

Date: 2021-11-23

Subject: **Staff Information Report Regarding the Fraud Hotline Expansion to Brampton Residents**

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Report Number: CAO's Office-2021-1252

Recommendations:

1. That the report titled: **Staff Information Report Regarding the Fraud Hotline Expansion to Brampton Residents**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- Currently, the City of Brampton's Fraud Hotline is not available to members of the public;
- Brampton residents can report potential incidents of fraud through Service Brampton or by following the Public Complaints Process;
- At the September 28, 2021 Audit Committee Meeting, Internal Audit was asked to provide additional information; and
- Internal Audit conducted further research, including municipal benchmarking, and has provided an analysis of the potential expansion of the Fraud Hotline.

Background:

At the September 28, 2021 Audit Committee meeting, Internal Audit presented information regarding the potential expansion of the Fraud Hotline for Audit Committee to consider. Audit Committee discussion on this matter included the following:

- Concerns regarding the potential volume of complaints from the public to the Hotline, and a request that staff benchmark other municipalities and provide this information prior to budget deliberations; and
- Request that staff identify the number of calls received through 311 that may be more appropriately reported through the Fraud Hotline, and that this information be provided prior to budget deliberations.

Current Situation:

Currently, residents can report potential fraud and waste in the City through Service Brampton or by following the Public Complaints Process. The City of Brampton's Fraud Hotline itself is currently not available to residents.

The number of Fraud Hotline reports has increased year over year: in 2018, 12 reports were received, in 2019, 18 reports were received, and in 2020, 35 reports were received. As at Q3 2021, the Fraud Hotline has received a total of 69 reports. This number may be inflated as 39 of the reports were delegated to Internal Audit by Deloitte as a result of the Council approved investigation. The 39 reports contained internal and public complaints which were out of scope of the Council approved investigation; 20 reports were referred to the City's Integrity Commissioner, and 19 reports are currently under review by Internal Audit.

Internal Audit worked with other City divisions and municipalities in order to confirm further information regarding the costs associated with the expansion of the Fraud Hotline, conducted additional municipal benchmarking, and obtained data from Service Brampton regarding the number of fraud related calls received by 311.

Cost

In order to manage the expanded Fraud Hotline, Internal Audit would require two additional full time permanent roles; one manager-level position and one coordinator-level position. Internal Audit worked with Human Resources and Finance to determine the cost associated with both positions, which can be found in Table 1 below, with details in the Labour Costs table in Appendix 1.

In addition to Internal Audit resources, there will be an increase in the cost of conducting investigations due to additional departmental resources needed to conduct investigations as well as third party investigations where required. Internal Audit does not have sufficient information to estimate the financial impact.

Internal Audit worked with Strategic Communications to scope and cost a public communications plan. Two options were provided and descriptions can be found in the Communication Campaign Options table in Appendix 1. We included the cost of option 2 in Table 1 below.

In regards to licensing fees, we obtained quotes with options for expanding the Fraud Hotline. A description of the cost associated with each option can be found in the Licensing Fee Options table in Appendix 1. We included the cost of option 4 in Table 1 below.

Table 1: Costs Associated with the Fraud Hotline Expansion- Year One

Staffing, Communications and Licensing	Costs
Staff Resources	\$251, 838
Communications Plan	\$4, 700
Licensing Fee	\$27, 600
Total	\$284, 138

Benchmarking

Internal Audit conducted further benchmarking with the Cities of Toronto, Hamilton, and Ottawa to determine the number of reports received via their respective fraud reporting processes. Internal Audit relied on publicly available information, primarily annual reports.

The information reported in each City's annual fraud report captures slightly different metrics and different reporting periods. This is useful for benchmarking purposes but should be taken into consideration when analyzing the information provided in the tables below.

The City of Mississauga and the Region of Peel have been excluded from the analysis as they do not provide a dedicated fraud reporting "hotline" for the public. Residents can report incidents of fraud, waste, and misconduct by, for example, following the 'Public Complaints Procedures' in place at the City of Mississauga or by submitting a 'Formal Complaints Form' to the Region of Peel.

Tables 2 through 5 can be found on the following page.

Table 2: Total Number of Reports Received (Public and Internal)

Municipality	2018	2019	2020
Toronto	643	587	848
Ottawa	190	224	204
Hamilton	-	99*	80

* Represents 18 months of data. The following year represents 12 months.

Table 3: Percentage of Public versus Internal Reports

Municipality	2018 Internal	2018 Public	2019 Internal	2019 Public	2020 Internal	2020 Public
Ottawa	43%	57%	54%	46%	56%	44%
Hamilton	N/A	N/A	45%	55%	59%	41%

Please note: the City of Toronto does not publish this information in their Annual Reports on the Fraud and Waste Hotline.

