

OFFICE OF
CONTROLLER

LAURA N. CHICK
CONTROLLER

200 N. MAIN STREET, RM 300
LOS ANGELES 90012
(213) 978-7200
www.lacity.org/ctr

May 25, 2005

Budget and Finance Committee
c/o City Clerk
200 N. Spring Street, Room 360
Los Angeles, CA 90012

SUBJECT: FRAUD, WASTE AND ABUSE UNIT

As you know, the approved FY06 budget includes funding for staff positions to establish a Governmental Efficiency Unit (Unit) within the Office of the Controller. The new Unit will screen, monitor and investigate allegations involving fraud and abuse of City resources received by my Office. Unit staff will also work with other City agencies to coordinate activities and ensure an appropriate and effective response to each complaint. In planning for the Unit, my staff met with other City agencies including the Department of Personnel, City Attorney, the Ethics Commission, and CAO to discuss the scope of the new Unit and to establish referral criteria that will help facilitate communication and effective follow-up of any resulting investigation. The resulting "Criteria for Referring Whistleblower Cases" was provided to both the Budget and Finance and Audit Government Efficiency Committees prior to the final budget action.

The purpose of this memo is to provide you with an update on the current volume of complaints/allegations received by my Office and the steps planned to develop the Unit during the coming fiscal year.

Since July of 2004, my Office has received over 120 complaints involving City activities or resources. Many of these contain specific allegations that warrant further investigation, either by my staff or other agencies. We are currently following all recommended protocols and have begun to implement standard procedures with regard to these complaints. For example:

1. Receipt of complaint/allegation via letter, fax, email or phone. The item is assigned a case number and entered into an automated tracking system.

2. If the informant has provided his/her name and contact information, an acknowledgement letter is sent that includes the assigned case number. The informant is notified that my Office cannot provide updates or comments on any pending investigation, and that the issue may be referred to another agency, if appropriate. (An example "Acknowledgement Letter" is provided as Attachment 1)
3. Unit staff will determine a preliminary course of action, based on the nature of the complaint and established referral protocols. These are discussed and approved by my executive staff. This may include the following:
 - a) Referral to other Department for their investigation and response. (An example "Referral Letter" and "Case Disposition Summary" is provided as Attachment 2).
 - b) Retained by Unit for internal investigation. Issues that are considered significant as determined by Controller executive management.
Note: All cases that involve pending litigation with the City or that may result in potential criminal indictment will be immediately referred to the City Attorney. In addition, issues related to campaign financing, lobbying, and related ethics violations will be referred to the City Ethics Commission. In some instances, a joint investigation with Controller staff may be conducted at the request of Controller management or City management.
 - c) Recommend as potential audit area. Some issues relating to broad management practices, such as an alleged "waste of public resources," may be not be easily substantiated. In these cases, a cost analysis or performance audit by the Controller's Auditing Division may be warranted.
 - d) No Further Action. This may be an appropriate disposition for complaints when no specific allegation or potential evidence is presented. In addition, it may also be appropriate for complaints in cases whereby an informant is simply presenting their dissatisfaction with the outcome of an established public process, such as a formal Council action.

In all cases, the Unit will track the progress of each item until it has been resolved and closed. Unit staff will have a close reporting relationship with my Chief Deputy to ensure appropriate priority and resolution of all issues.

The next steps in the development of the Unit include:

- Development of a case tracking database. A functional system built on an Access platform is currently under construction. Interrelated data tables will be used to enter information and monitor progress on all allegations/complaints received. The first phase of the system will be in place by July 1st.
- Identification and priority for acquiring additional (non-staff) resources for the Unit, such as equipment, supplies, etc. As the approved budget did not include an amount for non-staff resources, these items will initially be absorbed within my overall departmental budget.
- Recruitment of qualified staff (3 FTE) will commence soon after the City Council provides funding.
- A review and recommendation of options regarding the establishment of a hotline (both via phone and email/intranet) that can be used to report suspected fraud and abuse within the City. Based on available resources, the hotline would become functional within the first half of the fiscal year.
- Continued efforts to strengthen working relationships and respective roles with other investigatory agencies, both within and outside of the City family.

We all share the goal of making City government more accountable to the citizens and taxpayers of Los Angeles. By creating a Unit to investigate allegations of fraud, waste and abuse, my Office can be responsive to complaints, identify and stop losses of public resources, and help prevent future abuse.

If you have any questions about my plans for the Unit, please call Marcus Allen, Chief Deputy Controller, at (213) 978-7323.

