

OC Fraud Hotline Activities
2023 ANNUAL REPORT



Board Date: June 25, 2024
Consent Calendar

TABLE OF CONTENTS

Transmittal Letter _____	3
OC Fraud Hotline Background and Overview _____	4
The Purpose and Benefits of Operating a Fraud Hotline _____	4
Types of Complaints _____	4
Summary of Hotline Activity _____	5
The OC Fraud Hotline Operates 24/7 _____	10
Processing OC Fraud Hotline Allegations _____	11
OC Fraud Hotline Awareness _____	13



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June 25, 2024

Honorable Donald Wagner, Chairman of the Board
Honorable Members, Board of Supervisors
400 West Civic Center Drive, Sixth Floor
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Re: 2023 Annual OC Fraud Hotline Report

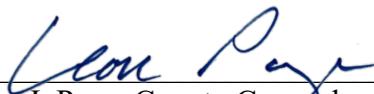
In accordance with provisions of California Government Code Section 53087.6, the OC Fraud Hotline serves as a means to discover, investigate and remediate acts of fraud, waste or abuse involving County employees. On August 4, 2015, the Board of Supervisors delegated responsibility for operation of the OC Fraud Hotline to the Office of the County Counsel with assistance provided by the Auditor-Controller, effective August 21, 2015.

We have completed our 2023 annual report concerning the operation of the OC Fraud Hotline. The attached report also includes a statistical summary of OC Fraud Hotline activity for Calendar Years 2020 through 2023, and background information on the OC Fraud Hotline process.

We would like to acknowledge the professionalism and cooperation extended to us by the Auditor-Controller and the management of various County departments during our Hotline investigation process. As always, I am available to answer any questions you may have.

Very truly yours,

LEON J. PAGE
COUNTY COUNSEL



Leon J. Page, County Counsel

PB:sa
Attachments

cc: Andrew Hamilton, Auditor-Controller
Frank Kim, County Executive Officer
Robin Stieler, Clerk of the Board of Supervisors
Eide Bailly, LLP, External Auditors
Foreperson, Grand Jury

OC Fraud Hotline Background and Overview

The Hotline was first established September 1, 1994, and after a short period of inactivity during the County's bankruptcy, was reinstated May 3, 1996, and enhanced and improved in December 2004. The OC Internal Audit Department administered the Orange County Fraud Hotline as part of its ongoing fraud detection and prevention effort until August 20, 2015. Pursuant to an August 4, 2015, Order by the Board of Supervisors, responsibility for the operation of the OC Fraud Hotline was transferred to the Office of the County Counsel, effective August 21, 2015.

Under the direction of County Counsel, the Fraud Hotline Manager and Administrator organize, supervise and conduct the investigations of the numerous and varied complaints made through the Hotline. When Hotline complaints allege conduct falling outside the Fraud Hotline Managers' investigative authority (such as welfare fraud and consumer fraud), the Fraud Hotline Managers refer such matters to other appropriate investigative departments such as the District Attorney's Office.

The establishment of a Fraud Hotline is a best business practice for both private and governmental entities. The County encourages employees to resolve concerns through their normal administrative channels whenever possible. However, the OC Fraud Hotline provides a confidential alternative reporting and investigating avenue to ensure that concerns about possible wrongdoing in County operations and employee misconduct are properly addressed.

The Purpose and Benefits of Operating a Fraud Hotline

The Hotline's purpose is to serve as a means for County management to discover and provide a remedy for acts of fraud, waste or abuse by County employees and County vendors. A robust confidential Fraud Hotline provides an opportunity for concerned employees and residents to freely disclose fraud, waste, or abuse occurring in government operations in confidence without fear of retaliation or disclosure.

The benefit to the County of the Hotline is that investigations yield valuable information, not only for the purpose of revealing misconduct, but also for the more valuable long-term purpose of initiating discussion and analysis of needed corrective measures for identified policy and procedural weaknesses. Just as importantly, an investigative finding that a Hotline complaint is without merit, or is unsubstantiated, serves to remove suspicion and doubt regarding the integrity of an established process or an employee whose conduct is in question.

Types of Complaints

The types of complaints or allegations reported to the Hotline are diverse. The Fraud Hotline Managers investigate reported cases of "fraud, waste, or abuse" by County employees and/or County vendors and contractors. Fraud is an intentional act that results in the misstatement of financial records or theft of the County's assets. Waste and/or abuse of County resources would include, for example, the use of a County computer to run an outside business. Violations of County and departmental policies are also reported.

