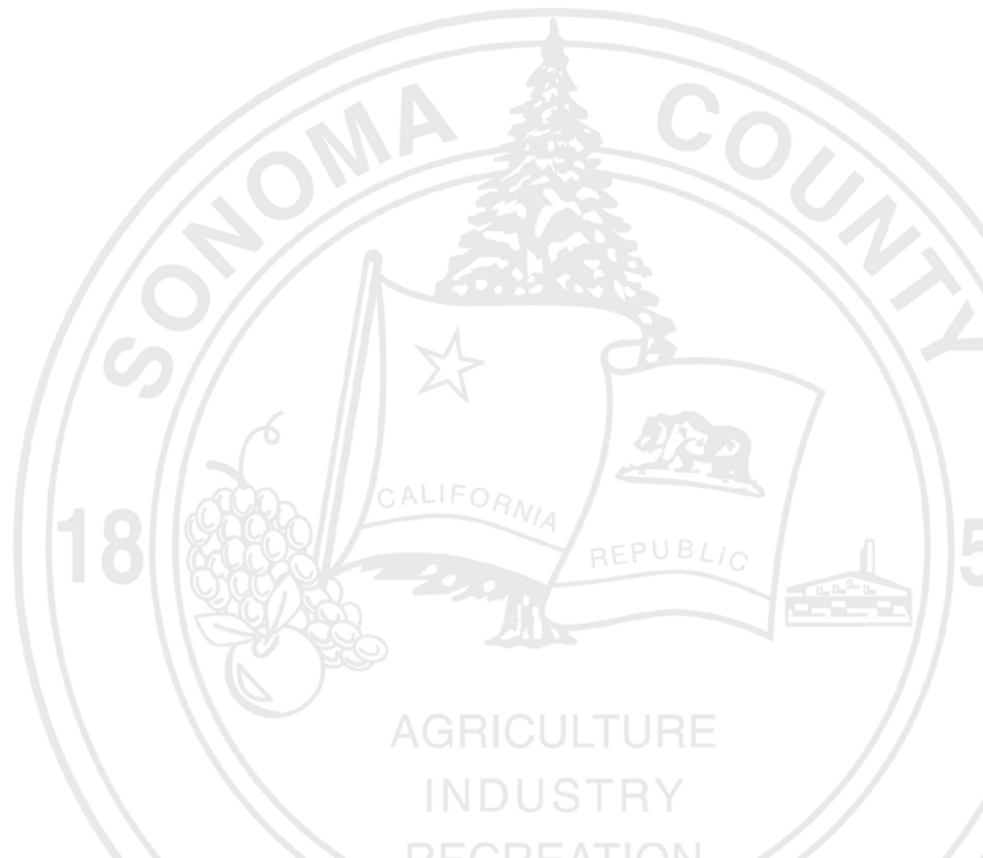




Fraud, Waste and Abuse Program Report

October 1, 2022 through June 30, 2024



Introduction

The Sonoma County Fraud, Waste and Abuse Program was established by the office of the Auditor-Controller-Treasurer-Tax Collector (ACTTC) in June 2021 to provide an avenue for employees and citizens to contribute to the accountability, transparency, and oversight of the County of Sonoma by reporting suspected fraud, waste, and abuse.

The Fraud, Waste, and Abuse Program includes a Fraud Hotline with a toll-free number and website that are accessible 24 hours a day, 7 days a week, administered by an independent hotline provider. Reports may be submitted anonymously.

Reports received are reviewed by the ACTTC Internal Audit Division, in conjunction with County Counsel, Human Resources, and Department Heads, as appropriate.

Objective

The primary objective of the Fraud, Waste and Abuse Program is to provide a means for County employees and citizens to confidentially report suspected fraud, waste, or abuse of County resources. The Fraud, Waste and Abuse Program is not meant to accept reports outside the control of the County of Sonoma government. Reports of this nature may be turned over to an appropriate state or law enforcement agency.

