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Title: Approval of a Fraud, Waste and Abuse Policy; Authorization of a Whistleblower Hotline; Delegation of Signature Authority to City Auditor for Vendor Agreements Related to the Whistleblower Hotline

Sponsors:

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Attachments: 1. City of Santa Clara - Fraud, Waste, and Abuse Policy

Date	Ver.	Action By	Action	Result
1/11/2022	1	City Council and Authorities Concurrent	Adopted	Pass

REPORT TO COUNCIL

SUBJECT

Approval of a Fraud, Waste and Abuse Policy; Authorization of a Whistleblower Hotline; Delegation of Signature Authority to City Auditor for Vendor Agreements Related to the Whistleblower Hotline

COUNCIL PILLAR

Enhance Community Engagement and Transparency

BACKGROUND

The Government Finance Officers Association (GFOA) recommends that every government agency establish policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting or auditing practices. A fraud, waste, and abuse policy raises awareness amongst staff, and is an excellent tool for the City to communicate its ethical standards.

In addition, in 2009, California Government Code section 53087.6 enabled local government auditors to establish whistleblower hotlines and to provide whistleblower protections with the approval of their respective legislative bodies. A whistleblower hotline, combined with a whistleblower protection clause, helps the City detect and prevent fraud and questionable practices against the City because most incidents are identified through reporting by employees.

DISCUSSION

The City adopted a Code of Ethics and Values but does not currently have a Fraud, Waste, and Abuse Reporting Policy (Fraud Policy) that defines unacceptable behaviors, assigns oversight responsibility, and provides direction for reporting suspected fraud. A fraud policy raises awareness and helps the City set a tone of oversight and commitment to combating fraud and corruption. The attached City Auditor's Office Fraud Policy provides detailed policy and procedures including definitions of fraud, waste, and abuse; oversight responsibilities; reporting procedures; guidelines and steps for investigation allegations; whistleblower protection and reporting results. The policy also

helps promote consistent organizational behavior and facilitates the development of controls that will aid in the detection and prevention of fraud against the City.

The City does not currently have a whistleblower hotline that allows for anonymous reporting of suspected fraud, waste, unethical or illicit activity. However, other cities in California, such as Oakland, San Jose, San Diego, Los Angeles, Long Beach and Sacramento, have whistleblower hotlines. Establishing a whistleblower hotline will benefit the City by empowering employees to report suspected fraud and illicit activity. The hotline will provide an anonymous method for individuals to report suspected fraud or questionable practices to a hotline monitored by a third-party provider. Acceptance of this Fraud Policy will allow the City Auditor's office to implement a whistleblower hotline.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

FISCAL IMPACT

The estimated cost for the whistleblower hotline over the three-year term is for an amount not to exceed \$10,000. Funding for this service was included in the FY 2021/22 Annual Operating Budget and appropriations in future years will be requested and approved through the annual budget process.

COORDINATION

This report has been coordinated with the City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Approve the attached Fraud, Waste, and Abuse Policy;
2. Authorize the establishment of a whistleblower hotline to be contracted out to an independent third party; and
3. Delegate signature authority to the City Auditor to negotiate and execute third party vendor agreement(s) to establish and operate the whistleblower hotline.

Reviewed by: David Noce, Audit Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. City of Santa Clara - Fraud, Waste, and Abuse Policy