



City Employee Fraud, Waste, and Abuse Hotline Administration Policy

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1. Objective

The primary objective of the City of Palo Alto Fraud, Waste, or Abuse Hotline (“hotline”) is to provide an anonymous mechanism for employees to report fraud, waste, or abuse that directly relates to the City of Palo Alto.

City employees who have specific information that other City employees or contractors have engaged in fraud, waste, or abuse are encouraged to report such information through the normal chain of command, which includes their immediate supervisor, manager, department head, Human Resources, and the City Manager’s Office (CMO); or to the Office of the City Auditor. However, there may be certain circumstances where an employee believes it is necessary to remain anonymous or prefers for other reasons to report directly through the hotline. The hotline provides a method whereby employees can choose to remain anonymous when reporting such incidents over the phone to a third- party interviewer or via an anonymous web form. The City believes that anonymity is a last resort and should only be used after other reporting methods have been attempted or when the employee has a reasonable good faith belief that it is necessary. Frivolous anonymous calls can undermine the effectiveness of the hotline. All reports made regarding fraud, waste, or abuse should be made seriously and with due professional care.

2. Structure

The hotline is hosted by an independent, third-party provider (vendor) contracted by the City. The vendor provides the option for callers to provide information over the hotline anonymously. The vendor issues an incident report for each call and submits the incident reports for review and referral. The vendor provides offsite hotline coverage 24/7/365 and live interviewers who obtain the information deemed necessary to verify and process the complaints. This information is then transcribed into an incident report that is housed in the vendor-hosted case management system.

3. Hotline Review Committee

The Hotline Review Committee (“Committee”) is composed of the following members ~~or their designees~~: the City Auditor, the City Manager, and the City Attorney. The alternative member of the Committee, when an incident report involves the City Manager or the City Attorney, is the Director of Human Resources or either the Chief Assistant City Attorney or an outside attorney retained by the City Council (as appropriate under the circumstances), respectively. The Committee meets as needed to review all activity related to the hotline. The objectives of the Committee are to review all incident reports, determine whether an incident report should be investigated, assign incident reports to the appropriate department unit, or external investigator for investigation, ensure that incident reports that are assigned for investigation are adequately investigated, and address any trends in activity or weaknesses in City policies that require corrective action to be taken. Duplicate reports or reports that do not suggest fraud, waste, or abuse may be closed without further investigation.

4. Case Management

The vendor’s online case management system allows for all hotline reports to be recorded, updated and tracked in one centralized system to ensure that all reports are addressed appropriately and that the outcomes are consistent. All incident reports are maintained in the secured case management system. The specified department case manager should periodically update the Office of the City Auditor regarding the status of the investigation. The Office of the City Auditor administers the case management

system, and updates it to reflect the investigation status and outcomes. User access is limited to the Hotline Review Committee members and the hotline administrator in the Office of the City Auditor. If an incident report involves any of the Committee members, s/he will not have access to such incident report.

5. Case Dissemination

Within 24 hours after entering a call as an incident report and logging it into the case management system, the vendor sends the report electronically to the appropriate contacts at the Office of the City Auditor for preliminary review. The Office of the City Auditor will triage the report to determine if immediate action may be necessary. If immediate action appears necessary, the Office of the City Auditor will contact the Hotline Review Committee, which will decide whether to initiate an investigation. Incident reports requiring immediate action include those involving possible fraud, waste, or abuse by City executives, or other incidents based on the judgment of the Hotline Review Committee. All other cases will be referred to the Hotline Review Committee to review. These reviews should occur within five business days.

If an incident report involves one or more members of the Hotline Review Committee, those individuals shall be excluded from any decisions or activities related to the review and/or investigation of that incident report. If this occurs, an Assistant City Manager or the Principal Attorney, the Director of Human Resources or either the Chief Assistant City Attorney or an outside attorney retained by the City Council (as appropriate under the circumstances) will act as the ~~third-alternative~~ member of the Hotline Review Committee to ensure there is appropriate oversight of the review and investigation of the incident report.

Because the members of the Hotline Review Committee are appointed by the City Council, the hotline will not accept incidents involving members of the City Council. Employees reporting these types of complaints will be referred to the California Fair Political Practices Commission (by filing a complaint via Electronic Complaint System available in their web site at <https://www.fppc.ca.gov/enforcement/file-a-complaint.html>), the District Attorney's Office, or other appropriate outside agency, depending upon the nature of the complaint.

The Hotline Review Committee will determine the best approach for investigating an incident report and an appropriate timeline for completing the investigation. When the Hotline Review Committee determines that an incident report should be forwarded to a department for investigation, it will be forwarded to the department director, who may investigate it himself or herself, or assign it to another person in the department for investigation. Hotline complaints that allege criminal activity will be forwarded to the Palo Alto Police Department for consideration for investigation in consultation with the Hotline Review Committee. Investigations should include techniques appropriate for the alleged fraud, waste, or abuse, such as interviews with witnesses, technical experts, and the subjects of the investigation; and examination of documents such as files, e-mails, contracts, vouchers, payroll records, and reports.

The director is responsible for keeping the Hotline Review Committee updated regarding the status of the investigation. When the investigation is completed, the director will forward a copy of the completed report to the Hotline Review Committee, which will review the report to determine that the investigative steps were appropriate and that the recommended outcome is sufficiently supported and formally close the incident report. The Hotline Review Committee may decline to investigate complaints that do not fall within the definition of fraud, waste, or abuse, but may refer them to a department for

other follow up.