Examples of reports handled by the Fraud, Waste and Abuse Program include, but are not limited to:

- Missing Cash
- Embezzlement
- Falsified Documents
- Theft of Equipment and Supplies
- Vendor Kickbacks
- Conflict of Interest
- Personal Use of County Assets
- Bribery

Authority

The Auditor-Controller-Treasurer-Tax Collector operates the Fraud, Waste and Abuse Program under authority granted by California Government Code Section 53087.6 and pursuant to guidelines approved by the Board of Supervisors.

Internal Audit Team

Damian Gonshorowski, *Audit Manager*
Olga Gray, *Accountant Auditor II*
Melissa Osso, *Accountant Auditor II*
Venina Ranadi, *Accountant Auditor II*

For more information on the program, please visit our website at

<https://sonomacounty.ca.gov/acttc/audit/fraud-hotline>



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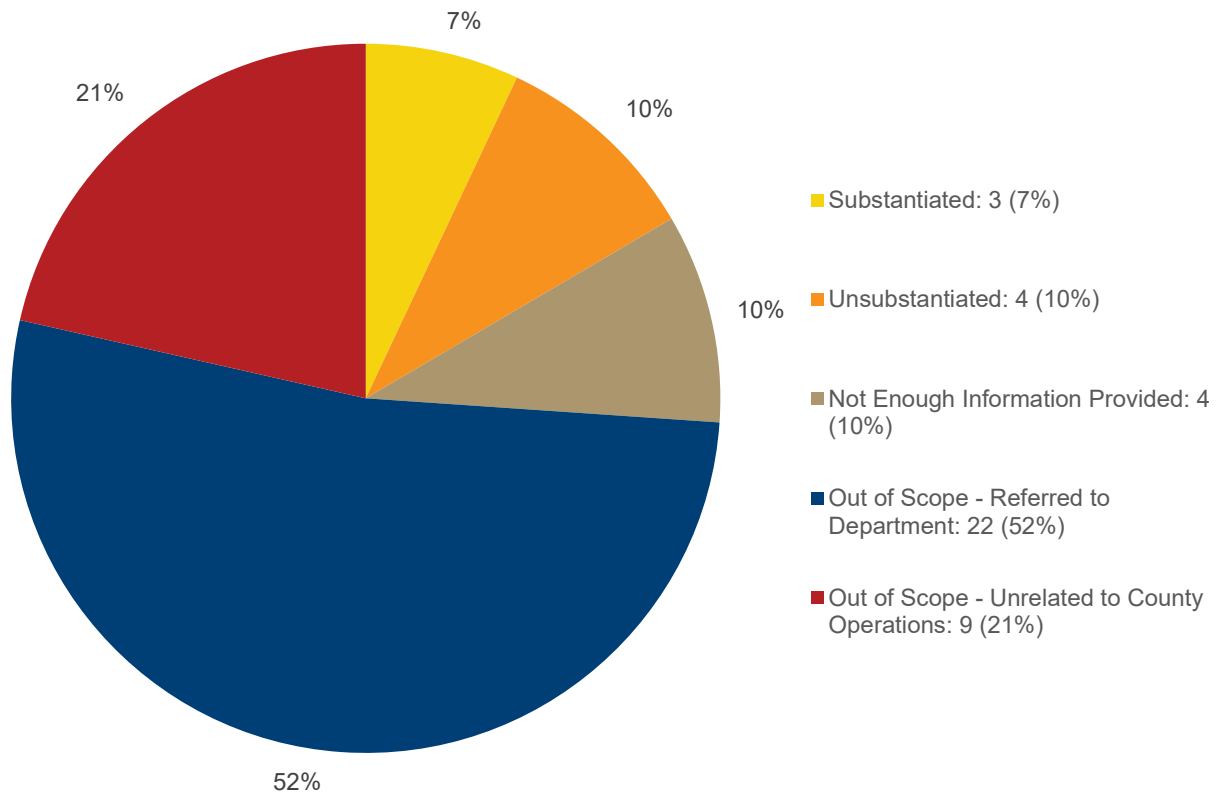
Fraud, Waste and Abuse Program Statistics

The Sonoma County Fraud Hotline has received 82 reports of suspected fraud, waste or abuse since its inception in June 2021. The table below summarizes fraud hotline activity for the period of October 1, 2022, through June 30, 2024.

