



CITY AUDITOR'S OFFICE

FY 2023/24 Report on the City Auditor's Integrity Line

June 14, 2024

REPORT NO. 2412

CITY COUNCIL

Mayor David D. Ortega
Tammy Caputi
Tom Durham
Vice Mayor Barry Graham
Betty Janik
Kathy Littlefield
Solange Whitehead



June 14, 2024

Honorable Mayor and Members of the City Council:

Enclosed is the FY 2023/24 Report on the City Auditor's Integrity Line, which was included on the Council-approved FY 2023/24 Audit Plan. The Integrity Line serves to provide city employees and the public with a method to report suspected fraud, waste, or abuse of city resources.

During this fiscal year, we received 19 new Integrity Line contacts, with the majority coming through the City website Integrity Line form. Of these, 15 reported concerns were referred to other appropriate departments or agencies. Three reviewed concerns were found to be not sustained and one is in progress.

If you need additional information or have any questions, please contact me at (480) 312-7851.

Sincerely,

Lai Cluff, CIA
Acting City Auditor

TABLE OF CONTENTS

BACKGROUND.....	3
Table 1. Descriptions of fraud, waste, and abuse with examples.	3
Figure 1. ACFE study finds organizations with hotlines have lower losses and detect frauds more quickly.....	4
Figure 2. Integrity Line review process.....	5
FINDINGS AND ANALYSIS.....	7
1. For FY 2023/24, the Integrity Line received 19 new contacts, with most being referred to other departments.....	7
Figure 3. Integrity Line contact methods from FY 2018/19 through FY 2023/24.	7
Figure 4. Disposition of Integrity Line concerns from FY 2018/19 through FY 2023/24.....	8

BACKGROUND

The City Auditor’s Integrity Line was established during FY 2014/15 to provide the public and city employees a method to report suspected fraud, waste, or abuse of city resources.

The Integrity Line comprises a phone number, email address and website form to provide multiple avenues of communicating issues to the City Auditor’s Office.

Concerns can be reported to the Integrity Line anonymously; however, contact information is encouraged in case further information is needed. To the extent allowed by law, the City Auditor’s Office will maintain confidentiality of all complaints, associated workpapers and other files.¹

[City Auditor’s Integrity Line
\(480\) 312-8348](tel:(480)312-8348)
Audit@ScottsdaleAZ.gov

www.ScottsdaleAZ.gov search
 “Integrity Line form”

Table 1 summarizes the types of concerns commonly investigated through an auditor-based hotline. These do not include non-city matters or concerns that are more appropriately referred to other entities, such as to police, state, or federal agencies.

Table 1. Descriptions of fraud, waste, and abuse with examples.

	Description	Examples
Fraud	Intentional act or omission designed to deceive others and deprive the City of its resources or rights. These acts may be committed by persons who are internal or external to the City.	<ul style="list-style-type: none"> • Theft of city money, equipment, or other assets • Use of city property for personal gain • Submitting invoices for fictitious goods or services • Falsifying records, such as timesheets or expense claims
Waste	Intentional or unintentional careless expenditure or mismanagement of city resources. Waste may not involve private use or personal gain.	<ul style="list-style-type: none"> • Purchasing supplies, goods, or services at inflated prices • Failure to reuse or recycle major resources • Making unnecessary purchases
Abuse	Behavior that is seriously deficient or improper when compared to behavior that a prudent person would consider reasonable and necessary in the circumstances. Abuse includes misusing one’s position or authority as a city employee.	<ul style="list-style-type: none"> • Unauthorized disclosure of confidential or proprietary information • Providing a benefit to someone for which they do not qualify • Directing staff to perform personal errands for a supervisor

SOURCE: www.ScottsdaleAZ.gov/Integrity-Line

According to the Association of Certified Fraud Examiners, 43% of occupational fraud cases are detected through a tip, a rate that is more than three times the next highest method. Also, the Association found that fraud reporting hotlines are an effective method of collecting tips.

¹ Arizona Revised Statutes §9-305(b) provides for confidentiality of audit files.

Organizations with hotlines were nearly twice as likely to detect fraud via tip as organizations without hotlines. As a further sign of effectiveness, organizations with hotlines experienced frauds that were less costly and detected more quickly than in organizations without hotlines.

Figure 1. ACFE study finds organizations with hotlines have lower losses and detect frauds more quickly.