As the hotline administrator, the Office of the City Auditor will be responsible for:

- Disseminating incident reports to the appropriate department or external investigator for investigation, as determined by the Hotline Review Committee, and providing the timeline for completing the investigation.
- Monitoring the status of all incident reports referred to other departments, units, or an external investigator for investigation and their outcomes.
- Conducting an independent investigation of reported incidents when appropriate.
- Monitoring the timeliness of department responses based on timeframes established by the Hotline Review Committee.
- Closing incident reports in the case management system after the Hotline Review Committee's final review.

6. Coordination With Human Resources

The Hotline Review Committee will coordinate with the Human Resources Department to identify the types of issues that are more appropriately categorized as "personnel" issues and should be referred to the Human Resources Department for resolution rather than investigated through the hotline process.

7. Escalation

An incident is designated for escalation if there is an imminent or significant threat of actual harm to employees, customers, or operations. When a report is designated for escalation by the vendor, they shall immediately call the appropriate designated contact(s) provided by the City. Escalation contacts include the members of the Hotline Review Committee and their designees.

8. Reporting

The case management system allows for customized reporting of incidents reported to the hotline. The Office of the City Auditor will provide a summary report of complaints received by the hotline to the City Council in the Office of the City Auditor's quarterly reports. The summaries will generally include:

- The number of reports made to the hotline and their status (i.e., open or closed).
- The general types of complaints received.
- Any trends in the types of complaints received.
- A general description of corrective action taken by City management as a result of a complaint received.

9. Discipline

If an investigation concludes that fraud, waste, or abuse occurred, the City Manager, or designee, shall take appropriate corrective action to resolve the issue and prevent recurrence. Corrective action could include, for example, disciplinary action, training, new or revised procedures, reorganization or reassignments, referrals to outside agencies (such as the District Attorney, Fair Political Practices Commission, or other enforcement agency), or amendment or termination of contracts.

10. Prohibition Against Retaliation

No department or employee shall take any adverse action or retaliate against any employee for making a report to the hotline (except as provided in "Filing of Malicious Complaints," below). Additionally, no reprisal shall be taken against any employee who participates in any manner in the investigation and disposition of a hotline incident report.

This Prohibition Against Retaliation is a statement of City policy. It is not intended to and shall not create a private right of action enforceable in state or federal court on behalf of any person, against the City or any employee, for equitable relief or damages.

11. Terms and Definitions

Under California law, the term "fraud, waste, or abuse" means any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that:

- Is in violation of any local, state, or federal law or regulation relating to:
 - Corruption
 - Malfeasance
 - Bribery
 - Theft of government property
 - Fraudulent claims
 - Fraud
 - Coercion
 - Conversion
 - Malicious prosecution
 - Misuse of government property
 - Willful omission to perform duty
- Is economically wasteful
- Involves gross misconduct

12. Security of Incident Reports and Associated Reports, Working Papers, and Other Related Documents

- Incident reports, associated reports, working papers, and other documents referring to or describing incident reports, which are received either through the hotline, by mail, or e-mail shall remain confidential to the extent allowed by law.
- Incident reports and associated case numbers shall only be provided to individuals who are responsible and essential for conducting the investigation or reviewing of the incident report. These individuals are required to hold such information in confidence, to the extent allowed by law.
- The confidentiality of all incident reports, associated reports, working papers, and other documents shall be maintained at all times by the City Auditor and investigating/reviewing departments, who shall take such measures as they determine are reasonable and necessary to maintain the confidentiality of such information and documents, to the extent allowed by law.
- City Staff responsible for reviewing/investigating incident reports can make investigative disclosures of information contained in an incident report to the extent necessary for obtaining additional information relevant to the investigation.
- The Hotline Review Committee is authorized to determine the distribution or release of any incident reports, associated reports, working papers, other documents and correspondence

- associated thereto, in accordance with the California Public Records Act and other applicable law.
- The City Council may, at their discretion, authorize the release of information relative to substantiated incident reports.

13. Custody of Investigation Documents

The City Auditor shall maintain custody of incident reports, associated reports, working papers, emails, and all other pertinent information regarding any investigations of incident reports. Other parties involved in the investigation shall also retain their own documentation. All such documents shall be retained and or disposed of in accordance with applicable document retention policies of the City.

14. Public Requests for Information Regarding All Incident Reports

All requests for information concerning any incident report shall be directed to the City Auditor for a response. The City Auditor, with the guidance of the Hotline Review Committee, shall respond to such requests as permissible and in accordance with applicable state law and City policy, rules and regulations.

Departments shall notify the City Auditor of any Public Records Act or other requests for information or documents regarding incident reports received through the City Auditor or the hotline.

15. Filing of Malicious Complaints

The City will not tolerate malicious complaints. The processing of a complaint/concern requires staff time and attention regardless of its appropriateness. Complaints/concerns will not be considered malicious merely because they are determined to be unsubstantiated. A malicious complaint/concern is one that is made in bad faith or with knowledge that the complaint entirely lacks any factual basis.

Malicious complaints may result in disciplinary action in accordance with applicable City policies and procedures, up to and including termination from employment.

16. Advertising the Hotline

The Office of the City Auditor will periodically communicate to City staff information regarding the hotline. The communication may be in the form of printed materials, including posters, flyers, and/or wallet cards, or via a citywide email to employees. The Office of the City Auditor should educate employees regarding the types of issues that are appropriate for the hotline and those that should be addressed in another manner, such as through the Human Resources Department.