California law defines fraud, waste, or abuse as “any activity by a local agency or employee that is undertaken in the performance of the employee’s official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.” All Fraud Hotline complaints alleging such conduct are investigated.

Financial Fraud Assistance

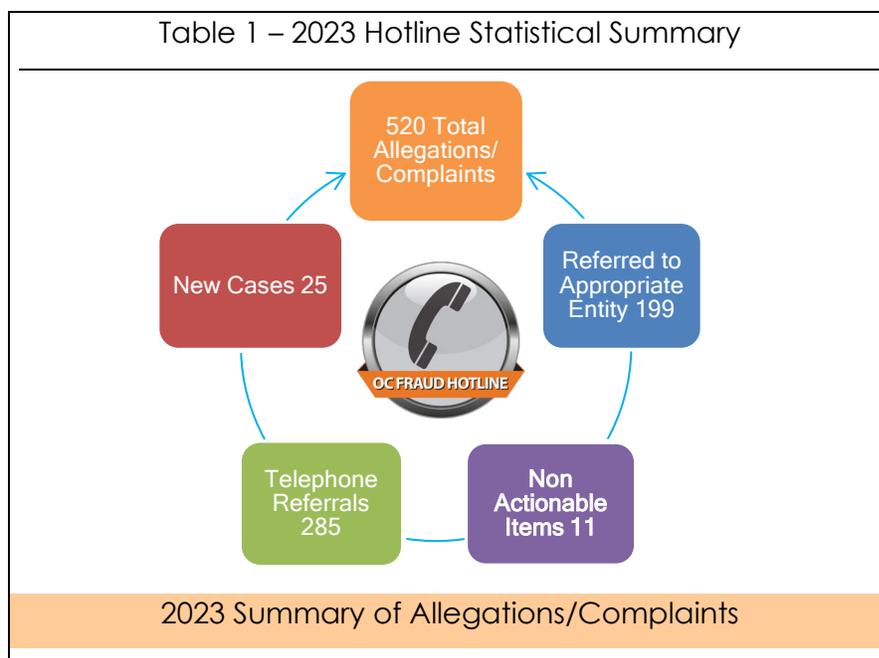
For complaints involving allegations of financial fraud and other possible misconduct, County Counsel and the Auditor-Controller agree to undertake joint investigation of the relevant facts. In 2023, no allegations met this criteria. In 2021, there was one allegation received that met this criteria; however, County Counsel and the Auditor-Controller asked Internal Audit to conduct the investigation for operational purposes. The investigation has not been completed as of the date of this report.

Summary of Hotline Activity

Below is the OC Fraud Hotline activity for the period January 1, 2023 through December 31, 2023.

1. Statistical Summary

The Fraud Hotline received **520** Hotline allegations, complaints or other contacts for the period of January 1, 2023 through December 31, 2023. **173** of these reports were made anonymously, while **60** reports were made by individuals who identified themselves. Fraud Hotline allegations were received by telephone, email, letter, and online through the County website. These items are categorized in **Table 1**.



New Cases	25
Referred to Appropriate Entity	199
Telephone Referrals	285
Non-Actionable Items	11
2023 Total Allegations/Complaints	520

2. Types of Allegations Made in 2023

- **New Actionable Cases**

Cases opened during the period concerned various allegations such as: 1) time abuse; 2) HR policy violations; 3) employee misconduct; 4) hostile work environment; 5) theft of county resources; and 6) conflict of interest. There were multiple allegations in several categories listed above.

- **Referrals to Other Entities**

Allegations involving issues other than fraud, waste or abuse by County employees and/or County vendors are referred to other appropriate County or non-County agencies.

