



District Fraud, Waste, and Abuse Anonymous Hotline

Annual Review

Office of Internal Auditing
April 2018

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APPROVED
ESCAMBIA COUNTY SCHOOL BOARD

JUN 19 2018

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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of District operational staff. We did not encounter any restrictions to records or personnel, which would prohibit us from expressing an opinion or offering recommendations.

Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the Superintendent's staff for their cooperation and commitment. We look forward to reviewing their progress when we follow-up on our recommendations.



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Executive Summary

District website is working properly.

All sites tested had Hotline posters posted.

The majority of vehicles tested have a hotline bumper sticker.

During 2016 and 2017, 172 complaints were made.

The District established an anonymous third-party fraud, waste, and abuse Hotline (Hotline) in November 2013. An Implementation Review was performed by the Office of Internal Auditing (OIA) and a report was issued March 2015.

The objectives of this annual review included the following:

- Determine whether Hotline information is communicated to employees and the public
- Determine that all complaints received by the vendor were disseminated to the appropriate District staff, and in a timely manner
- Determine that all complaints were provided to the director of internal auditing, and in a timely manner
- Determine that summarized complaint information has been reported to the School Board, and in a timely manner
- Determine that all complaints were addressed

Hotline Communication

We reviewed the District website and found the hotline link was present and properly working for the public to anonymously report misconduct.

We visited 8 District locations and found the hotline posters were posted at each site. Additionally, we visually inspected 38 District vehicles and found 6 (15.79%) missing a hotline bumper sticker. **For a breakdown of vehicle tested by location, see Appendix A.**

Complaint Dissemination

During the 2016 and 2017 calendar years, 172 complaints were made to the hotline vendor. Complaints averaged 7 per month with only the month of June 2017 receiving zero complaints. Callers have the option of providing their name or remaining anonymous. **For a breakdown of complaints by identity type, see Appendix B.**

Complaints are classified by the vendor, based on content, into 1 of 26 categories (i.e. Conflict of Interest, Fraud, Wage/Hour Issues, etc.), which were established by the District. **For a breakdown of complaint occurrences by category, see Appendix C.**

We reviewed the District's procedures and supporting documentation to ensure that all complaints are received and communicated to the appropriate personnel. **We noted that 2 of the 172 complaints were not originally received from the vendor, due to what appears to be an isolated technological matter.** Internal reconciliation procedures by the district investigator discovered the missing complaints, which were re-

Procedures to disseminate complaints appear effective.

provided by the vendor. All other complaints were received from the vendor, in a timely manner and disseminated to the appropriate District staff. In addition, copies of complaints for all categories were provided to the OIA in a timely manner.

Two complaints were not reported to the School Board.

Hotline Reporting

We reviewed the monthly Hotline Summary Reports that were provided to the School Board. Except for the 2 missing complaints discussed above, our testing indicated that all other complaints were reported to the Board, with an average reporting time of 9 days after the prior month's end. **The 2 complaints were not included in subsequent Hotline Summary Reports to the School Board.**

One Hotline Summary Report not received in a timely manner.

Additionally, the Hotline Reporting Summary for December 2017 was not submitted to the coordinator of board affairs' office until after it was brought to the attention of the coordinator by our office in March 2018.

All complaints were addressed except 1.

Complaint Investigation

The district investigator is responsible for documenting complaints as they are reported, and for maintaining records of actions taken to address the complaints. **We did not research the validity of actions taken or not taken, only that the complaint was addressed.**

Per review of the district investigator's Hotline Complaint Log and discussion with District personnel, **all complaints received in 2016 and 2017 were addressed, except 1.** According to the district investigator, the one complaint, which was related to a bus transportation matter, was inadvertently overlooked. Upon discovery of the complaint, the district investigator felt it could not be adequately investigated given the lapse in time. This appears to be an isolated case.

Some hotline callers instructed to contact the district investigator directly.

We were made aware of occasional instances when the District instructed the vendor to ask hotline callers to contact the district investigator directly concerning the reported complaint. This scenario could reduce the effectiveness of the hotline by potentially compromising the caller's anonymity.

This report includes recommendations. The Executive Summary is intended to highlight the various aspects of the report. The full report should be read to understand the basis of our recommendations.

Background

The Hotline was activated in November 2013.

The District established an anonymous third-party fraud, waste, and abuse hotline in November 2013. The Hotline was communicated to employees/public in the numerous ways:

The Hotline number was communicated via posters, the District’s website, and vehicle bumper stickers.

