



The Beverly Hills City Council Liaison / Audit Committee will conduct a Special Meeting, at the following time and place, and will address the agenda listed below:

**CITY HALL
455 North Rexford Drive
4th Floor Conference Room A
Beverly Hills, CA 90210**

**Wednesday March 27, 2019
4:30 p.m.**

AGENDA

- 1) Public Comment
 - a. Members of the public will be given the opportunity to directly address the Committee on any item listed on the agenda.
- 2) Draft Fraud Investigative Manual and Selection of a Performance Audit to Commence in 2018/2019
- 3) Adjournment

A handwritten signature in black ink, appearing to read "Lourdes Sy-Rodriguez".

Lourdes Sy-Rodriguez, Assistant City Clerk

Posted: March 25, 2019

A DETAILED LIAISON AGENDA PACKET IS AVAILABLE FOR REVIEW IN THE LIBRARY AND CITY CLERK'S OFFICE.



In accordance with the Americans with Disabilities Act, Conference Room A is wheelchair accessible. If you need special assistance to attend this meeting, please call the City Manager's Office at (310) 285-1014 or TTY (310) 285-6881. Please notify the City Manager's Office at least twenty-four (24) hours prior to the meeting if you require captioning service so that reasonable arrangements can be made.



STAFF REPORT

Meeting Date: March 27, 2019

To: City Council Audit Committee Liaisons

From: Eduardo Luna, City Auditor

Subject: Draft Fraud Investigative Manual and Selection of a Performance Audit to Commence in 2018/19

Attachments: 1. Trust & Innovation Portal Fraud Investigation Manual
2. Selection of FY 2018/19 Audit

RECOMMENDATION

The City Auditor recommends that the City Council Audit Committee Liaisons review and provide direction on the Draft Fraud Investigative Manual and selection of a performance audit to start this fiscal year.

BACKGROUND

The Office of the City Auditor is a newly-established department in the City of Beverly Hills. On December 20, 2018, the Audit Committee reviewed the staff report, Action Plan for Building the City of Beverly Hills Auditor's Office, which discussed the idea of establishing a whistleblower hotline (Fraud Hotline). The report recommended that the City Auditor should develop a budget proposal and Fraud Hotline implementation plan for FY 2019/20. The Audit Committee concurred with the proposed plan and recommendations. On January 8, 2019, the staff report, Action Plan for Building the Beverly Hills Auditor's Office was presented to the City Council. The report reiterated the same recommendation regarding establishing a fraud hotline. The City Council concurred with the proposed plan and recommendations, but suggested the fraud hotline in addition to receiving reports of improper activity be configured to also receive suggestions for

improving City government operations. City Council also suggested a different nomenclature for the hotline.

Fraud Hotline Program

Based on the City Council input, my recommendation is to establish a program entitled, Trust & Innovation Portal (TIP). The primary objective of the TIP is to provide a means for City of Beverly Hills employees and residents to confidentially report (1) alleged improper activity involving City operations, vendors, and employees; and (2) suggestions for improving the efficiency and effectiveness of City operations. The City Auditor plans to utilize a third party web-based application to allow City employees and the public to make confidential online reporting accessible through the City's website. Employees and residents may also contact the Office of the City Auditor directly in person, by telephone, email, or by written correspondence. These communications will be treated confidentially. In addition to complaint or suggestion intake, a third party solution provides case management, follow up with anonymous callers, and metric dashboard.

The City Auditor's planned investigative and review process is documented in the attached Investigative Manual, see Attachment 1.

Selection of FY 2018/19 Audit

My recommendation is to propose one audit for City Council approval. Some suggested audit topics can be found in Attachment 2.

Attachment 1

Trust & Innovation Portal

Fraud Investigation Manual

Draft March 2019

Office of the City Auditor
City of Beverly Hills

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 2 of 27
----------------------------------------------------------------------------------------------------	-----------------------	-----------------

Preface

The City Auditor operates a Trust & Innovation Portal (TIP) to provide a means for City of Beverly Hills employees and residents to confidentially report (1) alleged improper activity involving City operations, vendors, and employees; and (2) suggestions for improving the efficiency and effectiveness of City operations. This manual documents guidance on conducting fraud investigations (Fraud Hotline) that are entered into the TIP website. The process for reviewing suggestions for improvement are documented in the Audit Manual. Any reference to Fraud Hotline in this manual refers to fraud, waste, or abuse-related complaints made to the TIP. There is no separate Fraud Hotline.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 3 of 27
----------------------------------------------------------------------------------------------------	-----------------------	-----------------

Table of Contents

I. Overview of the Fraud Hotline and Complaint Program.....	4
A. Introduction	4
B. Terms & Definitions	6
II. Processing of Fraud Hotline Complaints	9
A. Receipt and Control of Complaints.....	9
B. Complaint Investigation Assignments.....	10
C. Investigation Procedures.....	11
D. Law Enforcement Referrals.....	15
III. Processing of All Other Employee and Resident Complaints Received Outside of the Fraud Hotline	17
A. Procedures	17
IV. City Auditor Self-Initiated Investigations	17
A. Policy	17
V. Escalation Procedure for High Risk Threats	18
A. Procedures	18
VI. Security for Complaints and Associated Reports, Working Papers, and Other Documents	18
A. Policy	18
B. Confidentiality	19
C. Custodian of Complaint Documents	20
VII. Referral of Employee Complaints.....	20
A. Policy	20
B. Filing of Malicious Complaints.....	20
VIII. Sample Department Referral Email	21
IX. Sample Resolution Form	22
X. Sample Closing Email	24
XI. Sample Fraud Hotline Investigation Admonishment Form	24
XII. Memorandum of Process Overview.....	26
XIII. California Government Code Section 53087.6.	26

