

Date: 2023-02-08

Subject: **Corporate Fraud Prevention Hotline 2022 Yearly Update**

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Report Number: CAO's Office-2023-179

Recommendations:

1. That the report titled: **Corporate Fraud Prevention Hotline 2022 Yearly Update** to the Audit Committee Meeting of February 21, 2023, be received.

Overview:

- The Fraud Hotline received 8 new reports in all of 2022.
- We received 69 reports in 2021, 35 in 2020, and 18 in 2019.
- Internal Audit has not been resourced to handle the fraud hotline. There was no awareness campaign conducted in the last four years. Internal Audit requested two staff positions to manage the fraud hotline in 2023.

Background:

As part of the City of Brampton's ("the City") commitment to protecting its assets, a Fraud Framework to prevent, detect, and report fraud incidents and investigate any suspected acts of fraud was established. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud Hotline"), which allows City employees to report alleged incidents of fraud. The City provided resources, at about \$16,000 a year, to contract out the intake services to a third party. The Fraud Hotline intake service enables employees to report incidents of suspected fraud anonymously and confidentially 24 hours a day, seven days a week. Employees can submit a report through a secure third-party website or the telephone through a third-party dedicated toll-free number. However, there were no positions added to handle the Fraud Hotline Operations, including preliminary assessments of cases reported, triaging, and related

investigations. The Director of Internal Audit manages the Fraud Hotline Operations on best effort basis. There were no resources to conduct fraud awareness training, and almost all investigations were delegated to City staff or contracted out to external firms. Internal Audit staff reports on Fraud Hotline activities quarterly to the Audit Committee.

Current Situation:

Internal Audit updates the Audit Committee on the status of the Fraud Hotline, including statistics on the number and types of reports, received. The nature of these reports is sensitive. Therefore, we have omitted information that could identify individuals from this report to protect the named individuals' privacy and maintain the reporters' anonymity.

Quarterly Report – Q4

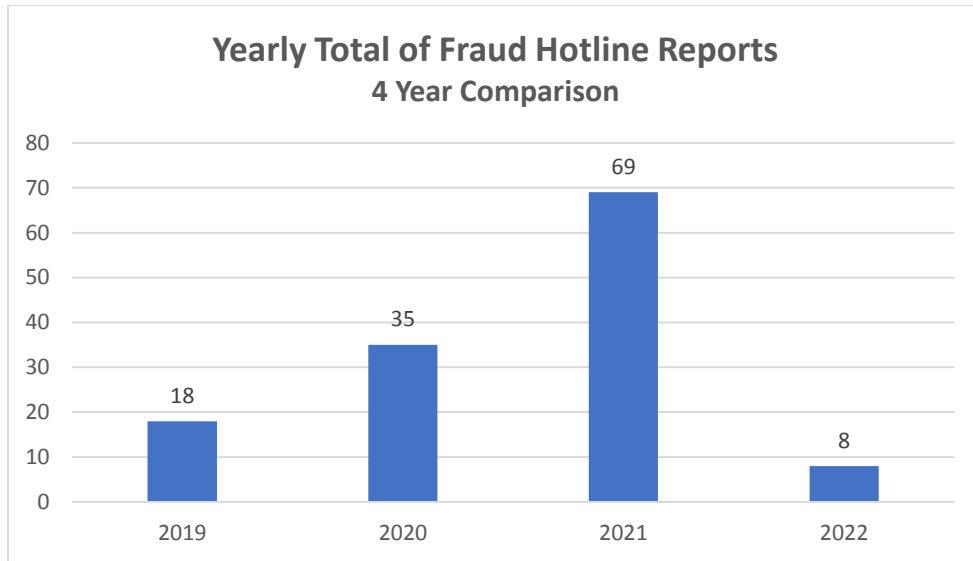
The Fraud Hotline received one new report between October 1 and December 31, 2022 (Q4). The report has been delegated to management, and the investigation is complete.

Yearly Update – 2022

The following graphic, Figure 1, represents the year-to-year changes in the total number of reports logged in the Fraud Hotline.

- There is a drop in the number of reported allegations of fraud.
- The 69 cases reported in 2021 includes 41 cases referred to Internal Audit from the Brampton City Council. The related investigation was authorized by Council and conducted by Deloitte.
- There is no clear indication of the root cause for the decrease in reported cases.
- An awareness campaign has not been conducted in four years due to lack of resources to handle the Fraud Hotline Operations
 - Staff requested two staff positions in the 2023 budget to resource the Fraud Hotline Operations, including conducting fraud awareness campaigns, preliminary assessment of reported cases, triaging, and advising City staff on conducting related investigations.

Figure 1: Year-to-year Total Number of Reports Logged in the Fraud Hotline



Fraud Reporting Categories and Disposition

Table 1 below summarizes the hotline calls by category and disposition.

Table 1: Category and Disposition

Category	Count	Case #	Disposition
Embezzlement or Fraud			
	1	4767756	Open. Allegation of misuse of Corporate PCARD. Investigation delegated to Management with Internal Audit supervision. Substantiated. Staff committing the fraud was terminated.
Miscellaneous			
	1	7968903	Closed. The report contained three allegations: <ul style="list-style-type: none"> • Closed. Two allegations of illegal dumping. Internal Audit investigated the two allegations. Unsubstantiated. Internal Audit recommended preventive actions. • Closed. Allegation of theft of City assets. The allegation was not specific enough to investigate. The issue reported will be addressed in a future audit.
Unethical Conduct			
	1	7267565	Closed. Alleged breach of security involving an employee of the City. Investigation delegated to management with a request to report back to Internal Audit. The allegation was unsubstantiated.
	1	7719586	Closed. Alleged misuse of City time and resources involving an employee of the City. Investigation delegated to Human Resources. No report back is required.
	1	5924362	Closed. Alleged misuse of City time and resources involving an employee of the City. The investigation was delegated to Management. No report back is required.
	3	4578685, 8025128, 5280015	Closed. Three allegations of inappropriate hiring practices and unethical conduct involving the same City staff. The allegations were repeated in 2019, 2021 and 2022. They have been investigated, and Management and Human Resources have implemented an action plan. The subject of the allegation is no longer with the City.

Corporate Implications:

Financial Implications:

There is no financial implication associated with this update report.

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 promotes Corporate accountability, our Corporate values, and governance best practices.

Conclusion:

The Fraud Hotline enhances and strengthens the City's governance structure. It reinforces the Council's expectations regarding rules of behaviour and emphasizes the values of the City. Internal Audit will update the Audit Committee on complaints received through the Fraud Hotline or referred to Internal Audit and any ongoing and completed fraud investigations.

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Attachments: n/a