- Posters – Posters were provided to administrators during administrator training. Suggested posting places were recommended, and administrators were encouraged to place posters in any areas where employees congregate.
- Website – The District’s landing page was updated to include a link for “Reporting Misconduct.” The link provides a copy of the Hotline poster. In addition, a link directly to the Hotline vendor’s online complaint entry site is provided under the “Staff” and “Community” portals on the District’s website.
- Bumper Stickers – Bumper stickers measuring 3” by 11.5” were installed on “white fleet” (cars, trucks, and vans) vehicles and buses during routine service.

The OIA performed a Hotline implementation review on March 2015.

In March 2015, the OIA performed an implementation review of hotline requirements. Upon completion of the review, recommendations were made regarding matters concerning the Hotline processes. A copy of that report is available on the OIA website, under “published reports.”

Complaints can be made via telephone or internet 24 hours a day. They are reviewed by appropriate Executive Staff.

Hotline Process

Complaints can be lodged via telephone or internet 24 hours a day, 7 days a week, 365 days a year through a third-party, The Network. Complaints are categorized based on content, into 1 of 26 categories (i.e. Conflict of Interest, Fraud, Wage/Hour Issues, etc.). **For a listing of complaint categories, see Appendix C.**

Once received by the vendor, complaints are transcribed (if received by telephone) and the monthly complaint report, titled “Activity Report - Ethics and Compliance Reporting” (Activity Report) is sent via email to the district investigator, the Assistant Superintendent of Human Resources, and the Deputy Superintendent. The complaint is reviewed and a decision is made to either investigate the complaint through the office of the district investigator or to turn over the complaint to the leadership of the appropriate school/department. If an investigation is initiated, the district investigator will begin work on a case file. If the complaint is given to the school/department leadership, an email notification is sent by the district investigator to the school/department head containing both a copy of the complaint and a standardized response form. When school/department leadership has completed their investigation, the completed response form is returned to the district investigator to review. If the response is deemed unsatisfactory or lacking by the district investigator, the response is brought to the attention of either the Assistant Superintendent of Human Resources or the Deputy Superintendent. Based on their review, the response is either deemed satisfactory and placed in the complaint file or remitted back to the school/department leadership for more detail concerning the addressed issue.

The OIA receives copies of all complaints.

The School Board is provided a monthly summary of complaint activity.

The district investigator maintains a Hotline Complaint Log which documents each complaint and relevant actions taken.

As an additional oversight, and as a result of the 2015 Hotline Implementation Review, the Superintendent and School Board agreed that all complaints would be provided to the director of internal auditing. The district investigator either hand-delivers these complaints or forwards them, via email, to the director of internal auditing.

Once a month, the vendor provides, via email, a monthly Activity Report to the same contacts designated to receive the individual complaints. This information is summarized by the district investigator into a monthly report titled Escambia County School District - Ethics and Compliance Hotline Reporting Summary (Hotline Reporting Summary). This report is provided by the Superintendent's Office, via email, to the coordinator of board affairs, who in turn provides it to School Board Members each month.

At the end of the calendar year, an annual report titled Executive Summary Report – Ethics and Compliance Reporting (Executive Summary Report) is sent to the same District contacts designated to receive the individual complaints.

Objective

The objectives of this annual review included the following:

- Determine whether hotline information is communicated to employees and the public
- Determine that all complaints received by the vendor were disseminated to the appropriate District staff, and in a timely manner
- Determine that all complaints were provided to the director of internal auditing, and in a timely manner
- Determine that summarized complaint information has been reported to the School Board, and in a timely manner
- Determine that all complaints were addressed

Scope

The scope of our review included various procedures:

- Review of District website
- Inspection of randomly selected District facilities and vehicles
- Interviews with District personnel

- Review of Hotline-related information for calendar years 2016 and 2017:
 - Activity Report – Ethics and Compliance Reporting – monthly vendor report listing each individual complaint
 - Hotline Complaint Log – District investigator’s listing of each individual complaint
 - Escambia County School District – Ethics and Compliance Hotline Reporting Summary – monthly District report listing total calls and number per category
 - Executive Summary Report – Ethics and Compliance Reporting – annual vendor report listing statistics

Methodology

We conducted interviews with various District personnel and reviewed records to evaluate the procedures of the District Fraud, Waste, and Abuse Anonymous Hotline. We selected a random sample of schools to determine if hotline posters had been posted. We also selected a random sample of District vehicles to determine if hotline bumper stickers were applied. In addition, we inspected the District’s website to determine if hotline information was readily available.