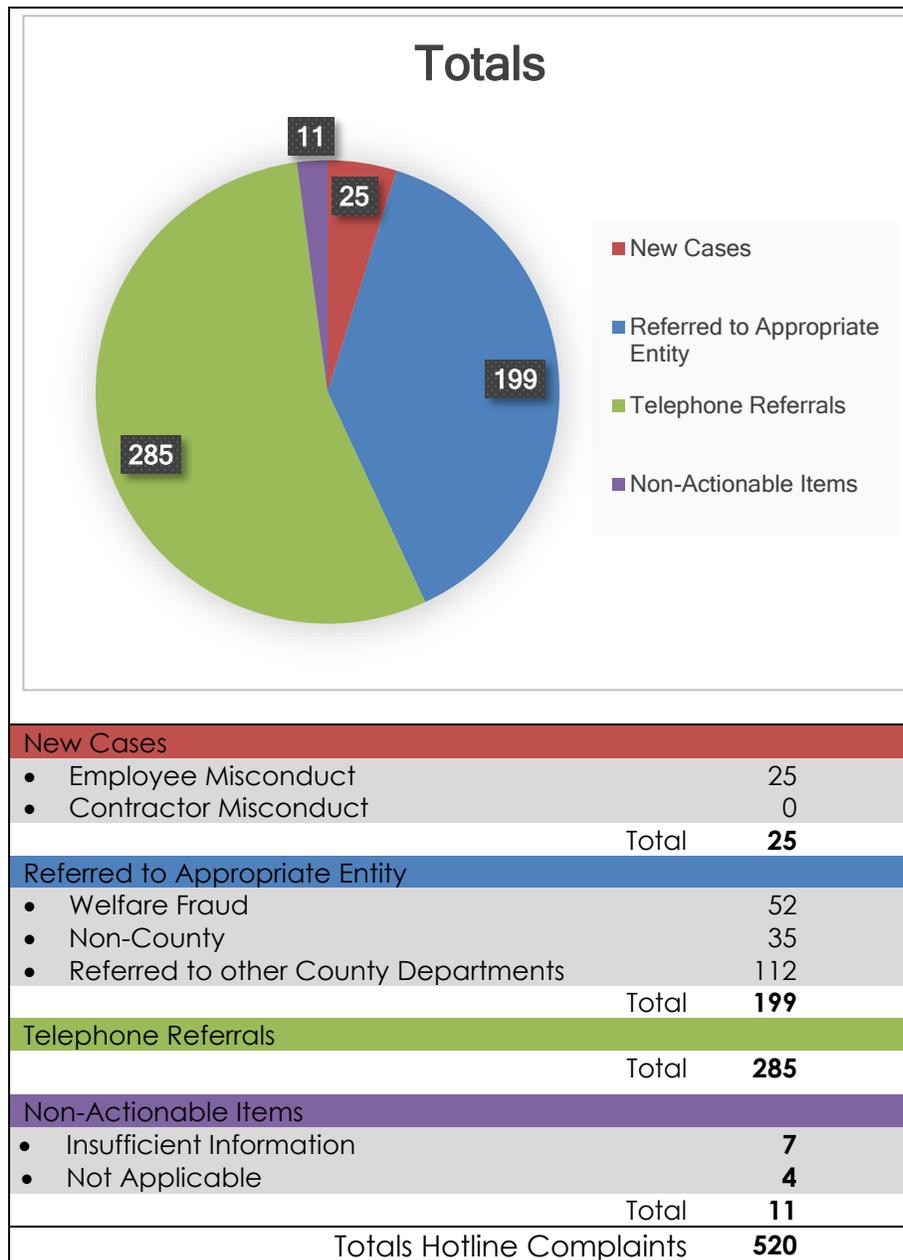
- **Telephone Referrals**

These are referrals done by the third-party compliance service provider when an allegation is received that is not handled by the Fraud Hotline. For example, when the Hotline receives allegations of welfare fraud, the caller is referred directly to the appropriate hotline number for welfare fraud.

- **Non-Actionable Items**

These allegations did not include sufficient information or were not within the Fraud Hotline’s investigative jurisdiction to investigate. Examples include: failure to state sufficient facts on which to base any investigation; cases that are not handled by the Hotline; inquiries regarding the status of other investigations; or requests for information; and wrong numbers.

Table 2 identifies the total number of cases opened during this period and details the complaint type.



3. Status of Investigations

At the outset of an investigation, it is difficult to predict how long the investigation will take. A number of variables must be considered, and they may change as the investigation progresses. Such variables include the complexity of the facts alleged, the availability and/or identification of the complaining party, the volume of documentary evidence to be reviewed, the number of witnesses to be interviewed, the amount of information that each of such witnesses imparts, the resources available to the Hotline investigator and the subject department, and the nature of any additional issues revealed during the course of the investigation.

The OC Fraud Hotline strives to conduct investigations as quickly as possible. However, we are committed to conducting thorough and comprehensive investigations that are fair in all regards to the complaining individuals, the accused individuals, involved witnesses, and interest of the County.

