INTERNAL AUDIT DEPARTMENT

COUNTY OF ORANGE

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ORANGE COUNTY FRAUD HOTLINE ACTIVITY

For the Period October 1, 2006 – June 30, 2007

AUDIT NUMBER: 2603 **REPORT DATE: JULY 12, 2007**

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Orange County Fraud Hotline Activity

For the Period
October 1, 2006 – June 30, 2006

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OC FRAUD HOTLINE
(714) 834-3608

COUNTY OF ORANGE
BOARD OF SUPERVISORS'
INTERNAL AUDIT DEPARTMENT

Transmittal Letter

Audit No. 2603

July 12, 2007

TO: Members, Board of Supervisors

FROM: Peter Hughes, Ph.D., 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 October 1, 2006 through June 30, 2007. The attached report includes background information on the Hotline including the establishment, purpose, and the processing of Hotline calls and a statistical summary of Hotline activities for the period.

We would like to acknowledge the courtesy and cooperation extended to us by the management of the various County agencies/departments during our Hotline 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 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

The Internal Audit Department is an independent audit function reporting directly to the Orange County Board of Supervisors.

Internal Audit Department
Orange County Fraud Hotline Activity

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 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.

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.

Hotline Process

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 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 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.

9. 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.

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. Exhibit A captures the website pages and information offered to county employees. In addition to IAD maintaining the Orange County Fraud Hotline, other agencies/departments maintain Hotlines. For examples, Social Services Agency maintains the Welfare and Child Abuse Hotlines, CEO/Risk Management maintain the Workers' Compensation and Insurance Fraud Hotlines, and the District Attorney maintains the Consumer Fraud and Economic Fraud Hotlines.

1. Statistical Summary

The Internal Audit Department received 29 calls during the period. IAD received 17 allegations by phone or letter; 11 allegations by email; and 1 allegation by the outside service (non-business hours). These calls are categorized in **Table 1**.

Table 1 Allegations	
Actionable Calls	7
Referred and Informational Calls	19
Insufficient Information	3
Total	29

2. Types of Allegations

Cases opened during the period concerned allegations of employee misconduct, e.g., misappropriation of funds; untimely payments to vendors; unqualified information technology (IT) director and managers; using County staff to perform work on personal residence; and unprofessional behavior by a manager. When allegations 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.