<p style="text-align: center;">OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p style="text-align: center;">Effective Date TBD</p>	<p style="text-align: center;">Page 4 of 27</p>
---------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------	-----------------------------------------------------

I. Overview of the Fraud Hotline and Complaint Program

A. Introduction

1. Objective

The objective of the Trust & Innovation Portal (TIP) is to provide a means for City of Beverly Hills employees, residents, vendors, and others to confidentially report (1) any activity or conduct in which he/she suspects instances of fraud, waste, or abuse; (2) violations of certain federal or state laws and regulations relating to fraud, waste, or abuse as it is defined at California Government Code §53087.6(f)(2); and (3) offer suggestions for improving the efficiency and effectiveness of City operations.

2. City Auditor's Authority

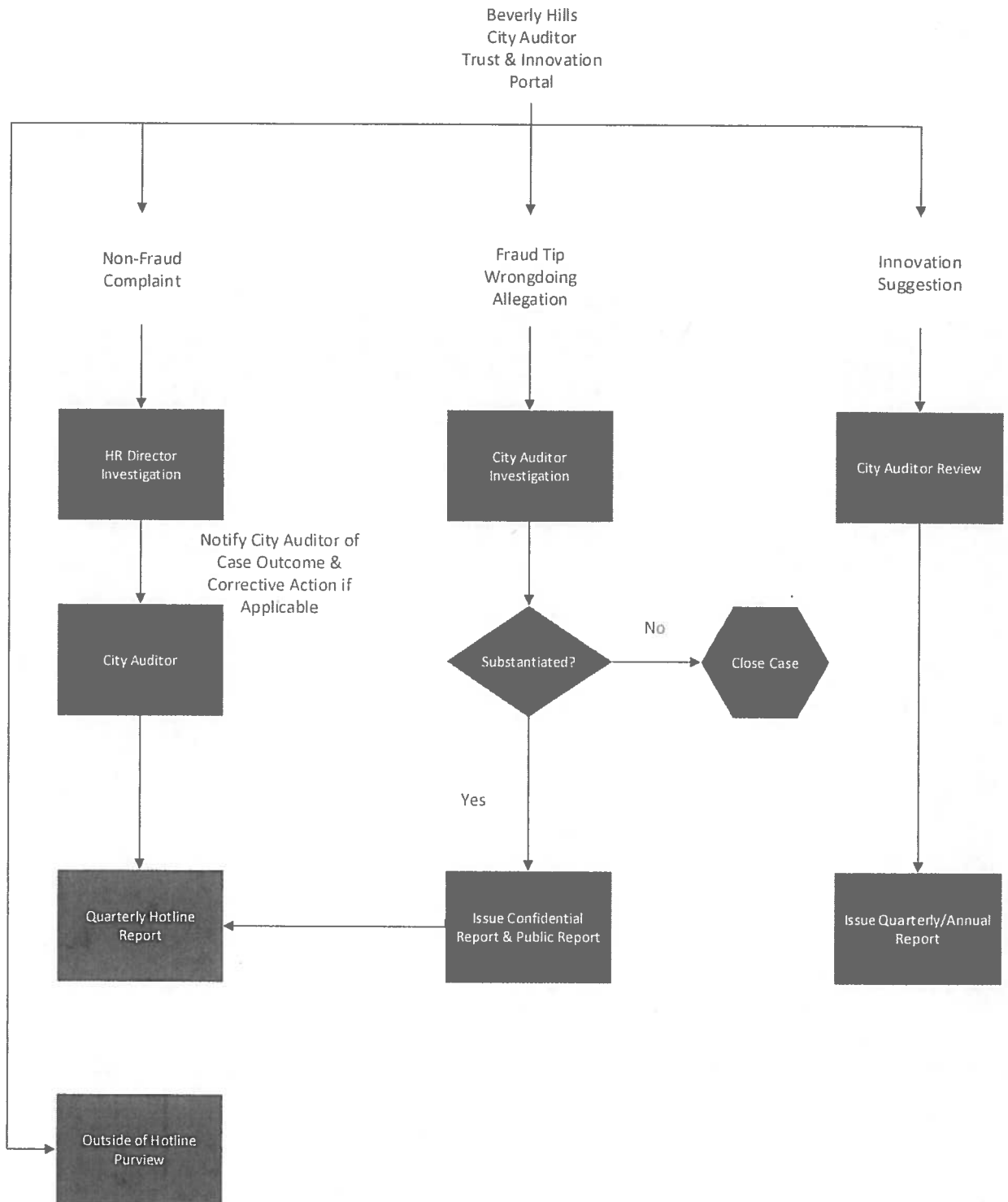
California Government Code §53087.6 establishes the City Auditor's authority to maintain a whistleblower hotline to receive information regarding fraud, waste or abuse. Per Ordinance 17-0-2736, effective 10-6-2017, City Auditor duties include investigating allegations of fraud, abuse, or illegal acts.

3. Structure

The City Auditor utilizes a third party web based application (Trust & Innovation Portal) to allow City employees and the public to make confidential reports of alleged improper activity or offer suggested to improve operations. Online reporting can be accessed at www.beverlyhills.org. When a record is entered in the TIP, the system automatically notifies the City Auditor of the complaint for investigation or referral as described in Section ____.

