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OC FRAUD HOTLINE ACTIVITY

FOR THE PERIOD JULY 1, 2007 THRU DECEMBER 31, 2007

OC IAD administers the OC Fraud Hotline. The OC Fraud Hotline is staffed by professionals 24 hours, 7 days a week to ensure proper handling of all reports of possible waste, fraud and abuse of County resources by either employees or vendors.

AUDIT No: 2703

REPORT DATE: JANUARY 18, 2008

Audit Director: Peter Hughes, Ph.D., CPA Deputy Director: Eli Littner, CPA, CIA Sr. Audit Manager: Alan Marcum, MBA, CPA, CIA



Internal Audit Department

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Providing Facts and Perspectives Countywide

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To access and view audit reports or obtain additional information about the OC Internal Audit Department, visit our website: www.ocgov.com/audit



OC Fraud Hotline (714) 834-3608

Letter from Director Peter Hughes



Transmittal Letter



AUDIT NO. 2703 JANUARY 18, 2008

TO: Members, Board of Supervisors
Chairman John Moorlach
Vice-Chair Patricia Bates
Supervisor Chris Norby
Supervisor Bill Campbell
Supervisor Janet Nguyen

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Orange County Fraud Hotline Activity

We have completed our report concerning the operation of the Orange County Fraud Hotline. This report is for the period of July 1, 2007 through December 31, 2007. The attached report includes statistical summary of Hotline activities for the first six months of 2007 and procedure background information on the Hotline.

We would like to acknowledge the professional cooperation extended to us by the management of the various County agencies/departments during our Hotline investigation process. As always, I remain available to answer any questions you may have. Please contact me directly or Eli Littner, Deputy Director at 834-5899 or Alan Marcum, Senior Audit Manager at 834-4119 if we can be of any assistance.

ATTACHMENTS

cc: Members, Audit Oversight Committee

Thomas G. Mauk, County Executive Officer

Foreperson, Grand Jury

Darlene J. Bloom, Clerk of the Board of Supervisors

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For the Period July 1, 2007 thru December 31, 2007 Audit No. 2703

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OC Internal Audit Report



INTERNAL AUDITOR'S REPORT

AUDIT No. 2703

JANUARY 18, 2008

TO: Members, Board of Supervisors,

FROM: Dr. Peter Hughes, CPA, Director or Internal Audit

SUBJECT: Orange County Fraud Hotline Activity

Audit Highlight

During July 1, 2007 through December 31, 2007. the OC Fraud Hotline received 23 new complaints of improper activities, of which 35% were opened for investigation, 57% were redirect to other agencies and two closed due to insufficient information.

Below is the OC Fraud Hotline activity for the period July 1, 2007 through December 31, 2007. For detail about our hotline process, please see Exhibit A.

1. Statistical Summary

The Internal Audit Department received 23 complaints during the reporting period. IAD received 14 allegations by phone or letter; 7 allegations by email; and 2 allegation by the outside service (non-business hours). These calls are categorized in Table 1.

Table 1				
Complaints				
Actionable Calls	8			
Referred Calls	13			
Insufficient Information	2			
Total Hotline Calls	23			

2. Types of Complaints

Cases opened during the period concerned complaints of possible employee misconduct, e.g., time abuse; unfair hiring practices; unprofessional behavior by a manager; and contractor misconduct, e.g., contractor not providing required services. When complaints involve issues beyond the jurisdiction of the County of Orange, they are referred to appropriate non-County agencies. Hotline callers alleging welfare fraud were referred to the State Welfare Fraud Hotline for action. Table 2 identifies the total number of cases opened during this period and complaint type.

OC Internal Audit Report



Table 2				
Types of Complaints				
Astismable Oalle				
Actionable Calls				
Employee Misconduct	7			
Contractor Misconduct	1			
Total Cases Opened	8			
Referred Calls				
Welfare Fraud	8			
Non-County	1			
Referred to Sheriff-Coroner	1			
Referred to District Attorney	2			
Referred to Risk Management	1			
Total Complaints Referred Out	13			
Insufficient Information	2			
Total Hotline Calls	23			

3. Status of Complaints

Table 3 below summaries the status of complaints for the period July 1, 2007 through December 31, 2007.