Sincerely,



LAURA N. CHICK
City Controller

Attachments

cc: Honorable Councilmember, Antonio Villaraigosa
Honorable Councilmember, Wendy Gruel
Honorable Councilmember, Jack Weiss

Example: Acknowledgement Letter

Date

Informant Name

Address

City, State, zip

Dear Mr./Ms. XXXX

SUBJECT: ALLEGATION/COMPLAINT NO. 2005XXX

This letter acknowledges receipt of your complaint dated (DATE), and entry into our tracking system. Due to the large volume of complaints received by this office, our review of the issues you have raised may take some time. However, please be assured that they will be looked into, and if warranted, the appropriate action will be taken.

In order to ensure the integrity and confidentiality of the investigative process, the Controller's Office does not provide updates regarding the status of complaints or of any resulting enforcement action. However, because you provided your contact information with the complaint, you may receive notice of final disposition, which could take one of three forms:

- Letter notifying you that our office is closing the complaint due to insufficient evidence;
- Letter notifying you that the complaint has been referred to the proper agency or authority for further investigation and resolution; or
- Public notice concerning our findings through an enforcement action.

Thank you for taking the time to put your complaint in writing. The City Controller is committed to ensuring the ongoing integrity of City government. Our efforts toward that end are helped through citizen alerts such as yours.

Sincerely,

LAURA N. CHICK
Controller

Example: Referral Letter

CONFIDENTIAL

DATE

To: Name, General Manager
Department of xxxx

From: Laura N. Chick, City Controller

Subject: Allegations of (Describe Related) Improprieties

An allegation was reported to my office regarding (describe matters) at the xxx Department. The nature of these allegations can be most effectively and efficiently handled by your department. Accordingly, we are referring this matter to you for investigation.

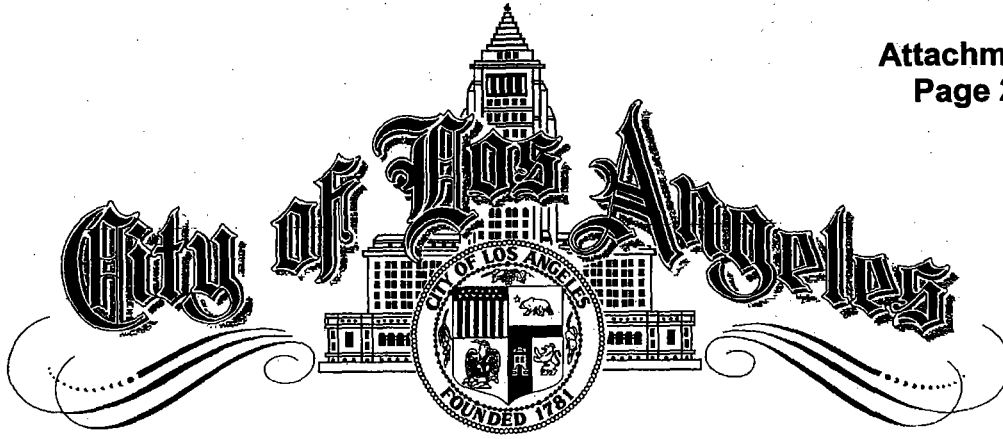
Enclosed is a copy of the original complaint, and follow-up email by the informant.

Also, please find enclosed a blank Case Disposition form that should be completed along with your final report by (date; 60 days hence). This form may also be used to file for an extension for an additional 30 days, with a status report, if needed. All correspondence related to this case should be forwarded to:

City Controller
Fraud, Waste and Abuse Unit
200 N. Main Street, Suite 370, Mail Stop 183
Los Angeles, CA 90012
Fax (213) 978-7213

Please secure this and all confidential correspondence. If you have any questions, please contact DeWitt Roberts at (213) 978-7203 or Siri Khalsa at (213) 978-7325.

Case no.xxxxxx
Attachment



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CASE DISPOSITION

Please use this form as a cover sheet to indicate findings of your investigation or to file for an extension. *Attach a detailed investigation report for completed cases or a memo explaining any requests for an extension.* Please use a separate form for each case submitted.

Case # _____

A. EXTENSION REQUESTED

Target Date of Completion: _____

B. INVESTIGATION COMPLETED

Substantiated (Please indicate the type of corrective action taken)

- Counseled
- Dismissed
- Oral Warning
- Procedures Changed
- Resigned
- Restitution Required
- Suspended
- Transferred
- Written Warning
- Other

Unsubstantiated

Prepared by: _____

Name

Date

Title

Department