Employees and residents may also contact the Office of the City Auditor directly in person, by telephone, email, or by written correspondence. These communications are also treated confidentially. The following telephone number is dedicated to receive such calls on (310) 285-XXXX or by email address at CityAuditorTIP@beverlyhills.org.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 5 of 27
----------------------------------------------------------------------------------------------------	-----------------------	-----------------



- Insufficient Information
Close case
- Refer to appropriate
entity

<p>OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p>Effective Date TBD</p>	<p>Page 6 of 27</p>
-------------------------------------------------------------------------------------------------------------------	--------------------------------	--------------------------

4. Reporting

The City Auditor will issue a quarterly summary report regarding the Fraud-related activity, and presents it to the City Council to review and acceptance. The City Auditor's Quarterly Fraud Report will include the number, category, and disposition of the complaints received. To the extent permissible by California Government Code §53087.6, the report will describe the resolution for the complaints made to the Fraud Hotline. The allegations are determined to be either substantiated, corrective action taken, unsubstantiated, or no further action necessary. When a significant allegation is substantiated, a public Hotline Investigation Report will be issued, along with a detailed confidential report to management and City Council.

The City Auditor will maintain the appropriate level of confidentiality regarding all complaints and the information provided in public reports. In order to protect the confidentiality and integrity of investigations, complainants who provide an allegation will not be given details or updates regarding the investigation except for the information provided in publically issued reports. See Section II of this manual for more details regarding the reporting of substantiated cases of fraud, waste, or abuse.

B. Terms & Definitions

1. Fraud, Waste, or Abuse

California Government Code §53087.6(f)(2) defines the terms, "fraud, waste, or abuse" as "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, or willful omission to perform duty, is economically wasteful, or involves gross misconduct."

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 7 of 27
----------------------------------------------------------------------------------------------------	-----------------------	-----------------

For the purposes of the administration of the Fraud Hotline, the Office of the City Auditor will apply the following definitions to the violations listed below.

Violation	Definition
Abuse	Official City action that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary under the circumstances.
Bribery	The corrupt payment, receipt, or solicitation of a private favor or payment for official action.
Coercion	Compulsion by physical force or threat of physical force; threat of taking or withholding official action or causing an official to take or withhold an action.
Conversion	The wrongful possession of or interference with the City's property as if it were one's own.
Corruption	The impairment of a public official's duties, such as by bribery.
Fraud	Any intentional act or omission designed to deceive others, resulting in the victim (City of Beverly Hills) suffering a loss and/or the perpetrator achieving a gain.
Fraudulent claims	A misrepresentation of facts in a claim to receive compensation.
Gross misconduct	An indifference to, and a blatant violation of, a legal duty with respect to the rights of others.
Malfeasance	Wrongdoing or misconduct by a City official.
Malicious prosecution	Intentionally (and maliciously) instituting and pursuing (or causing to be instituted or pursued) a legal action that is brought without probable cause and dismissed in favor of the victim that caused damages.
Misuse of government property	The wrongful misuse of the City's property.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 8 of 27
----------------------------------------------------------------------------------------------------	-----------------------	-----------------

Violation	Definition
Theft of government property	Unauthorized taking in to one's possession of property owned by the City.
Waste	The intentional or unintentional, thoughtless or careless expenditure, consumption, mismanagement, use, or squandering of City resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.
Willful omission to perform duty	Intentional failure to take action required by law or contract.

Complaints received by the Fraud Hotline that allege certain labor/management issues (e.g. discrimination, sexual harassment, substance abuse, and workplace violence/threats) are generally forwarded to the Human Resources Director for review with no further action by the City Auditor. The complete facts of each case will determine the disposition, in consultation with Human Resources and relevant agencies, as necessary.

2. Third-Party Provider

The City Auditor utilizes a third party web based application (VENDOR Name_____ (Trust & Innovation Portal)) to allow City employees and the public to make confidential reports of alleged improper activity or offer suggestions to improve operations. Online reporting can be accessed at www.beverlyhills.org

<p align="center">OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p align="center">Effective Date TBD</p>	<p align="center">Page 9 of 27</p>
--------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------	----------------------------------------

3. Case Management System

The TIP system allows the City Auditor to document and manage all cases in a single, centralized system.

4. Fraud Hotline Reports

Information received from the caller is documented in an organized TIP report. These reports are disseminated to the City Auditor's designated recipients. Reports that are made directly to the Office of the City Auditor in person, by telephone, email, or by written correspondence are also entered into the TIP.

5. Resolution

The resolution to a complaint describes the results of the investigation, and action taken based on the investigation of the Fraud Hotline complaint.

II. Processing of Fraud Hotline Complaints

A. Receipt and Control of Complaints

City employees and the general public can access TIP to enter specific information about an alleged improper activity on the City's webpage. Information from such online reports is recorded on a Fraud Hotline report.

In order to process a complaint/concern, the following information is generally required:

1. The alleged misconduct involves a City of Beverly Hills employee, a contractor, or a vendor that has been or is currently doing business with the City of Beverly Hills;
2. Name(s) of the individual(s) involved, if known;
3. Specific information regarding the alleged misconduct;
4. Circumstances surrounding how the alleged misconduct occurred;
5. Where, or in what department, the alleged misconduct occurred;
6. When the alleged misconduct occurred; and
7. Any supporting documentation.

