

2016-17 Annual Fraud, Waste, and Abuse Hotline Report

July 2017

Summary

The purpose of this report is to summarize activity reported through Lane County's Fraud, Waste, and Abuse Hotline since implementation on June 24, 2016 through June 30, 2017. As required by Administrative Procedures Manual Chapter 2, Section 26, Issue 3, this annual report describes the number, nature, and resolution of hotline reports received. During its first year, the hotline received seven reports. Three reports resulted in investigations that disproved the allegations.

Background

Fraud Tip Reporting

Most fraud in organizations goes undetected. As reported in the Association of Certified Fraud Examiners' (ACFE) 2016 Global Fraud Study, tips are consistently the most common fraud detection method. Fraud is detected through a tip 40% of the time. ACFE also reports organizations with anti-fraud controls like a hotline were less likely to experience fraud.

Hotline Implementation

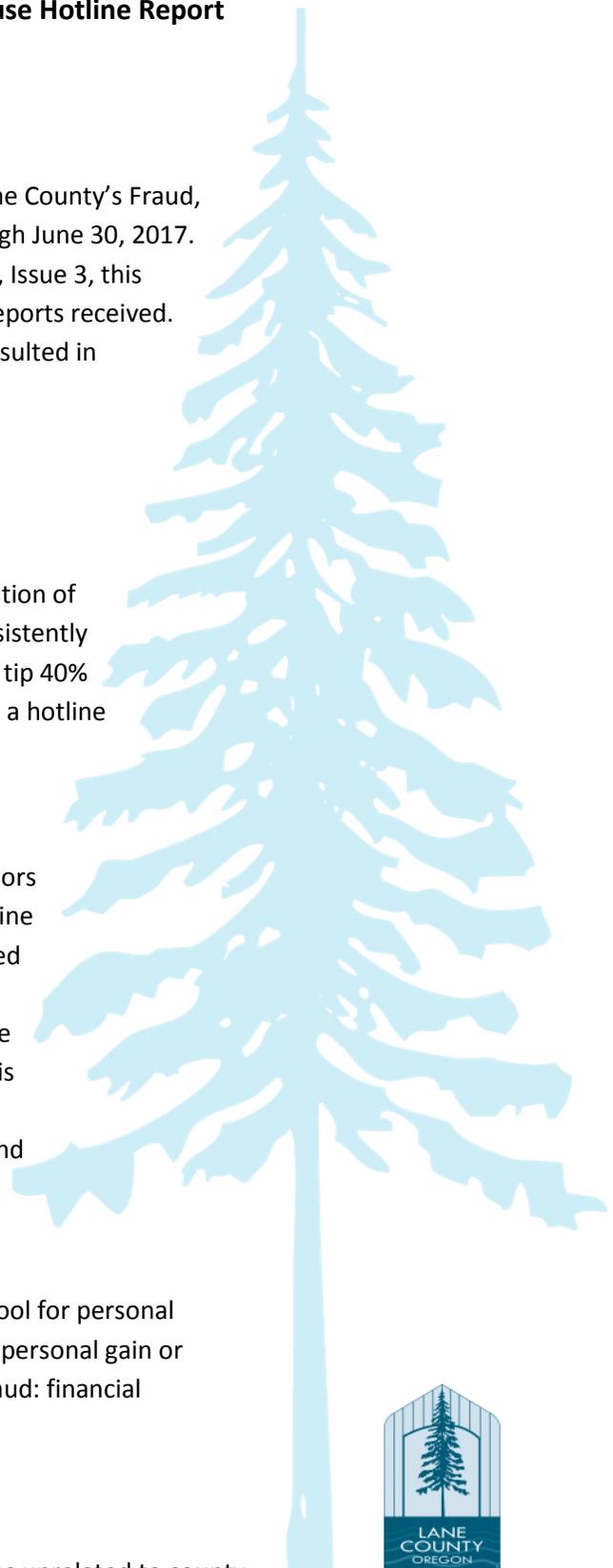
Lane County's Fraud, Waste, and Abuse Hotline for employees and vendors was implemented on June 24, 2016. The purpose for having a fraud hotline is to provide a mechanism for employees to report instances of suspected fraud or other suspected criminal behavior without fear of retaliation or retribution. Employees have the option of remaining anonymous and are protected by whistleblower laws. Lighthouse Services, Inc. (Lighthouse) is the county's third party hotline provider. Administrative Procedures Manual Chapter 2, Section 26, Issue 3 provides additional information and procedures on the hotline.

Definitions

Fraud – At its most basic level, fraud is the act of using dishonesty as a tool for personal gain. Fraud includes any misuse or attempt to misuse a county asset for personal gain or purposes unrelated to county business. There are three categories of fraud: financial statement fraud, misappropriation of assets, and corruption.

Examples include, but are not limited to:

- Stealing or removing county assets
- Using county equipment, facilities, supplies or funds for purposes unrelated to county business
- Obtaining county funds or compensation through dishonesty



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- Falsifying financial records to cover up theft
- Theft or misuse of county money, equipment, supplies or other materials
- Intentionally misrepresenting the costs of goods or services provided
- Falsifying payroll information
- Submitting false claims for reimbursements
- Soliciting or accepting a bribe or kickback

Waste – The needless, careless or extravagant expenditure of county funds, incurring of unnecessary expenses, or mismanagement of county resources or property. Waste doesn't necessarily involve private use or personal gain, but almost always signifies poor management decisions, practices or controls.

