



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Auditor-Controller
Department No.: 061
For Agenda Of: June 5, 2018
Placement: Admin
Estimated Time: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Theodore Fallati, CPA CPFO, Auditor-Controller, 568-2100
Director(s)
Contact David A. Medrano, CPA, Internal Audit Chief, 568-2456
Info:
SUBJECT: Whistleblower Hotline Policy

County Counsel Concurrence

As to form: Yes

Other Concurrence: CEO

As to form: Yes

Recommended Actions:

That the Board of Supervisors:

- a) Approve the attached Whistleblower Hotline Policy (Policy), effective June 5, 2018; and
- b) Determine that the above actions are not a “project” under the California Environmental Quality Act (CEQA) pursuant to section 15378(b)(5) of the CEQA guidelines, because they consist of administrative activities of the government that will not result in direct or indirect physical changes in the environment.

Summary Text:

The County of Santa Barbara is committed to the utmost standard of transparency, honesty, and accountability in carrying out its duties. All employees, from elected officials, management, and staff, are required to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. The Whistleblower Hotline (Hotline) is a means for County employees and citizens to confidentially report any activity or conduct in which instances of fraud, waste, or abuse of County resources are suspected, without fear of retaliation. Incidents can be reported both via phone and internet, and will be monitored by a neutral third-party. The Policy is designed to provide guidance for individuals to report known or suspected fraud, waste, or abuse.

The Hotline will be an integral part of an effective anti-fraud program. It is not meant to report wrongdoing outside the control of County government; complaints of this nature may be turned over to an appropriate agency when received.

Implementation of the Hotline will have multiple positive objectives:

- To proactively detect and address misconduct
- To identify areas that might need improvement
- To reinforce a culture that values integrity and ethical behavior
- To comply with laws and regulations
- To encourage internal reporting of concerns
- To mitigate loss

By having an independent, third-party service provider operate the intake of Hotline allegations, individuals with information regarding potential fraud, waste and abuse can report issues, anonymously, and thus, may be more willing to come forward and report suspected incidents of malfeasance within the County's operations.

It is imperative that individuals reporting incidents feel safe from real and perceived risks. In addition to anonymity, anti-retaliation is an integral part of this Policy. Employees especially should feel free to report suspected wrongdoing without fear of retaliation or losing their position or job with the County.

Background:

On December 13th, 2011 by Resolution 11-432, the Board adopted the *Fraud, Theft, and Loss Policy* which was intended to reaffirm the Board's commitment to maintaining a tone of integrity throughout the County. This was to be accomplished by increasing management's focus on anti-fraud controls, and increase the efficiency and results of investigations of fraud, theft, and losses. Employees and the public are often in the best position to identify instances of potential malfeasance (fraud, waste, abuse). Establishing the Hotline will encourage a culture of openness and transparency, thus, suspected malfeasance may be identified more quickly, saving the County money, and potentially, adverse reputational impact.

The Government Finance Officers Association considers it a best practice for government to establish policies and procedures to encourage and facilitate the reporting of fraud, waste or abuse and questionable practices. By establishing the Hotline through an independent, third-party service provider, the County will provide an additional control for preventing and detecting potentially dishonest acts. Internal tips are the number one source of fraud detection. In the 2018 Report to the Nations, the Association of Certified Fraud Examiners reported that half of fraud cases were detected through a tip; additionally, the impact of fraud losses were less material at organizations with a whistleblower hotline in place.

California Government Code section 53087.6 et. al. authorizes local agencies the ability to create a whistleblower hotline. In addition, the whistleblower is protected from retaliation from the agency by the California Whistleblower Protection Act.

Investigations related to allegations of potential fraud, waste and abuse reported through the Hotline will be performed by Internal Audit division staff, or referred to appropriate Departments.

A 24 hour Whistleblower Hotline and website will allow employees and constituents the opportunity to report suspected cases of fraud, waste, and abuse; information regarding the reporting mechanism will be made available on the County's internet page.

Bi-annual reports of activity received through the third-party service provider and results of investigations will be provided periodically to the Board.

Fiscal and Facilities Impacts:

Budgeted: Yes, will be absorbed in existing budgets of Risk Management and Auditor-Controller

Fiscal Analysis:

The third-party service provider that will host the Hotline will charge a one-time start-up fee (cost) of \$13,193.83 which will be paid by the Risk Management Division of the County Executive Office. Additionally, there will be an ongoing, annual fee of \$10,000.00 for Hotline services, to be paid by the Auditor-Controller.

In addition, it is initially estimated that .33 of an FTE from within the Internal Audit Division of the Auditor-Controller Department will be required for the administration and follow-up of reports. This may change based on the volume of reports and the complexity of investigations.

Key Contract Risks:

N/A

Staffing Impacts:

None

Special Instructions:

None

Attachments:

County of Santa Barbara Whistleblower Policy

Authored by:

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cc: Mona Miyasato, County Executive Officer