Upon completion of a complainant's call or online report, the City Auditor is notified of the complaint and makes the determination of how the complaint will be investigated. At the time of the call, in the instance where the complainant has identified him/herself, the TIP system will prompt the reporting party whether the City Auditor may share his/her identity with persons outside of the Office of the City Auditor. The City Auditor will contact the complainant to verify if his/her identity may be shared. Identities of

<p>OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p>Effective Date TBD</p>	<p>Page 10 of 27</p>
-----------------------------------------------------------------------------------------------------------------	-------------------------------	--------------------------

complainants will not be shared outside of the Office of the City Auditor without such permission, in writing, and will be in compliance with the California Government Code §53087.6. Incomplete reports will result in a request for more information via the third-party provider's case management system and closed if the necessary details are not provided within 30 days.

B. Complaint Investigation Assignments

Based on the nature of the allegation made in the complaint, the City Auditor may investigate or may determine that the complaint should be investigated by one of the following entities:

1. Fair Political Practices Commission

Alleged violations of the Political Reform Act of 1974 will be referred to the California Fair Political Practices Commission, 1102 Q Street, Suite 3000, Sacramento, CA 95811.

2. Sworn Public Safety Employees – Police and Fire

Complaints against sworn police officers will be forwarded directly to the BH Police Department Professional Standards Unit and handled under the Peace Officers Bill of Rights. Complaints against firefighters will be handled in accordance with the Firefighters Procedural Bill of Rights Act and management agreements.

3. Human Resources Director

1. Complaints that include but are not limited to issues such as employee relations, customer relations, labor/management issues and personnel related complaints will be referred to the Human Resources Director.
2. A standardized department referral email (see Section VIII of this manual) is sent to the HR Director, along with the attached Fraud Hotline report generally within two business days of receiving the complaint. The email advises of the filing of the complaint and requests a resolution in 30 days, if possible. The City Auditor will grant extensions on a case-by case basis. The email also advises that the response should be provided by a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the complaint. The email states that no attempt should be made to determine the identity of an anonymous complainant.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 11 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

3. The City Auditor may also send a copy of the standardized department referral email to the City Manager, Assistant City Manager, or other Appointing Authority, as appropriate.
4. At the discretion of the City Auditor or his/her designee, and based on the facts and circumstances of the complaint, all high risk complaints¹ will be addressed promptly.
5. The resolution completed by the HR Director will be reviewed by the City Auditor to determine if the investigative actions and disposition are sufficient. The City Auditor can request additional information or clarification to resolutions.

C. Investigation Procedures

1. Department Investigation

1. Department directors and any other personnel involved in the investigation of a Fraud Hotline complaint referred by the City Auditor or HR Director for resolution shall not share the substance of a complaint with anyone except those individuals who are directly involved in and are essential to conducting the investigation. Any personnel provided with this information are required to hold and maintain all information obtained as confidential.
2. The department/division head and those conducting the investigation will disclose the nature of the allegation(s) only to the extent necessary to receive information sought. Such a disclosure may be made by providing only a summary of the allegation(s). However, care should be taken to provide no information that would compromise the complainant's or any witness' identity or otherwise violate applicable confidentiality restrictions. No attempt should be made to determine the identity of an anonymous complainant. Sharing allegation(s) outside of the City Auditor's review process may be a violation of California State law, and/or the policies and procedures of the City and may constitute cause for a legal claim of defamation, slander, invasion of privacy or other possible legal claims.
3. Any breaches of confidentiality may result in disciplinary action.
4. If a complaint involves a department head that includes but is not limited to issues such as employee relations, customer relations, labor/management issues and

¹ See Section 4e for a list of high-risk/priority complaints.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 12 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

personnel related complaints, it may be forwarded to the City Manager for investigation and review, or investigated by the City Auditor.

5. If the City Auditor determines that the resolution is sufficient, the case will be closed. A closing email will be sent to the appropriate director indicating that the case has been closed and no further action is necessary. See Section X for a sample closing email.
6. If the City Auditor determines that the response inadequately addresses the allegation(s) raised in the complaint, the City Auditor will communicate their concerns or questions to the appropriate director and request that the director address the concerns. The division or department head will be provided with an opportunity to provide further clarification, which may include any internal investigative reports.

4. City Auditor Investigations

1. The City Auditor or his designee will conduct an investigation generally following the procedures recommended by the Association of Certified Fraud Examiners' Fraud Examiners Manual for any allegations of improper financial activity and fraud, waste, or abuse. The scope of the investigation will be to determine if the accusations made are valid, and to determine if there is any potential internal control weaknesses that need to be corrected that allowed fraud, waste, or abuse to occur.
2. For each fraud, waste, or abuse allegation that is determined to be significant, preliminary evidence will be gathered, such as reviewing the information provided via the hotline, reviewing other pertinent records, and interviewing appropriate witnesses to assess if the allegation appears to be valid. The City Auditor will notify and consult with the appropriate law enforcement agency for any allegations that appear to involve criminal activity. Once a referral is made to a law enforcement agency, no investigative contacts will be made without the full concurrence of the law enforcement agency to which the matter has been referred.
3. When the City Auditor receives a Fraud Hotline matter that is the subject of pending City litigation, investigation, or other legal proceeding, the City Auditor, in consultation with City Attorney, will evaluate the impact of an investigation on the legal proceeding, prior to pursuing its own investigation. In some cases, it may be appropriate for the City Auditor to cooperate with or conduct concurrent investigations; in other cases, the City Auditor should withdraw from the investigation to avoid interfering with the legal proceeding.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 13 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