SOURCE: *Occupational Fraud 2024: A Report to the Nations*. Copyright by the Association of Certified Fraud Examiners, Inc.

Besides detection of fraud, waste, and abuse, reviewing concerns received via a hotline can identify areas for improved controls, policies and procedures, and operational efficiencies.

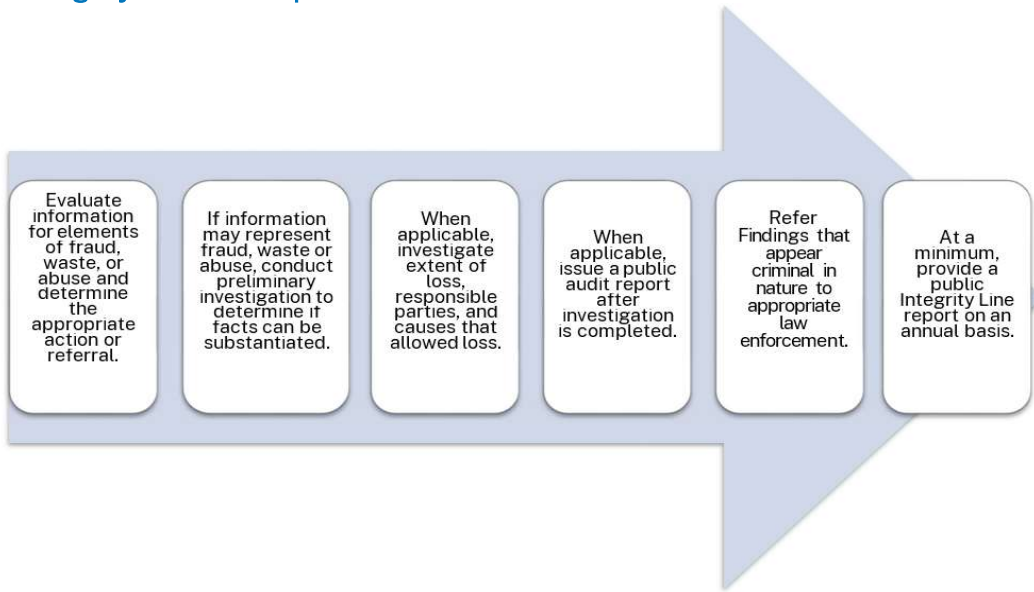
Integrity Line information review process

After a concern is reported, the review process includes evaluation, preliminary investigation, and when applicable, an in-depth review and report, as summarized in Figure 2 on page 5.

The Integrity Line webpage provides examples of matters that should not be reported to the City Auditor’s Office, including:

- Complaints against private businesses, unless the issue involves city operations, resources, or employees.
- Disputes between individuals.
- Potential fraud related to county, state or federal assistance programs unless the program is operated by the City of Scottsdale.
- Emergencies or other public safety concerns.

Figure 2. Integrity Line review process.



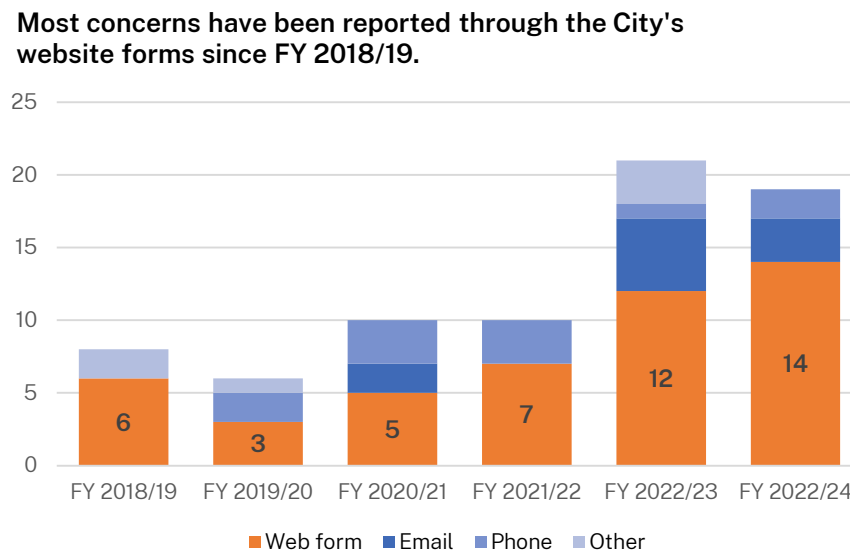
Anyone with knowledge of potential fraud, waste, or abuse of city resources may submit the information via the city of Scottsdale website (search for “integrity line form” or “integrity line”), call (480) 312-8348 or email Audit@ScottsdaleAZ.gov.