Table 3 below summarizes the status of cases for the period January 1, 2023, through December 31, 2023.

Table 3 – 2023 Status of Allegations

Investigations						Closed Cases	
Activity	Carry Over Cases	New Cases	Total	Under Investigation	Closed	Substantiated	Not Substantiated
Employee	7	25	32	9	23	8	15
Contractor	1	0	1	1	0	0	0
Totals	8	25	33	10	23	8	15

4. Investigations Substantiating Fraud, Waste or Abuse

In the eight cases where the allegation of Fraud, Waste or Abuse was substantiated, below is a brief summary of each case:

An employee was committing time abuse and working a second job. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Prior to an investigatory meeting with the employee but after a comprehensive analysis of user activity data from OCIT, the employee immediately resigned.

An employee was committing time abuse. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

Four employees were committing misappropriation of County resources. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

An employee was committing time abuse. The substantiated case was referred to the appropriate County department for resolution and corrective measures. The case was referred to employee relations.

An employee was creating a hostile work environment and committing sexual harassment. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

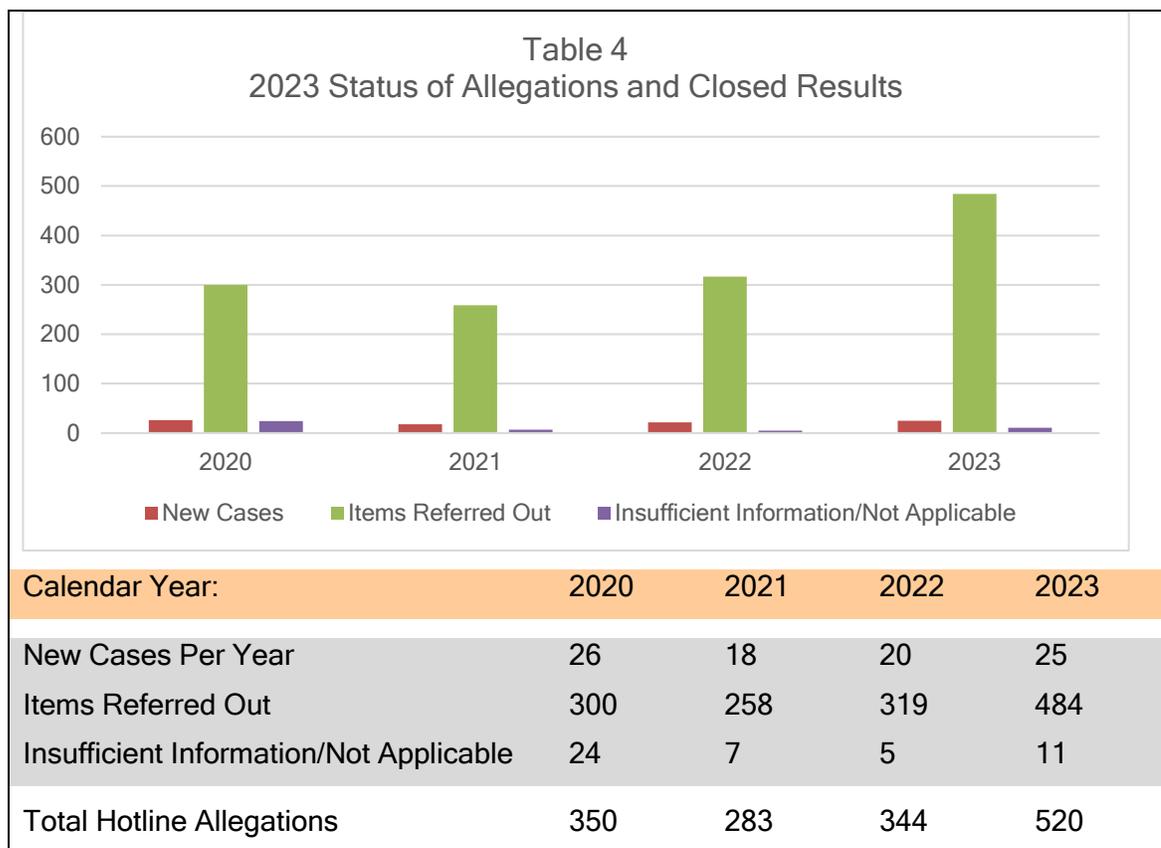
Time abuse by Correctional Services Assistants. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