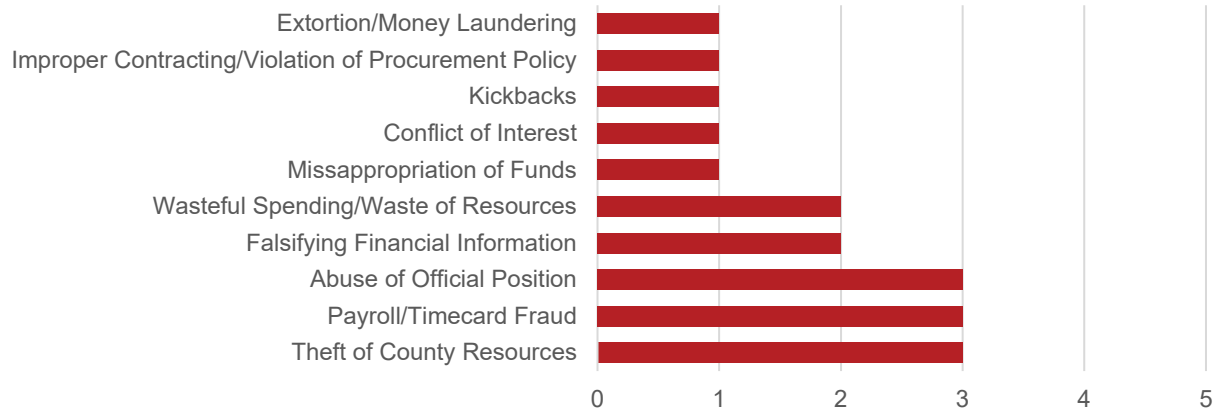
Open cases as of October 1, 2022	9
New reports received	36
Reports closed	<u>(42)</u>
Open cases as of June 30, 2024	<u><u>3</u></u>

Of the 42 cases closed during the reporting period, 4 were closed because not enough information was provided to investigate, 31 were closed because the complaint was outside the scope of the Fraud, Waste, and Abuse Program, 4 were investigated and unsubstantiated, and 3 were investigated and substantiated. Additional information for the 3 substantiated complaints is provided later in this report.

Disposition of Closed Reports (10/1/22-6/30/24)

