
Transportation	1	2	5
Personnel	1	3	3
PW - Bureau of Contract Administration	1	5	-
Emergency Management Department	1	1	1
City Council	1	-	2
Disability	1	1	-
Building and Safety	-	6	3
Other - Outside Jurisdiction	-	-	4
Public Works - Bureau of Street Lighting	-	2	2
Library	-	2	2
City Employees' Retirement System	-	1	2
Zoo	-	2	-
Council District	-	-	2
Information Technology Agency	-	2	-
City Attorney	-	2	-
Controller	-	-	2
Planning	-	1	1
El Pueblo	-	-	1
City Clerk	-	1	-
Animal Services	-	-	1
Finance	-	1	-
Cultural Affairs	-	-	1
Neighborhood Empowerment	-	-	1
Housing Authority	-	-	1
<b>Grand Total</b>	<b>72</b>	<b>109</b>	<b>155</b>