

Date: 2021-08-27

Subject: **Fraud Hotline Expansion to Brampton Residents**

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Report Number: CAO's Office-2021-979

Recommendations:

1. That the report titled: **Fraud Hotline Expansion to Brampton Residents**, to the Audit Committee Meeting of September 28, 2021, be received.

Overview:

- Currently, the City of Brampton's Fraud Hotline is available to employees only;
- At the February 23, 2021 Audit Committee Meeting, Internal Audit was asked to further research the implications of potentially expanding the Fraud Hotline to members of the public i.e. Brampton residents; and
- Internal Audit conducted research, including municipal benchmarking, and has provided an analysis of the potential expansion of the Fraud Hotline.

Background:

As part of the City of Brampton's ("the City") commitment to protecting its assets, the City launched the Corporate Fraud Prevention Hotline ("Fraud Hotline") in July 2016, which allows City employees to report alleged incidents of fraud. Currently, The Fraud Hotline is only available to City employees, and is available 24 hours a day, seven days a week, also allowing staff to remain anonymous should they so choose. To report an incident of suspected fraud, employees can submit a report through the third-party secure website, over the phone through a third-party dedicated toll-free number, or directly informing their manager and/or Internal Audit (i.e. transcribed reports).

Between 2016- and the second quarter of 2021, a total of 105 reports have been received via the Fraud Hotline. Of those 105 reports, 19 reports were transcribed, one report was made via a Hotline Agent (i.e. telephone), and the remaining 85 reports were made via the secure third party website (i.e. web).

When a report of suspected fraud is made, the Director of Internal Audit, reviews the report to determine next steps (i.e. conducts a preliminary assessment). The Director may delegate the report to another designated reviewer (an Internal Audit staff person) for investigation, or meet with other City divisions to discuss the allegations. Where reports are determined not to be Fraud related but rather HR related issues, such as workplace harassment, Internal Audit may delegate the report to the relevant division for investigation, though still managing and overseeing the investigation through to conclusion, and reporting to the Audit Committee. Should any reports be made about members of Council, Internal Audit will advise the complainant to directly contact the City's Integrity Commissioner to file a report. On a quarterly basis, Internal Audit reports to Audit Committee providing a high level summary of reports received through the Fraud Hotline.

At the February 23, 2021 meeting of Audit Committee, Internal Audit presented preliminary research regarding the potential expansion of the Fraud Hotline to members of the public. Audit Committee members asked staff to conduct further research, specifically, to clarify the implications of this potential expansion to Brampton residents.

Current Situation:

Internal Audit conducted further benchmarking with four comparable municipalities (City of Toronto, City of Ottawa, City of Hamilton, City of Mississauga, and the Region of Peel), to determine the impact of having the Fraud Hotline available to the public.

The Cities of Toronto and Ottawa have had their Fraud Hotline open to their staff and members of the public for a considerable amount of time (10+ years), while the City of Hamilton more recently expanded their Fraud Hotline to the public (2018). The City of Mississauga and the Region of Peel have internal Fraud Hotlines available only to their respective employees.

The main findings from our conversations with the three municipalities with external Fraud Hotlines are as follows:

- A robust communications plan and framework are recommended for successful implementation and roll-out of a Fraud Hotline to residents;
- The volume of the Fraud Hotline, when expanded to the public, is dynamic and unpredictable in nature, and is expected to be especially high in the first few years of the initial launch;

- Not all reports will be matters related to City, but rather concerning other issues or relating to other levels of government or government agencies. In such cases, reporter will need to be directed to another reporting mechanism (e.g. The Integrity Commissioner, Region of Peel, 3-1-1, Service Brampton etc.) for consideration;
- The Fraud Hotline receives reports that are not related to fraud, waste, or wrongdoing. While these reports are not investigated by Internal Audit staff, they are referred to the appropriate parties within the City for resolution, and this requires time and resources;
- Internal Audit staff are required to work on assessments and investigations resulting from the Fraud Hotline reports. As such, the audit workplan for the year may be impacted when a larger or more in depth investigation is required and takes priority, thus potentially resulting in deferred audits;
- The public sees issues from a different perspective, which creates increased oversight on potential issues of fraud, waste, and wrongdoing in the city;
- Expanding the Fraud Hotline to members of the public highlights areas of concern and potential risk. Areas of concern, risks, and trends will be identified as reports are received and investigations are conducted, and Internal Audit may determine an audit of certain areas and/or processes is necessary in the future; and
- Approximately 2 FTEs (in Internal Audit) are required to successfully operate the Hotlines which are available to both employees and members of the public.

Other Considerations

Internal Audit has noted some key considerations which should be taken into account by Audit Committee when determining whether to expand the Fraud Hotline to members of the public:

- Should the Fraud Hotline be expanded to members of the public, the volume of reports will increase. As such, there would be a resource impact on divisional staff across the City, including Internal Audit. An increased number of complaints will require the time and expertise of Internal Audit, Human Resources, Legal, and other divisional staff to conduct and support investigations;
- Due to the dynamic nature of the Fraud Hotline, it is difficult to anticipate the number of reports that will be submitted and whether the City has the existing capacity to investigate all reports in a timely and responsible manner;
- The cost of operating the expanded Fraud Hotline will depend on which option Audit Committee directs staff to employ. Currently, the web and telephone options are available for employees, and best practice is to have those two options available for members of the public as well. Not all residents have access to the internet and/or computers, so having the telephone option available will ensure the Fraud Hotline is accessible to everyone. Refer to Appendix 1 for the cost breakdown as provided to Internal Audit by the vendor in January 2021;
- It may not be possible to quantify the savings associated with expanding the Fraud Hotline to members of the public;

- The Corporate Fraud Prevention Policy and Fraud Standard Operating Procedure (SOP) would have to be updated to capture the changes resulting from the Fraud Hotline expansion; and
- Other related City Policies and procedures would have to be enhanced or updated, especially those relating to public complaints and frivolous or vexatious complaints.

Corporate Implications:

Financial Implications:

Should it be decided to expand the Fraud Hotline to members of the public, there will be an associated budget impact. Internal Audit would require additional staff members in order to successfully manage the Fraud Hotline. The cost options of the Fraud Hotline expansion were provided to Internal Audit by the current vendor in January 2021, and may be subject to change. Please refer to Appendix 1 for the Fraud Hotline operating costs.

Other Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of ‘Brampton is a well-run city’ through the support of the Corporate Fraud Prevention Policy and Fraud Hotline, which promote Corporate accountability, our Corporate values, and governance best practices.

Conclusion:

The City’s Fraud Hotline is currently available to all employees who wish to file a report of suspected fraud. An expanded Fraud Hotline, made available to members of the public, would enhance the City’s commitment to corporate governance, accountability, and transparency. Expanding the Fraud Hotline to members of the public would help mitigate the risk of unethical behavior and fraudulent activity. Internal Audit’s review of three comparable municipalities indicated that expanding the Fraud Hotline to members of the public will impact the audit workplan, as Internal Audit receives reports which identify trends, potential risks, and areas of concern. The expanded Fraud Hotline would be expected to generate an increased volume of reports, which will cause a strain on City resources, as additional Internal Audit staff would be required to successfully operate the Fraud Hotline.

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Attachments:

Appendix 1: Cost Options for the Fraud Hotline
Appendix 2: Corporate Fraud Prevention Policy
Appendix 3: Fraud Investigation and Reporting SOP