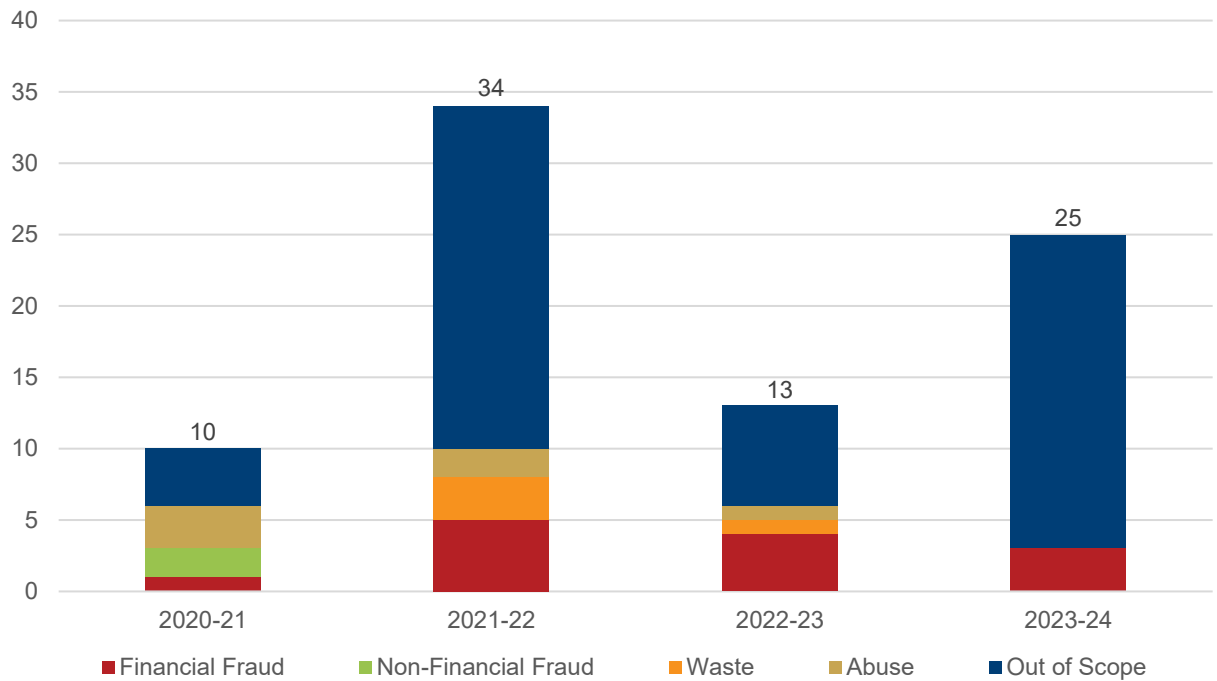


Types of In-scope Allegations* Closed 10/1/22 - 6/30/24



*Includes allegations as reported by whistleblowers, inclusion in this table does not indicate the allegation was investigated or substantiated. Some reports include multiple allegations therefore there may be more allegations included in this table than there are closed reports.

Reports Received by Year



Out of Scope Reports: The Fraud Hotline receives many complaints that are outside the scope of the Fraud, Waste and Abuse Program. Complaints that relate to County operations are referred to the appropriate department and closed. Complaints that are unrelated to County operations entirely are closed and may be referred to an outside agency by the Internal Audit Division (IAD), if appropriate. IAD notifies whistleblowers when a complaint is out of scope and suggests a more appropriate agency/hotline to report the complaint to, if known.