4. Investigative procedures will continue for each significant allegation until, in the City Auditor's sole discretion based on the facts and circumstances, a reasonable case can be made for a referral to an appropriate agency for prosecution, or it is determined that there is insufficient evidence to substantiate the allegation of fraud, waste, or abuse.
5. The order that cases are worked on often depends on the importance of the cases. Important high priority cases may include safety concerns, criminal activity, significant losses to the City, high-level staff involvement, collusion of multiple wrongdoers, a major department-wide issue, or need for immediate action to stop a potential major issue. Based on the discretion of the City Auditor, addressing these items could take priority over other investigations and audits.
6. Investigative procedures will generally include but are not limited to:
 - i. Documenting the allegation in writing.
 - ii. Interviewing potential witnesses and documenting the information gathered. The form included in Section XI of this manual will be used and signed by interviewees when the Fraud Investigator suspects that criminal conduct may be involved.
 - iii. Identifying facts or circumstances or indicators of fraud related to the allegation.
 - iv. Notifying and consulting with the BH Police Department and City Attorney, as appropriate.
 - v. Developing an investigative plan and determining the type of evidence to pursue.
 - vi. Gathering evidence and performing analysis as is appropriate, such as:
 - 1) Reviewing accounting records, payroll records, bank records, canceled checks, and credit card records.
 - 2) Downloading and analyzing electronic data.
 - 3) Reviewing emails and written correspondence.
 - 4) Consulting with trained computer forensics specialist to image computer hard drives and from the image review the files and activities.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 14 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

7. When an investigation by the City Auditor substantiates that fraud, waste, or abuse may have occurred, a draft confidential report will be issued to the appropriate City management with statements of facts and evidence supporting the conclusion that the allegation is substantiated so that the appropriate corrective action can be taken. Once the appropriate City management staff has reviewed the facts in the draft report, and provides the City Auditor with a response, the confidential report will be finalized and issued to the appropriate City management. A public Fraud Hotline investigation report will also be issued for all significant cases, or if the City Auditor deems the information is necessary to serve the interests of the public. The public hotline report will be posted on the City Auditor's website. The City Auditor will include the information related to the public report in the Quarterly Report of Fraud Hotline Activities that is provided to the Audit Committee.
8. Pursuant to California Government Code §53087.6(e)(2), the City Auditor has the discretion to "issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public."
9. The City Auditor will maintain the appropriate level of confidentiality regarding all complaints and the information provided. Any Hotline investigative report issued to the public will not include any details of confidential information that cannot be disclosed under applicable laws, such as personnel issues. In accordance with California Government Code §53087.6, the identities of individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential, and their identities will not be included in any public reports.
10. Any significant internal control weaknesses that are identified and substantiated or appear to be substantiated during any investigation of Hotline complaints will be addressed in a Hotline report to management. The Hotline report will include recommendations to management to correct the internal control weaknesses identified. The Finance Director and the external auditor will also be informed of the identified internal control weaknesses.
11. If the subject of the complaint is a supervisor/manager at any level, the complaint will be forwarded to, and should be resolved by, a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the complaint.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 15 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

12. When an investigation substantiates an allegation of City employee wrongdoing, a detailed confidential hotline report describing the evidence obtained will be issued to management staff. The report will generally include a recommendation for management to review the information and conduct an independent fact-finding investigation in order to take any corrective and/or disciplinary action that is appropriate. The City Auditor will be given an opportunity to present the evidence obtained to the City staff conducting the fact-finding investigation panel. See Section XII, Memorandum of Process Overview.
13. Complaints alleging criminal activity (e.g. theft) will be referred to the appropriate law enforcement agency for investigation as soon as the Fraud Investigator develops firm indications that criminal activity has occurred.

D. Law Enforcement Referrals

1. Procedures

1. The following is a summary of the procedures the Office of the City Auditor intends to follow with respect to Fraud Hotline investigations that may involve criminal conduct.
2. When information obtained through a Fraud Hotline investigation indicates that criminal acts may have occurred, may be occurring, or may occur in the future, the Office of the City Auditor intends to act in accordance with this manual, and as follows:
3. The City Auditor will evaluate the potential impact of the Fraud Hotline investigation on a criminal investigation.
4. The City Auditor will notify and consult with the appropriate law enforcement agency for any allegations that appear to involve criminal activity.
5. The appropriate law enforcement agency to be contacted for consultation may include, but is not limited to: the Beverly Hills Police Department, the County of Los Angeles District Attorney's Office, and Federal law enforcement agencies, at the discretion of the City Auditor.
6. Notice to the City's management of the ongoing criminal investigation will be made in accordance with the wishes of the law enforcement agency based on the need to maintain the integrity of the criminal investigation, or other determination by the law enforcement agency.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 16 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