FINDINGS AND ANALYSIS

1. For FY 2023/24, the Integrity Line received 19 new contacts, with most being referred to other departments.

During the past five years, the web-based Integrity Line reporting form has been the primary contact method used, as illustrated in Figure 3. Other contact methods, such as email or phone calls, have generally been the secondary methods of relaying concerns.

Figure 3. Integrity Line contact methods from FY 2018/19 through FY 2023/24.



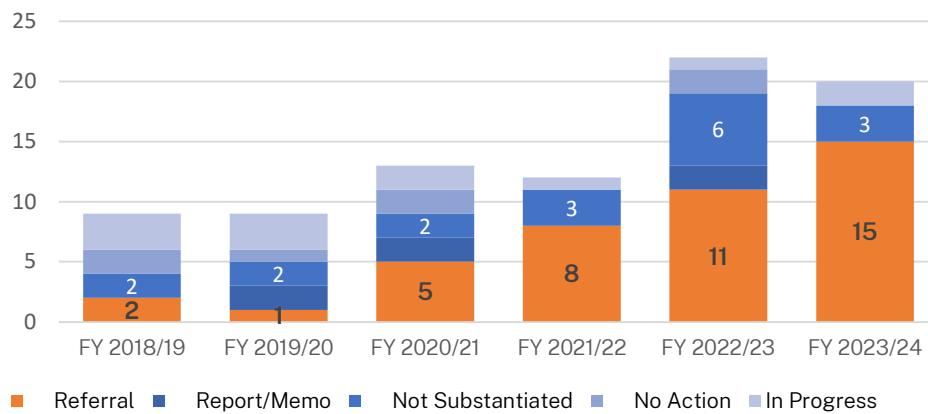
Similar to the prior year, the increased concerns primarily related to those more properly reported to the Scottsdale Police Department. When applicable, we refer these matters, such as potential identity theft or consumer fraud, directly to the department. We also notify the reporting party of this referral when contact information is provided.

As summarized in Figure 4 on page 8, besides the matters referred to the Police department, others have also been referred to the appropriate departments or agencies, for a total of 15 referrals. For example, a complaint about a trolley was referred to the Transit department and a report on potentially unauthorized home business was referred to Code Enforcement.

Additionally, two police matters relating to officer conduct were referred to SPD Internal Affairs for investigation. Also, this year we received two concerns related to employee outside employment and remote work that were at the same time submitted to the Human Resources department. HR initiated these investigations and kept our Office updated on the results.

Figure 4. Disposition of Integrity Line concerns from FY 2018/19 through FY 2023/24.

Most concerns have been resolved through referral to the appropriate department or agency.



Besides the referrals to departments or agencies, we looked further into a few other reported concerns. These included the following:

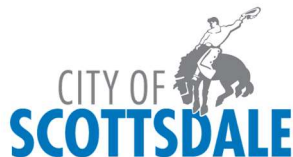
- A member of the public reported being harassed by someone claiming to be a City employee. We reviewed employee badge and profile photos and found no employees that fit the name and physical description provided.
- A safety-related concern regarding employee use of personal protective equipment was received. We collaborated with the Risk Management department to perform an unscheduled inspection. While the specific concern was not observed, the inspection resulted in other recommendations from Risk.
- An investigation of possible corruption that was initiated last fiscal year has been referred to law enforcement and continues to be in progress.

City Auditor's Office

7447 E. Indian School Rd., Suite 205
Scottsdale, Arizona 85251

OFFICE (480) 312-7756
INTEGRITY LINE (480) 312-8348

www.ScottsdaleAZ.gov/auditor



Audit Committee

Councilwoman Kathy Littlefield, Chair
Vice Mayor Barry Graham
Councilwoman Solange Whitehead

City Auditor's Office

Travis Attkisson, Senior Auditor
Elizabeth Brandt, Senior Auditor
Mel Merrill, Senior Auditor
Shelby Trimaloff, Exec Asst to City Auditor
Lai Cluff, Acting City Auditor

The City Auditor's Office conducts audits to promote operational efficiency, effectiveness, accountability and integrity in City Operations.