Table 3							
Status of Complaints							
	Investigation		Closed Findings				
ACTIONABLE CALLS	New	Still Open	Closed	Substantiated	Not Substantiated		
Employee	7	3	4		4		
Contractor	1	1					
Total	8	4	4		4		

EXHIBIT A



EXHIBIT A

Background

The Orange County Internal Audit Department (IAD) established and runs the Orange County Fraud Hotline as part of its ongoing fraud detection and prevention effort. The Hotline was first established September 1, 1994, and after a short period of inactivity during the bankruptcy, was reinstated May 3, 1996, and enhanced and improved in December 2004. The establishment of a Hotline is a best business practice for both private and governmental entities. The County encourages employees to resolve concerns through their normal administrative channel whenever possible. However, the OCIAD Fraud Hotline provide an alternative reporting and investigating avenue to ensure that concerns about possible wrong doings in our County government are properly addressed.

Types of Complaints

The Hotline is intended for County employees, vendors, and the public to report suspected fraud, misuse of County resources by vendors, contractors, or County employees. Violations of County policy are also reported. Fraud is an intentional act that results in the misstatement of financial records or theft of the County's assets. The misuse of County resources would include for example the use of a County computer to run an outside business. In instances when non-County callers use the Hotline, their complaints are also processed.

Operates 24/7

The Hotline is monitored live for calls twenty-four hours a day, seven days a week. IAD staff monitors the telephone during business hours and outside Hotline service professionals monitor the telephone during non-business hours. Callers can leave anonymous information or identify themselves. The Hotline telephone system also provides the callers with a list of Hotline numbers for reporting frauds that are not handled by the County Fraud Hotline such as Welfare Fraud. In processing Hotline calls that are not handled and monitored by IAD such as Welfare Fraud and calls for non-County agencies, IAD refers the caller to the appropriate Hotline, e.g., Social Services Agency Welfare Fraud Hotline for their investigation. In these cases, IAD logs the calls in the Hotline Control Log, but IAD does not perform any review or monitoring. Hotline reporting can also be made through our web page on the internet. We have created a "Virtual Hotline Form" where an individual can remain anonymous.

EXHIBIT A



Processing Hotline calls

- 1. The IAD staff and the outside service professional prepare the Hotline Information Form which aides in the capturing of needed information.
- 2. The IAD staff and the outside service professional assign a unique Hotline control number.
- 3. All calls received are recorded into the Hotline Control Log.
- 4. The IAD staff and the outside service professional provide the completed Hotline Information Form (by hard copy and email respectively), to the Hotline Senior Audit Manager.
- 5. The Senior Audit Manager reviews the specifics of the allegation and prepares a letter detailing the complaint.
- 6. The IAD Director and Deputy Director review the information and a formal Hotline Action Request with all relevant information is routed directly by the IAD Director to the agency/department head for immediate investigation. IAD policy requires the agency/department head to acknowledge receipt of the Hotline Action Request within five working days. Depending upon the facts of each allegation, IAD may conduct its own on-site visit and review. The Director, Deputy Director or Senior Audit Manager will discuss with senior management the allegation and the approach, and the status of the agency/departments investigation and determine a course of action for an IAD review if considered warranted by IAD.
- 7. The agency/department head, to which cases are referred, are required to provide a written report of the investigative steps, the results of the investigation, and corrective action taken.
- 8. The Senior Audit Manager along with the Director or Deputy Director, upon receipt of the written report from the agency/department head, reviews the report to determine if appropriate action was taken.
- If the Director is satisfied with the investigation and results, the Hotline case is closed and a closeout letter is sent to the agency/department head. If the Director is not satisfied further action will be proposed.

EXHIBIT A



Other Hotline Process Enhancements

In addition to IAD enhancing its website to assist anyone wishing to report fraud, other improvements include information on Whistleblower Protection and other Fraud Hotline phone numbers. In addition to IAD maintaining the Orange County Fraud Hotline, other agencies/departments maintain hotlines. For example, Social Services Agency maintains the Welfare and Child Abuse Hotlines, CEO/Risk Management maintains the Workers' Compensation and Insurance Fraud Hotlines, and the District Attorney maintains the Consumer Fraud and Economic Fraud Hotlines.