7. Once a referral is made to a law enforcement agency, no investigative contacts by the Office of the City Auditor will be made without the full concurrence of the law enforcement agency to which the matter has been referred.
 - i. In some instances, it may be appropriate for Office of the City Auditor's Investigator to work with law enforcement investigators or other legal authorities who are conducting criminal investigations.
 - ii. In other instances, the Office of the City Auditor may close the Fraud Hotline case based on the referral to law enforcement. A status of "No further action necessary" may be used for public reporting purposes when Fraud Hotline cases are referred to law enforcement for investigation.
8. Fraud Hotline investigation reports and other information provided to law enforcement by the Office of the City Auditor are subject to the confidentiality provisions of applicable City, State, and Federal statutes, rules, and regulations. Compliance will be achieved as follows.
 - i. Pursuant to California Government Code §53087.6(e)(1), "The identity of the person providing the information that initiated the investigative audit shall not be disclosed without the written permission of that person, unless the disclosure is to a law enforcement agency that is conducting a criminal investigation."
 - ii. The City Auditor will be the point of contact for dissemination of Fraud Hotline investigation documents, including any employee personnel documents, to law enforcement for referrals made by the Office of the City Auditor.
 - iii. A log of documents requested by a law enforcement agency will be generated and forwarded to the Human Resources Department Director for review and approval, in consultation with the City Attorney, prior to dissemination in order to ensure that the confidentiality of employee personnel documents is maintained, as required. The log will include the following information:
 - 1) date of request
 - 2) source of the record
 - 3) custodian of the record
 - 4) description of the record
 - 5) conclusion regarding disclosure (disclose, disclose with redactions, or do not disclose without Court order)

<p align="center">OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p align="center">Effective Date TBD</p>	<p align="center">Page 17 of 27</p>
--------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------	-----------------------------------------

III. Processing of All Other Employee and Resident Complaints Received Outside of the Fraud Hotline

E. Procedures

1. The Office of the City Auditor may receive communications that can be considered complaints by means other than through the Fraud Hotline (e.g. in person, e-mail, telephone, or letter). Complainants may remain anonymous.
2. If the communication is provided in person, by telephone, email, or written correspondence, City Auditor logs, in writing, the factual allegation(s) of the complaint and attempts to obtain adequate information to facilitate an effective review.
3. The City Auditor will review the communication and make the determination whether or not the communication is a Fraud Hotline complaint.
4. If it is determined that the communication is in the purview of the Fraud Hotline, the complaint is entered into the third-party provider Case Management System as soon as possible.
5. Once entered into the Case Management System, the complaint is processed according to procedures as set forth in Section II of this manual.

IV. City Auditor Self-Initiated Investigations

A. Policy

1. Beverly Hills Municipal Code Title 2—Administration, Personnel, and Procedures, Chapter 3, Article 13 Office of the City Auditor: provides the City Auditor the authority initiate investigations. The City Auditor may initiate investigations when information is received during the course of business or proactively obtained by other means, indicating potential fraud, waste or abuse is occurring related to a City activities.
2. The City Auditor will review the information received and determine whether the allegation is in the purview of the Fraud Hotline and warrants an investigation.
3. If it is determined that an investigation is warranted, the information is entered into the third-party provider Case Management System as soon as possible.
4. Once entered into the Case Management System, the case is processed according to procedures as set forth in Section II of this manual.

<p style="text-align: center;">OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p style="text-align: center;">Effective Date TBD</p>	<p style="text-align: center;">Page 18 of 27</p>
-----------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------	-------------------------------------------------------

V. Escalation Procedure for High Risk Threats

A. Procedures

1. When a report is received that is considered a high risk/threat situation, it may be designated for escalation by the City Auditor. These situations include, but are not limited to, workplace violence or threats, substance abuse, and retaliation of whistleblowers. Escalation will be triggered if the complaint received is considered high risk and if it is determined the incident is likely to happen within 24 hours. The City Auditor will refer high risk complaints to the appropriate authority for a response. When a report is received that involves a City employee which is considered a time sensitive/high risk situation or needs immediate attention, it will be referred to the City Manager or Human Resources Director as soon as practicable.

VI. Security for Complaints and Associated Reports, Working Papers, and Other Documents

A. Policy

1. All complaints, associated reports, working papers, and other documents detailing employee and resident complaints, received either through the Fraud Hotline, by mail, e-mail, and those documents or notes of any oral conversations with City employees or residents, shall remain confidential at all times.
2. Such complaints, associated reports, working papers, and other documents shall only be discussed with the officials in the offices of the City Auditor, City Attorney, Law Enforcement, and other individuals as determined by the City Auditor. Details regarding fraud risks associated with prior complaints may be discussed with City Auditor staff as part of the Audit Planning and Risk Assessment processes. No copies are to be made of any complaints, associated reports or emails, working papers, and other documents or when complaints are forwarded to a department head for investigation and resolution. Original complaints, associated reports, working papers, and other documents shall be maintained in a secure manner by City Auditor staff, usually the Assistant to the City Auditor.
3. Fraud Hotline reports or information provided therein shall only be provided to individuals who are responsible and essential for conducting the investigation or reviewing of the complaint. These individuals are required to hold such information in strict confidence.
4. The confidentiality of all complaints, associated reports, working papers, and other documents shall be maintained at all times by the Office of the City Auditor and

<p>OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p>Effective Date TBD</p>	<p>Page 19 of 27</p>
-----------------------------------------------------------------------------------------------------------------	-------------------------------	--------------------------

investigating/reviewing departments, who shall take such measures as they determine are reasonable and necessary to maintain the confidentiality of such information and documents.

5. City Auditor staff and City department staff responsible for investigating allegations made in a Fraud Hotline complaint can make investigative disclosures of information contained in a complaint to the extent necessary for obtaining additional information or information otherwise unavailable.
6. Only the City Auditor, or his/her designee, in conjunction with the Office of City Attorney, is authorized to determine the distribution or release of any complaints, associated reports, working papers, other documents and correspondence associated thereto, in accordance with the California Government Code §53087.6, and any other applicable law.
7. The City Clerk shall refer to the City Auditor any Public Records Act or other requests for information or documents regarding Fraud Hotline complaints.