Table 2
Types of Allegations

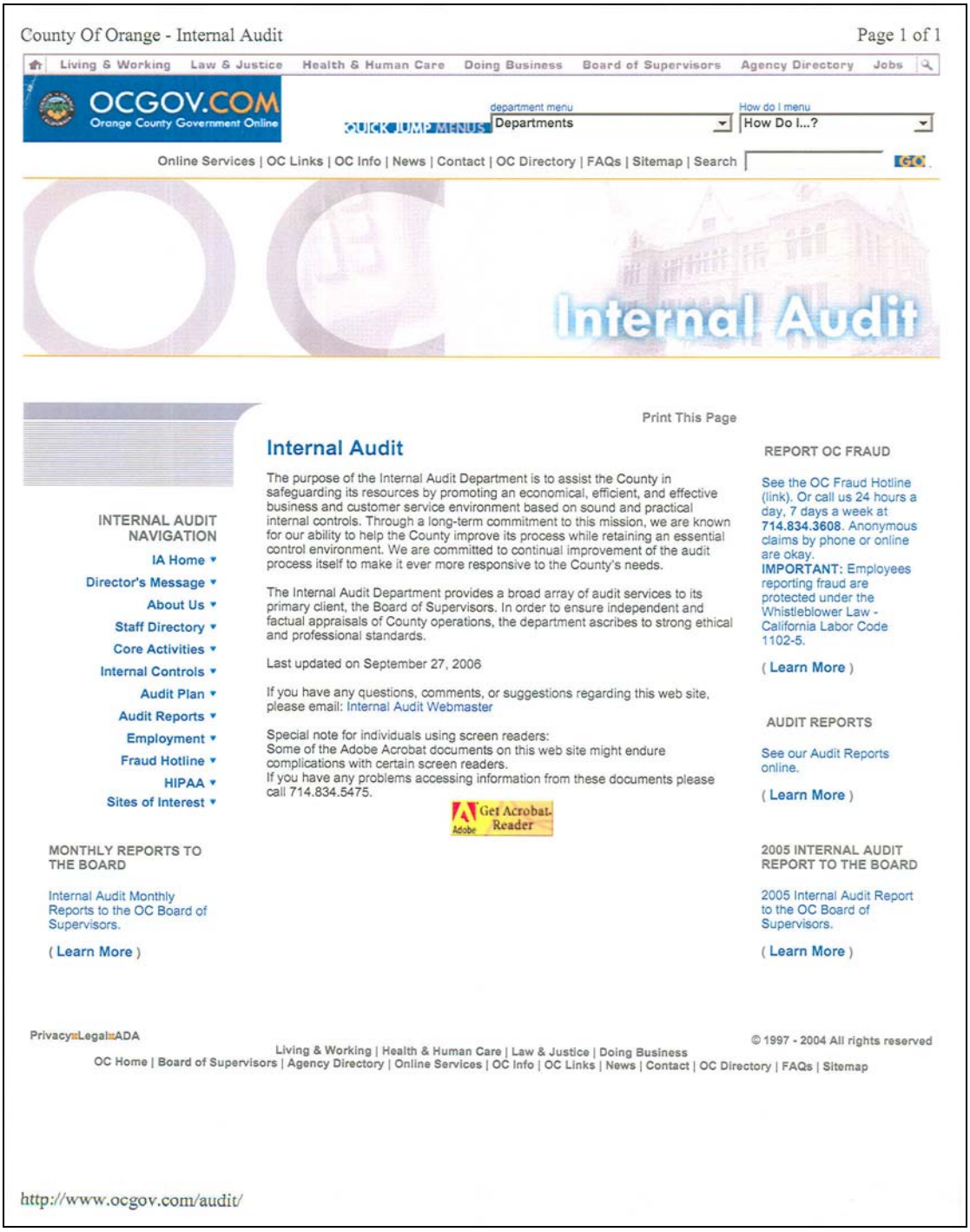
Cases Opened	
• Employee Misconduct	7
• Contractor Misconduct	0
Total Cases Opened	7
Allegations Referred Out	
• Welfare Fraud	10
• Non-County	5
• Referred to Sheriff-Coroner	1
• Information Requests (Referred to County Departments)	3
Total Allegations Referred Out	19
Insufficient Information	3
Total	29

3. Cases Closed

During the period 7 cases were finalized and closed. Two cases were opened in 2006, and 5 cases were opened in 2007. As of June 30, 2007 no cases remain active. **Table 3** categorizes the 7 cases closed during this period.

Table 3 Cases Closed Reason for Closing	
Investigated by County agency/department - Allegation Substantiated	0
Investigated by County agency/department - Allegation Not-Substantiated	7
Insufficient Information	0
Total	7

EXHIBIT A: OC Fraud Hotline Website Enhancements



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Internal Audit

The purpose of the Internal Audit Department is to assist the County in safeguarding its resources by promoting an economical, efficient, and effective business and customer service environment based on sound and practical internal controls. Through a long-term commitment to this mission, we are known for our ability to help the County improve its process while retaining an essential control environment. We are committed to continual improvement of the audit process itself to make it ever more responsive to the County's needs.

The Internal Audit Department provides a broad array of audit services to its primary client, the Board of Supervisors. In order to ensure independent and factual appraisals of County operations, the department ascribes to strong ethical and professional standards.

Last updated on September 27, 2006

If you have any questions, comments, or suggestions regarding this web site, please email: Internal Audit Webmaster

Special note for individuals using screen readers:
Some of the Adobe Acrobat documents on this web site might endure complications with certain screen readers.
If you have any problems accessing information from these documents please call 714.834.5475.

Get Acrobat Reader

REPORT OC FRAUD

See the OC Fraud Hotline (link). Or call us 24 hours a day, 7 days a week at **714.834.3608**. Anonymous claims by phone or online are okay.
IMPORTANT: Employees reporting fraud are protected under the Whistleblower Law - California Labor Code 1102-5.