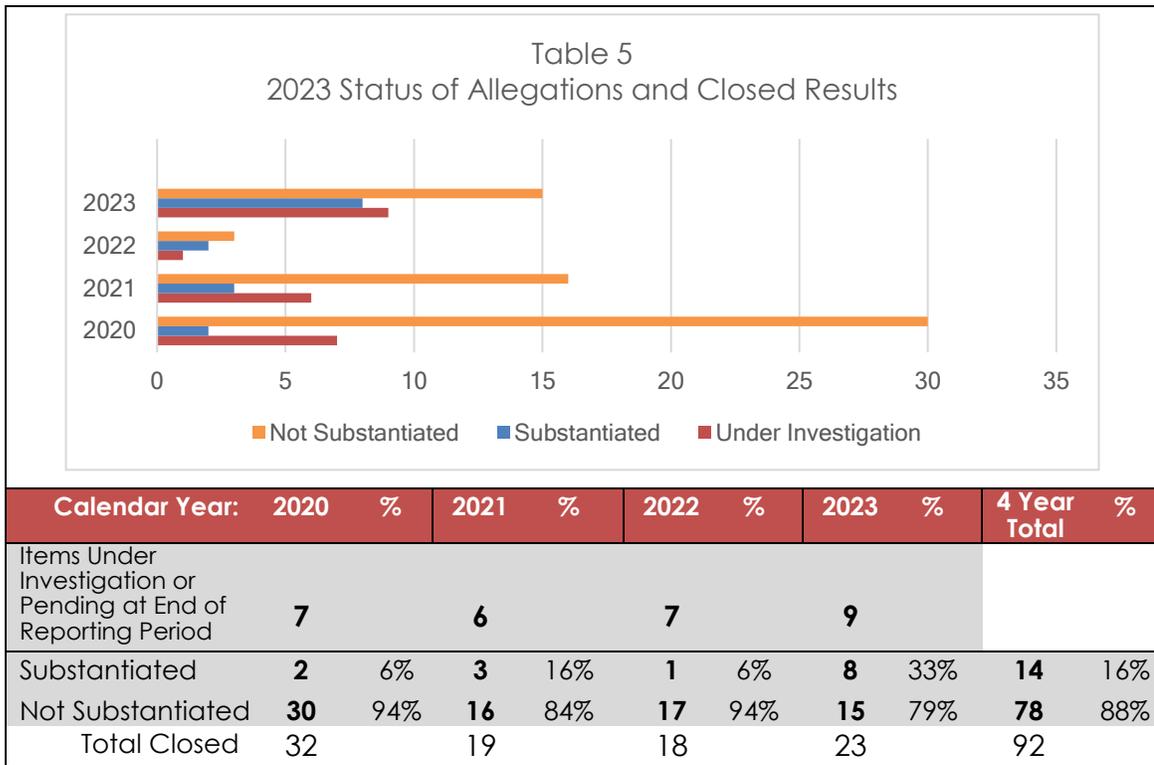
Employee misconduct committed by a nursing supervisor. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

An employee was misusing County resources and committing harassment. The substantiated case was referred to the appropriate County department for resolution and corrective measures. Appropriate action was taken by the department.

5. OC Fraud Hotline 4 Year Trend Summary

Table 4 and **Table 5** below summarizes the four-year trend of allegations or complaints, status of allegations or complaints, and closed results.





The OC Fraud Hotline Operates 24/7

The OC Fraud Hotline telephone intake receives calls at (714) 834-3608 twenty-four hours a day, seven days a week, from County employees, County vendors and members of the public. In order to provide uninterrupted and consistent reporting service to Hotline callers, in 2016, the Fraud Hotline Team began using the services of an experienced third-party compliance service provider, ComplianceLine LLC, to intake Hotline Complaints 24 hours a day, 7 days a week, 365 days a year. The provider employs trained intake specialists who confidentially memorialize the Complaints registered by Hotline callers. The intake specialists then forward the Complaints to the Fraud Hotline Team for analysis and further handling, including the commencement of investigations when appropriate.

County employees and members of the public have the option to file Hotline complaints online as well, through the OC Fraud Hotline website at www.ocgov.com/services/fraud.asp. There, the website guides the filing party through a form containing a series of questions designed to elicit relevant investigative information, including the filing party's unedited written statement of the misconduct being reported. Upon its completion by the filing party, the Fraud Hotline Complaint form is emailed to the Fraud Hotline Team for review, analysis and further handling.