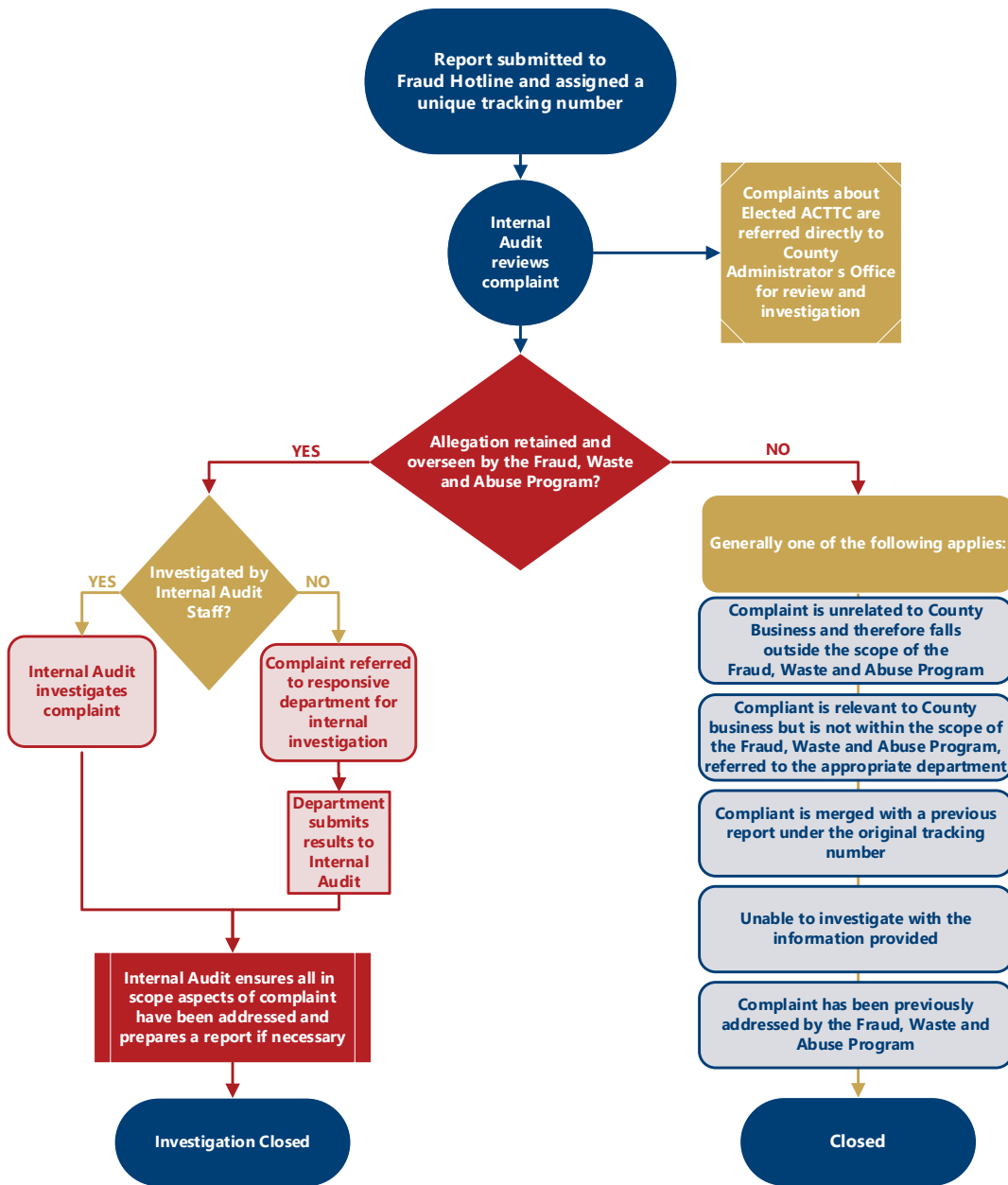
Substantiated Complaints

Allegation	Resolution Based on Investigation
<p>Inappropriate accounting transactions resulted in misstated revenues, receivables, deferred revenue and fund balance. The accounting misstatements above impacted the annual budget for Permit Sonoma for FYE6/30/2019 by reducing the department's General Fund contribution.</p>	<p>The investigation substantiated the allegation that certain permit fee deferred revenues were not recorded from FYE6/30/2011 through 6/30/2017, resulting in overstated permit fee revenues during that period and a reduction in General Fund contribution to Permit Sonoma for FYE6/30/2019. Deferred permit fees have been properly calculated and recorded in the financial statements since FYE6/30/2018. The investigation also substantiated that cannabis penalty revenues and related accounts receivable balances were overstated for FYE6/30/2020. Cannabis penalty accounts receivable balances have been properly offset by an allowance for doubtful accounts since FYE6/30/2021. The Auditor-Controller-Treasurer-Tax Collectors will work closely with the County Administrator and departments to ensure the accounting principle of conservatism is applied related to revenue recognition and receivable balances.</p>
<p>County procurement policy was circumvented in awarding a \$318k contract to a non-profit organization.</p>	<p>The County established and followed an informal procurement process to award \$39.2 million in American Rescue Plan Act (ARPA) grant funds for the County's Community Resilience Program. That process resulted in an award of \$318,843 to a non-profit. Subsequent to the Board approving the award, the Human Services Department (HSD) was notified by the non-profit that they could not complete the work and asked that the funds instead be awarded to a newly formed non-profit organization for the same scope of work and cost. HSD transferred the award to the newly formed entity without following the same process by which other Community Resilience Program funds were awarded and without seeking approval from the Board. The contract was subsequently ratified by the Board. Going forward HSD will ensure that all grants are awarded in a consistent manner and in compliance with County procurement policy.</p>
<p>An employee used a County fuel credit card to purchase fuel for their personal vehicle.</p>	<p>The investigation substantiated the allegation that the employee used a County fuel credit card to purchase fuel for their personal vehicle. This matter was discovered and investigated by the department prior to the complaint being filed with the Fraud Hotline. The department reported it has updated procedures and enhanced internal controls over the use of County fuel credit cards and tracking of fuel usage. The employee no longer works for the County.</p>

*Complaints above may have included other allegations, only allegations that were investigated and substantiated are included in this table

Investigation Work Flow

The Internal Audit Division (IAD) of the ACTTC is assigned the responsibility of processing Fraud Hotline reports received in accordance with applicable laws and regulations. The IAD performs an initial review of each report to determine if the report is within the scope of the Fraud, Waste and Abuse Program and contains sufficient information to investigate. In-scope reports that fall within the authority and responsibility of the ACTTC are investigated by the IAD, all others are referred to County Counsel, Human Resource or other departments for investigation, as appropriate. The diagram below provides a visual overview of how reports are received and addressed.