Abuse – The intentional, wrongful or improper use or destruction of county resources, or seriously improper practice that does not involve prosecutable fraud. Abuse can include the excessive or improper use of an employee's or official's position in a manner other than its rightful or legal use.

Reporter – Individual who makes a report to the Fraud, Waste, and Abuse Hotline. Reports can be made by telephone, fax, email, or online submission.

Allegation – A claim or assertion that someone has done something wrong or illegal, or engaged in fraud, waste, or abuse. If an allegation is opened as a case, evidence is collected to prove or disprove the allegation.

Merit – The reported allegation included enough detailed information and the initial assessment indicated the allegation is logical and warrants opening a case. Merit does not mean the allegation has been proved, it means there is reasonable information to open a case for further investigation.

Report Handling

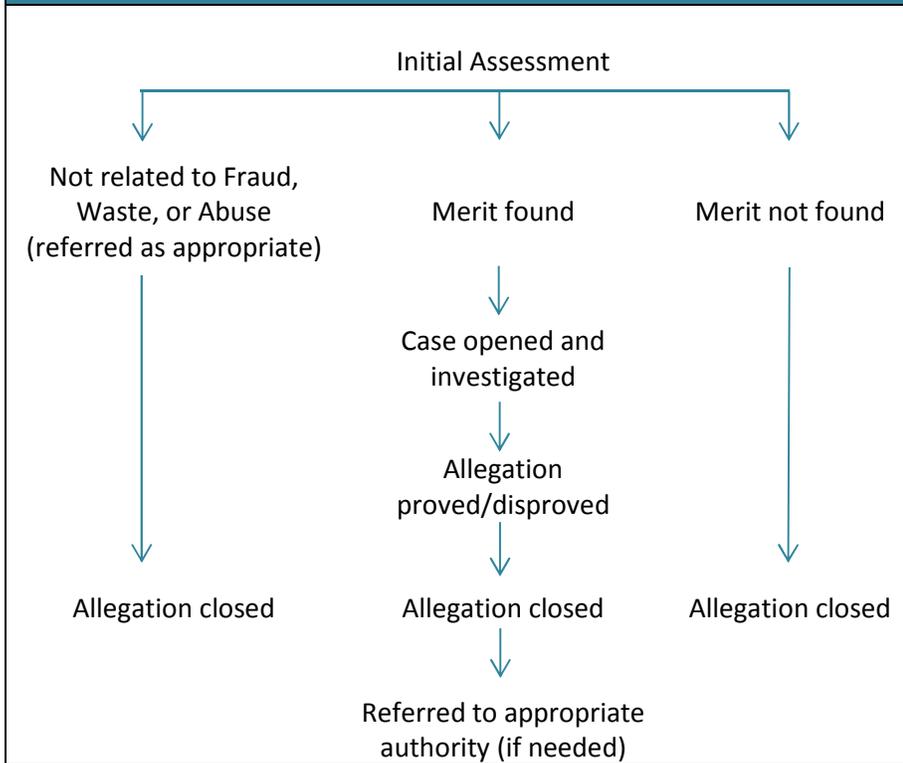
Each reported allegation is reviewed by the intake team. First, the intake team assesses whether the report is related to fraud, waste, or abuse. If not, the allegation is closed and the matter may be referred as appropriate to another program or department. If closed and referred, the County Performance Auditor, as the hotline program administrator, may still monitor and track the resolution of the report.

If a report allegation is related to fraud, waste, or abuse, an initial assessment is conducted. If the reporter provided Lighthouse with contact information, the reporter is sent a communication through Lighthouse thanking them for their report and asking for any needed follow-up information. The reporter can respond anonymously and confidentially to follow-up questions through Lighthouse. The purpose of the initial assessment is to determine if enough detailed information exists, and if the information and allegation are reasonable and logical to warrant opening a case. If so, the report is considered to have merit and a case is opened and investigated. If a report allegation does not provide enough detail and is determined not to have merit, it is closed.

For opened cases, evidence is collected during an impartial and fact-based investigation to prove or disprove the allegation. Once the investigation is complete, the allegation is closed.

Where there are reasonable grounds to indicate potential criminal conduct, the case is referred to appropriate law enforcement officials.

How are fraud, waste, and abuse hotline report allegations handled?



Results

Between late June 2016 and June 2017, employees submitted 7 anonymous hotline reports.

How were the reports made?

3	Fax
2	Email
2	Telephone
0	Online

How many report allegations were related to fraud, waste, or abuse?

5	Related
2	Not related/closed

How many fraud, waste, or abuse allegations became open cases?

3	Merit found/open cases
2	Merit not found/closed

What were the outcomes of open cases?

0	Proved
3	Disproved

What was the average number of calendar days from when a report was received to when it was closed (by how the report was handled)?		
How report was handled	Number of reports	Average number of days
Reports not related to fraud, waste, or abuse	2	7.5
Merit found/Open cases	3	21
Merit not found	2	18.5*
Overall Average	7	16

* For one report, the initial assessment included requesting and obtaining an opinion from the Oregon Government Ethics Commission, thus the average number of days is longer than expected for reports where merit was not found.

What was the nature of reports received?		
Classification	Description	Number of Reports
Insignificant/Unrelated	Reports determined insignificant or unrelated to county funds or Fraud, Waste, or Abuse	2
Time Theft	Reports regarding county employees untruthfully claiming time worked	3
Conflict of Interest	Reports concerning conflict of interest	1
Misuse of Funds	Reports concerning misuse of county funds	1