Whether made telephonically or online, all Hotline complaints give the filing party the option to remain completely anonymous. This arrangement minimizes a filing

party's possible fear of retaliation or any other form of workplace discrimination against those wishing to report fraud, waste or abuse.

Whether a Fraud Hotline Complaint is made telephonically or online, upon its completion the filing party is provided a password and a 'callback' date, so that the filing party may provide subsequently discovered information relevant to the Complaint. The system also allows the Fraud Hotline Team to leave an outgoing written message to the filing party requesting further information, while preserving the filing party's right to anonymity.

Processing OC Fraud Hotline Allegations

1. All Fraud Hotline calls, letters and online Complaints of any nature are reviewed and analyzed for appropriate confidential handling by the Fraud Hotline Team, and an electronic record of all Complaints is maintained. For each Hotline complaint within the investigative jurisdiction of the Fraud Hotline team, the Fraud Hotline Managers prepare a summary of the relevant allegations, and record the Complaint in the Hotline Control Log.
2. For each Hotline complaint recorded in the Hotline Control Log, a sequential Hotline control number is assigned by the Fraud Hotline Managers.
3. For each Hotline complaint logged by the Fraud Hotline Managers, notice is given to the Office of the Auditor-Controller of the date and nature of the allegations made. If such allegations raise issues of financial fraud, waste and abuse (theft of County funds and/or physical resources), the Fraud Hotline Managers discuss with Auditor-Controller personnel the possibility and details of assigning the case to the Auditor-Controller's office for investigation, or the possibility and details of a coordinated investigation conducted jointly by the offices of County Counsel and the Auditor-Controller.
4. Under the supervision of County Counsel, the Fraud Hotline Managers review the specifics of each complaint's allegations and conduct a preliminary (*'prima facie'*) assessment of whether sufficient facts are alleged to warrant an investigation of the allegations made.

Factors considered in this assessment include the nature of the allegations made in the complaint, as well as the level of factual detail provided, such as relevant times, dates, locations, documentary evidence and individuals involved. When appropriate, preliminary inquiries may be made by the Fraud Hotline Managers to determine the factual background and context of a Hotline allegation.

5. Occasionally, Hotline complaints are unintelligible, or so vaguely worded that no discernible allegation of fraud, waste or abuse can be identified. While records of such complaints are maintained, the Fraud Hotline Managers close such matters immediately and no further action is taken. However, upon determination that a

complaint lends itself to a meaningful investigation, the Fraud Hotline Managers then decide the appropriate course of action for further handling.

6. Under the supervision of County Counsel, the Fraud Hotline Managers will pursue one of the following courses of action:
 - a) Assignment of the matter to the Auditor-Controller for investigation of the complaint by the Auditor-Controller, either solely by the Auditor-Controller, or jointly and in cooperation with County Counsel;
 - b) Referral of the matter to another governmental department (either within Orange County or outside), for that department's handling of the matter at its discretion;
 - c) Assignment of the matter to another County department for investigation of the complaint by the department, under the supervision of, and at times in cooperation with, County Counsel personnel;
 - d) Investigation of the matter solely by County Counsel personnel; or
 - e) Retention by County Counsel of an outside investigator who conducts an investigation and reports all findings and conclusions to County Counsel.

7. For those Hotline complaints containing allegations of financial fraud, waste and abuse, the Fraud Hotline Managers and the Office of the Auditor-Controller discuss arrangements for the assignment of the confidential investigation to the Auditor-Controller, and preparation of the resulting confidential investigative report. If the complaint contains allegations of financial fraud, waste and abuse and other possible misconduct, such investigation may be conducted, and the resulting investigative report may be prepared jointly by Auditor-Controller personnel and County Counsel personnel. On allegations of financial fraud, the Auditor-Controller will take the lead on the investigation and reporting.

OC Fraud Hotline Awareness

The County advertises the OC Fraud Hotline and encourages employees and residents to utilize the service in several ways:

- All County employees are provided information through the OC Employee Portal Paystub Application.
- Periodic postings appear in the CEO/County Connection newsletter.
- OC Fraud Hotline Posters are displayed in English, Spanish and Vietnamese in each County agency/department.
- Links to the Fraud Hotline website can be found on the County's "Home Page" under "How Do I" and "Services."
- A website link is provided through the IntraOC under Employee Central, Fraud Hotline.