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Fraud Hotline

ORANGE COUNTY FRAUD HOTLINE PHONE NUMBER

(714) 834-3608

BACKGROUND

The Orange County Internal Audit Department (IAD) established and manages 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 Hotline is intended for the use of County employees as a vehicle for reporting suspected fraud, misuse of County resources by vendors, contractors, or County employees, and significant violations of County policy. 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.

WHAT WE DO

The Hotline is available for calls twenty-four hours a day, seven days a week. The Hotline telephone number is (714) 834-3608. IAD staff monitors the telephone during business hours. Callers can leave anonymous information or identify themselves during business hours and after hours, or can choose to speak with staff during business hours. 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. TO REPORT OTHER TYPES OF FRAUD, SUCH AS WELFARE FRAUD, SEE THE LISTING BELOW OF OTHER FRAUD HOTLINE PHONE NUMBERS.

WHISTLEBLOWER PROTECTION

The Orange County Fraud Hotline is intended for use by County employees, the general public, or vendors reporting suspected waste, fraud, violations of County policy or misuse of County resources by vendors, contractors or County employees. County employees wishing to report complaints are protected under California Labor Code 1102.5 and 1106 – the New Whistleblower Law; however, if it is determined that a complaint was filed by a County employee in bad faith, said employee may be subject to appropriate disciplinary action. The California State Attorney General's Whistleblower Hotline number is (800) 952-5225.

OTHER FRAUD HOTLINE PHONE NUMBERS

- Child Abuse, call (714) 940-1000.
- Consumer Fraud, call (714) 648-3600.
- County Workers' Compensation and Insurance Fraud, call (714) 834-

REPORT OC FRAUD

See the OC Fraud Hotline (link). Or call us 24 hours a day, 7 days a week at **714.834.3608**. Anonymous claims by phone or online are okay.
IMPORTANT: Employees reporting fraud are protected under the Whistleblower Law - California Labor Code 1102-5.

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2817.
- County Safety Hazards, call (714) 834-2817.
- Medi-Cal Fraud, call (800) 822-6222.
- Welfare Fraud, call (714) 347-8400.

ON-LINE FRAUD REPORTING

Hotline complaints can also be reported on-line using the Hotline Information Form . The Hotline Information Form allows you to identify yourself or remain anonymous. In all cases, it is important to state as much information as possible. Important information should include:

- Date, time, and place of the occurrence(s).
- Agency (if applicable).
- Individual(s) involved.
- Amount/value of theft or fraud.
- Full description of events reported other person or persons who may be aware of the fraud.

Please click here to access the Hotline Information Form and to submit a claim on-line.

If you wish to fill out the form and submit the information in writing, please click on the link above, complete the form, print and mail the form to: Orange County Fraud Hotline, Internal Audit Department, 400 Civic Center Drive, Building 12, Room 232, Santa Ana, CA 92701. You can also fax the form to (714) 834-2880.

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County of Orange - Fraud Reporting Form

Please mail any documentation that may support the alleged fraud to:

OC Fraud Hotline
12 Civic Center Drive RM 232
Santa Ana, 92701

Contact Information
Please add your name to the contact information; however if you wish, you can remain anonymous

Name:
Job Title:
Department/Agency:
Home Telephone:
Work Telephone:
Email Address :

Alleged Participant(s)
Please state the name of the individual(s) you feel are commiting fraud.

Name:
Job Title :
Agency:
Department:
Status: ○ Current Employee ○ Past Employee ○ Vendor ○ Contractor
Other:

Please add more names if applicable.

Name:
Job Title :
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Status: ○ Current Employee ○ Past Employee ○ Vendor ○ Contractor
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Name:

Job Title :

Agency:

Department:

Status: Current Employee Past Employee Vendor Contractor

Status Other:

Incident

Theft:

Cash:

Equipment:

Supplies:

Other:

Payroll Related:

Overpayment:

Fictitious Employee:

Overtime:

Time Abuse:

Misuse of County Resources:

Vehicles:

Telephones:

Computers:

Other:

How may occurances?: ---Select Frequency---

If more than one incedent type number of Instances: 1

Location Information

Please tell us as much information and detail regarding the suspected fraud. Who, what, when & where, and how much, if applicable.

Date and Time : Nov 14 2006

Description of Incident:

Please include as much information as possible

Additional Comments::

Submit

http://www.ocgov.com/audit/hotline.asp