Table 4: Number of Reports Investigated

Municipality	2018	2019	2020
Toronto			
• Full investigations	12	10	78
• Preliminary investigations	252	182	217
Ottawa			
• All investigations	87	99	81
Hamilton			
• All investigations	N/A	31	18

Table 5: Estimated Loss Recovery

Municipality	2018	2019	2020
Toronto (Total cost from 2016 to 2020)			
• Actual losses	\$37M over 4 years		
• Potential losses	\$ 3M over 4 years		
Hamilton			
• Loss/waste substantiated	N/A	\$202, 000	\$235, 000
• Losses recovered		\$ 21, 000	\$ 300
• Restitution			\$ 4, 700

Please note: The City of Ottawa does not include the total amount of loss recovery in their Annual Reports on the Fraud and Waste Hotline.

Analysis of 311 Calls

For our analysis, Service Brampton staff provided Internal Audit with all records where the word “fraud” was recorded in the call report in 2020 and 2021 (as at Q3 2021). Service Brampton does not have an explicit fraud category. Internal Audit reviewed this data to determine the final disposition of the calls/emails.

In our analysis, we determined that none of the 311 calls/emails would have resulted in a fraud investigation by Internal Audit. These calls/emails were all handled by 311. None of the calls/emails received during this time were referred to Internal Audit.

Most of the calls/emails were either forwarded to internal operating departments, or the resident was referred to other government bodies and agencies, including the Region of Peel, the provincial and federal governments, and Peel Regional Police.

Table 6: 311 Analysis

BRAMPTON- 311	2020	2021 (Q1-Q3)
Number of fraud related calls	107	56
Delegated to City departments	40	29
Referred to Peel Regional Police (PRP)	40	15
Referred to other government agencies	21	10
Undetermined	1	2

Pros and Cons Analysis

Internal Audit compared two different fraud reporting options for this analysis. Three of the municipalities in scope of this report provide dedicated hotlines for residents reporting fraud and waste. The City of Mississauga and the Region of Peel rely on public reporting processes similar to that of the City of Brampton. The analysis below considers these two different options.

Option 1: Fraud Reporting Hotline Expansion

The Fraud Hotline could be expanded to members of the public.

PROS

- Simplifies Fraud reporting to a single entity, which supports the unified oversight of fraud related issues;
- The public sees issues from a different perspective, which broadens oversight on potential issues of fraud, waste, and wrongdoing in the City; and
- With increased oversight, areas of concern, risks, and trends may be identified that would inform Internal Audit’s work plan.

CONS

- It is difficult to conclude whether the increased cost of expanding the Fraud Hotline will provide value for money. While there are quantifiable and intangible benefits of the Fraud Hotline, Internal Audit has not reported any financial loss recovery based on 2020 and 2021 (as at Q3 2021) data, unlike the Cities of Toronto and Hamilton;
- The Fraud Hotline functions very differently than a call centre service. Its purpose is to receive reports of potential incidents of fraud, not to provide direct and immediate support to members of the public; and
- It is likely that the Fraud Hotline would start receiving issues better suited for 311. This will create inefficiencies while Internal Audit assesses reports that could have been more quickly addressed by 311.

Option 2: Leveraging Existing Reporting Channels

This option leverages one or more existing services such as the Public Complaints process and Service Brampton. This approach could also be used as a pilot program to better understand the impact of public fraud reporting. The City may consider a communications campaign, similar to that described in Appendix 1, as members of the public may not be aware that fraud and waste can be reported through existing reporting channels.

PROS

- The reporting processes already exist and the public is familiar with the ways in which issues and complaints can be reported to the City; and,
- This option costs less than expanding the Fraud Hotline.

CONS

- The current reporting processes may not protect the anonymity and confidentiality of all concerned, an option which is built-in to the Fraud Hotline reporting platform;
- Additional effort would be initially required by City staff as they collaborate to review existing processes and to ensure that fraud related reports are recorded, tracked, remain confidential, that progress is monitored, and provide management reporting; and,
- Internal Audit may not be made aware of emerging areas of potential concern and/or risk.

Corporate Implications:

Financial Implications:

Should it be decided to expand the Fraud Hotline to members of the public, there will be an increase in the cost of conducting investigations; Internal Audit does not have

sufficient information to estimate the financial impact on departmental resources and the cost of engaging third party investigators. Internal Audit would require additional staff members in order to successfully manage the Fraud Hotline, as well as a budget for the communications campaign. The cost options of the Fraud Hotline expansion were provided in 2020 and may be subject to change. Please refer to Appendix 1 for details of the 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:

A fraud reporting hotline is successful when staff and members of the public can be confident that there is a reliable means of reporting incidents of potential fraud and waste in the City. Staff and members of the public should be made aware of the ways in which this can be reported, and that effective and secure processes for receiving, assessing, investigating, and reporting incidents of fraud are in place.

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Attachments:

Appendix 1: Detailed Cost Analysis