Terms and Definitions

Financial Fraud: Any intentional act or omission designed to deceive others that results in the County suffering a loss of money, property, or resulting in other disadvantage to the County's resources or rights and/or the perpetrator achieving a gain of money, property or an advantage to which they would not normally be entitled.

- Falsifying financial records to conceal the theft of County money or property
- Theft or misuse of County money, equipment, supplies or other materials
- Intentionally misrepresenting financial records/information
- Soliciting or accepting a bribe or kickback
- Falsifying payroll/timecard information

Non-Financial Fraud: Any intentional false or misleading information provided to the public or a regulatory body or the unauthorized access to data, records or information that exposes the County to adverse consequences.

- Falsifying non-financial reports or information provided to the public, local, state or federal government agencies
- Stealing or accessing without authorization customer/client/employee data, records or non-financial information
- Falsifying maintenance/inspection records

Waste: The intentional or unintentional thoughtless, reckless or careless expenditure, consumption, mismanagement, use, or squandering of County resources. Waste also includes incurring unnecessary costs because of inefficient or ineffective practices, systems, or controls.

- Unnecessary spending of County funds to purchase supplies, equipment or services
- Failure to reuse or recycle major resources or reduce waste generation
- Failing to file reports or pay amounts owed timely, leading to interest and penalties

Abuse: Intentional destruction, diversion, manipulation, maltreatment, or misuse of County resources. Abuse can occur when someone benefits in a financial manner and also when someone does not benefit financially. Extravagant or excessive use as to abuse one's position or authority. Abuse can occur in financial or non-financial settings.

- Failure to report damage to County equipment or property
- Receiving favors for awarding contracts to certain vendors
- Using one's position to gain a financial advantage that is not available to others
- Creating unneeded overtime
- Misusing one's official position for personal gain or the gain of a family member, business partner, an organization for which the official serves as an officer, director, trustee, or employee, or with which the official is negotiating future employment
- Travel choices that are contrary to existing travel policies or are unnecessarily extravagant or expensive
- Making procurement or vendor selections that are contrary to existing policies or are unnecessarily extravagant or expensive

File a Report with the Fraud Hotline

Report suspected fraud, waste, or abuse occurring at the County of Sonoma. The Fraud Hotline has a website for online report submission and a live operator available to receive calls from County employees and citizens 24 hours a day, 7 days a week, 365 days a year. Calls are handled by an independent third-party answering service specifically trained in obtaining the information required to document an allegation.

The reporter can choose to remain anonymous or to provide name and contact information. Employees and citizens may contact the Fraud, Waste and Abuse Hotline directly at:

- 1-800-921-6840 (County Employees)
- 1-800-916-8745 (Members of the Public)
- <https://integritycounts.ca/org/countyofsonoma>

What Information to Submit

Allegations of fraud, waste, and abuse require sufficient detailed information in order to be investigated. Reports that don't include sufficient information are closed without investigation.

The following information should be included in reports:

- Your name and contact information **unless you wish to remain anonymous**
- Date(s) that the alleged incident(s) occurred
- Location where the alleged incident occurred
- County department, division, or functional unit
- Name(s) of the individual(s) involved, if known
- **Detailed** information of the alleged incident/concern
- Relevant supporting documentation if applicable

Protection for Whistleblowers

In accordance with California Labor Code section 1102.5 (b), the County of Sonoma, or any person acting on behalf of the County of Sonoma, is prohibited from retaliating against an employee for disclosing information, or because the County of Sonoma believes that the employee disclosed or may disclose information, to this Fraud Hotline, to a government or law enforcement agency, to a person with authority over the employee or another employee who has the authority to investigate, discover, or correct the violation or noncompliance, or for providing information to, or testifying before, any public body conducting an investigation, hearing, or inquiry, if the employee has reasonable cause to believe that the information discloses a violation of state or federal statute, or a violation of or noncompliance with a local, state, or federal rule or regulation, regardless of whether disclosing the information is part of the employee's job duties.