B. Confidentiality

1. The City Auditor will prominently mark all complaints, associated reports, emails, working papers and other documents, in both hard copy and electronic formats, concerning the review or investigation of complaints as "Confidential." The City Auditor and departments will maintain strict confidentiality throughout the processing of all complaints and through disposition of the investigation and thereafter. The City Auditor shall comply with the California Government Code §53087.6 that governs the confidentiality of hotline whistleblower complaints filed with municipal governments.
2. In connection with complaints and investigations under the Fraud Hotline, the confidentiality of such investigations and results shall be strictly protected by all City employees and officers in accordance with California Government Code §53087.6. Any breaches of the confidentiality provisions of this manual or applicable laws may result in disciplinary action. In the event any subsequent California or local laws or regulations relating to municipal whistleblower hotlines are enacted, all City Officers and employees shall comply with such later enacted applicable laws or regulations.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 20 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

C. Custodian of Complaint Documents

1. The City Auditor shall maintain custody of complaints, associated reports, working papers, emails, and all other pertinent information regarding any investigations of complaints. 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.

VII. Referral of Employee Complaints

A. Policy


1. All such complaints and concerns shall be processed as described in Section II of this manual. Any complaint that does not meet the statutory definition of fraud, waste, or abuse, may be closed with no further action by the Office of the City Auditor and may be referred to an appropriate authority.

B. Filing of Malicious Complaints

1. The City Auditor will not tolerate malicious complaints. The processing of a complaint requires staff time and attention regardless of its appropriateness. Mistaken complaints are not considered malicious. Complaints made frivolously, in bad faith or without factual basis may constitute defamation and may be legally actionable. Malicious complaints made in bad faith may result in disciplinary action in accordance with applicable City policies and procedures, up to and including dismissal. Lodging a malicious complaint is, in itself, a category of unethical behavior.

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 21 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

VIII. Sample Department Referral Email

 Send	To...	
	Cc...	
Subject CONFIDENTIAL Trust & Innovation Report Number CASE NUMBER		

Good Morning/Afternoon,

Attached is a copy of a confidential incident report that was filed with the City's Trust & Innovation Portal. This office received the report regarding the alleged issue or concern and determined should be referred to your department for resolution. The response should be provided by a level of management that is at least one level above those allegedly involved, and the response should not be provided by any of the individuals named in the complaint. No attempt should be made to determine the identity of an anonymous complainant. Our office is privy to full disclosure of all pertinent information, including personnel actions taken.


In order to help sustain the integrity and success of the hotline, send the attached Resolution Form to **[name & email]** within 30 days of receiving this e-mail. The attached Resolution Form should be completed and returned once you resolve the allegation.

Thank you for your assistance in this matter.

Kind regards,

Eduardo Luna
City Auditor
City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210

Office (310) 285-6865
Fax (310) 273-3078
eluna@beverlyhills.org



OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 22 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

IX. Sample Resolution Form

City of Beverly Hills
Office of the City Auditor
Confidential Trust & Innovation Portal Resolution

Report #	Resolution date:
Describe how you resolved the issue/concern below	
Name & Title (Print)	
Date:	

Please Return to _____, Executive Assistant to the City Auditor
Office of the City Auditor

OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 23 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

x. Resolution Received E-mail

 Send	To...	
	Cc...	
	Subject	CONFIDENTIAL Trust & Innovation Portal Report Number CASE NUMBER

Good Morning/Afternoon,

Thank you for your response. Let me review the response and if I have no further questions, this report will be closed. I will let you know the outcome.

Thank you for your cooperation.

Kind regards,


Eduardo Luna
 City Auditor
 City of Beverly Hills
 455 N. Rexford Drive
 Beverly Hills, CA 90210

Office (310) 285-6865
 Fax (310) 273-3078
eluna@beverlyhills.org



OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 24 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

XI. Sample Closing Email

	To..	
	Cc..	
Subject	CONFIDENTIAL Trust & Innovation Portal Report Number CASE NUMBER	

Good Morning/Afternoon,

Our office received your response to the Fraud Hotline Report referenced above. I have reviewed the response and deem the response satisfactory; therefore, our office will close this case, and no further action will be taken regarding this matter.


If you have any questions regarding this report or the process, contact insert name.

We appreciate your contributions to improving the City's ethical climate.

Thank you,

Eduardo Luna
City Auditor
City of Beverly Hills
455 N. Rexford Drive
Beverly Hills, CA 90210

Office (310) 285-6865
Fax (310) 273-3078
eluna@beverlyhills.org



OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual	Effective Date TBD	Page 25 of 27
----------------------------------------------------------------------------------------------------	-----------------------	------------------

XII. Sample Fraud Hotline Investigation Admonishment Form

Fraud Hotline Investigation Admonishment

This Fraud Hotline Complaint investigation is being conducted pursuant to California Government Code Section 53087.6 which grants the City Auditor authority to receive calls from persons who have information regarding fraud, waste, or abuse by City employees.

California Government Code Section 53087.6(e)(2) also states: "any investigative audit conducted pursuant to this subdivision shall be kept confidential, except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper activity, and the subject employee or employees shall be kept confidential."

The purpose of this questioning is to obtain information to assist the City Auditor in investigating a confidential Fraud Hotline Complaint. The City Auditor is not questioning you for the purpose of instituting criminal proceedings against you. However, during the course of this questioning, if you do disclose information which indicates that you may be guilty of criminal conduct, your self-incriminating statements, and any fruits thereof, may be used against you in any criminal proceeding. You have the right to refuse to answer any questions. However, for administrative purposes only, the evidentiary weight of your refusal to answer an incriminating question may be considered as a factor in the City Auditor's investigation and subsequent administrative conclusion.

I have read and understand this admonishment.

Signature

Date

Printed Name, Title

Witness Signature

Date

Printed Name, Title

<p>OFFICE OF THE CITY AUDITOR</p> <p>Draft Trust & Innovation Portal</p> <p>Fraud Investigation Manual</p>	<p>Effective Date</p> <p>TBD</p>	<p>Page</p> <p>26 of 27</p>
-----------------------------------------------------------------------------------------------------------------------	----------------------------------	-----------------------------

XIII. California Government Code Section 53087.6.

GOVERNMENT CODE - GOV



TITLE 5. LOCAL AGENCIES [50001 - 57550] (*Title 5 added by Stats. 1949, Ch. 81.*)

DIVISION 2. CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 55821] (*Division 2 added by Stats. 1949, Ch. 81.*)

PART 1. POWERS AND DUTIES COMMON TO CITIES, COUNTIES, AND OTHER AGENCIES [53000 - 54999.7] (*Part 1 added by Stats. 1949, Ch. 81.*)

CHAPTER 1. General [53000 - 53162] (*Chapter 1 added by Stats. 1949, Ch. 81.*)

ARTICLE 4. Miscellaneous [53060 - 53087.6] (*Article 4 added by Stats. 1951, Ch. 522.*)

(a) (1) A city, county, or city and county auditor or controller who is elected to office may
53087.6. maintain a whistleblower hotline to receive calls from persons who have information regarding fraud, waste, or abuse by local government employees

(2) A city, county, or city and county auditor or controller who is appointed by, or is an employee of, a legislative body or the government agency that is governed by the city, county, or city and county, shall obtain approval of that legislative body or the government agency, as the case may be, prior to establishing the whistleblower hotline.

(b) The auditor or controller may refer calls received on the whistleblower hotline to the appropriate government authority for review and possible investigation

(c) During the initial review of a call received pursuant to subdivision (a), the auditor or controller, or other appropriate governmental agency, shall hold in confidence information disclosed through the whistleblower hotline, including the identity of the caller disclosing the information and the parties identified by the caller

(d) A call made to the whistleblower hotline pursuant to subdivision (a), or its referral to an appropriate agency under subdivision (b), may not be the sole basis for a time period under a statute of limitation to commence. This section does not change existing law relating to statutes of limitation

(e) (1) Upon receiving specific information that an employee or local government has engaged in an improper government activity, as defined by paragraph (2) of subdivision (f), a city or county auditor or controller may conduct an investigative audit of the matter. The identity of the person providing the information that initiated the investigative audit shall not be disclosed without the written permission of that person, unless the disclosure is to a law enforcement agency that is conducting a criminal investigation. If the specific information is in regard to improper government activity that occurred under the jurisdiction of another city, county, or city and county, the information shall be forwarded to the appropriate auditor or controller for that city, county, or city and county.

(2) Any investigative audit conducted pursuant to this subdivision shall be kept confidential, except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential.

(3) Notwithstanding paragraph (2), the auditor or controller may provide a copy of a substantiated audit

<p>OFFICE OF THE CITY AUDITOR Draft Trust & Innovation Portal Fraud Investigation Manual</p>	<p>Effective Date TBD</p>	<p>Page 27 of 27</p>
-------------------------------------------------------------------------------------------------------------------	--------------------------------	---------------------------

report that includes the identities of the subject employee or employees and other pertinent information concerning the investigation to the appropriate appointing authority for disciplinary purposes. The substantiated audit report, any subsequent investigatory materials or information, and the disposition of any resulting disciplinary proceedings are subject to the confidentiality provisions of applicable local, state, and federal statutes, rules, and regulations

(f) (1) For purposes of this section, "employee" means any individual employed by any county, city, or city and county, including any charter city or county, and any school district, community college district, municipal or public corporation, or political subdivision that falls under the auditor's or controller's jurisdiction.

(2) For purposes of this section, "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, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.

(Amended by Stats. 2010, Ch. 80, Sec. 1. Effective January 1, 2011.)

Attachment 2

Attachment 2

Potential FY 2018/19 Audits

Health & Safety

- Emergency evacuation plans for the City of Beverly Hills residents and use of wireless emergency alerts.
- Is Public Works fire suppression subprogram performing required maintenance and repair of fire hydrants in a timely manner?
- Is the BHFD conducting required fire inspections of high-rise buildings?
- Is the BHFD conducting required brush management inspections?

Significant Fiscal Impact

- Is the City make timely payments to outside vendors and contractors?
- Has the City implemented appropriate and sufficient controls over real property lease rent collection activities?
- Can Beverly Hills benefit from a Bradley-Burns Uniform Local Sales and Use Tax Law Program?
- Indirect Cost Allocation Plan
- Financial Statement Preparation, Review, and Approval Process

Efficiency & Effectiveness

- Vehicle Maintenance Program-Turnaround Times
- Implementation status of outstanding audit recommendations from consultant reports
- Code enforcement efforts regarding repeated complaints at the same property
- Is the City on target to meet State mandated 20 percent water conservation goal by 2020?
- Short term vacation rental complaints and enforcement of City policy

Person & Organizational Integrity

- Use of City facilities by outside groups
- BHPD Citizen Complaint system