We compared complaint totals per the Executive Summary Report to the complaint totals of monthly Activity Reports for each year. We tested to ensure all complaints were provided to the OIA, and in a timely manner. We compared the monthly Activity Reports to the Hotline Reporting Summary reports to ensure all complaints were provided to the School Board, and in a timely manner.

Finally, we compared the monthly Activity Reports to the district investigator’s Hotline Complaint Logs for each year to ensure all complaints were included, and that all complaints were addressed.

Detailed Results

The Hotline link on the District website works properly.

We performed a review of the Hotline:

Communication of Hotline Information

We reviewed the District website to locate a link for the public to anonymously report misconduct. We tested the link and were redirected to the vendor website with the option to begin a new report, as appropriate.

All District locations are required to display at least 1 poster to communicate hotline information to employees. During our review, we randomly selected

We found Hotline posters in all District sites visited.

8 District locations (3 high schools, 1 middle school, and 4 elementary schools) to determine if the hotline posters were prominently displayed. We examined cafeterias, break rooms, workrooms, etc., and asked site personnel for guidance if necessary. **We were able to locate posters in all of the locations tested.**

All District vehicles are required to display a hotline bumper sticker in an effort to communicate hotline information to the public. Installation of the stickers commenced in June 2014. The stickers measure 3” by 11.5 inches. The stickers contain the District logo, and “Report Fraud – Waste – Abuse. Hotline 1-855-819-1248.” The words fraud, waste, and abuse are one inch in height. The word hotline and the numbers are one-half inch in height.



In addition to the above sticker, an alternative sticker was developed for use primarily on buses. This sticker was present on both buses and fleet vehicles used by District personnel.



There are two categories of District vehicles: buses and “white fleet” (cars, trucks, and vans). There are over 260 “white fleet” vehicles and over 500 buses.

Hotline bumper stickers were installed on a majority of vehicles tested.

We randomly selected 20 “white fleet” vehicles at various locations, 5 Hall Center buses, and 13 random buses to confirm the hotline bumper stickers had been applied. In total, we tested 38 District vehicles. Stickers were generally applied to the tailgate of trucks, the back doors of vans, the bumpers of cars, and the back windows of buses. **We noted that 6 (4 white fleet and 2 buses) of the vehicles tested (15.79%) did not have a Hotline bumper sticker.**

Given our small non-statistical sample size, care should be taken when attempting to extrapolate our sample to the population. **It is unclear what**

percentage of the total vehicle population remains without a bumper sticker.

Per discussion with the garage manager, the stickers are installed by mechanics in the District transportation garage as vehicles are brought in for either emergency or routine/yearly service, with the goal of having stickers installed on all vehicles. The garage manager also stated that when vehicles are brought in for their yearly check, the mechanics examine the stickers on the vehicles and replace the sticker if it is found to be faded or illegible.

In addition to noting vehicles in our sample that did not have stickers, we observed an additional vehicle outside our sample, which appeared to have had the hotline bumper sticker removed. We noted an outline on the vehicle where it appeared a sticker had been previously applied.

During our fieldwork, the garage manager expressed concern that some of the hotline stickers appear to have been deliberately removed or defaced after the mechanics placed the stickers on their vehicles.

It is unclear if the vehicles in our sample which we found to be without stickers had failed to receive hotline stickers initially, or if the stickers were removed after installation.

Dissemination of Hotline Complaints

To the District

As they are received, complaints are communicated by the vendor, via email, to the district investigator, the Assistant Superintendent of Human Resources, and the Deputy Superintendent.

During the calendar years for 2016 and 2017, 172 complaints were made to the hotline vendor averaging 7 complaints per month with only the month of June 2017 receiving zero complaints. The district investigator maintains a continuous log of all hotline complaints, which documents the complaint and actions taken. We compared the logs for calendar years 2016 and 2017 to the vendor's Activity Reports and Executive Summary Reports. All complaints were included on the log. **We noted that 2 of the 172 complaints were not originally received from the vendor, due to what appears to be an isolated technological matter.** According to the district investigator, the two missing complaints were discovered when the monthly Activity Report was received from the vendor. The district investigator then proceeded to contact the vendor to acquire copies of the two missing reports and provided the reports to the designated staff members. **Overall, it appears complaints are being received by the District, and in a timely manner.**

To Internal Auditing

All complaints should be provided by the district investigator to the director of internal auditing. We found there to be an average reporting time of 3

Two complaints not received initially from vendor.

The OIA received all complaints in a timely manner.

Monthly Hotline Summary Reports were generally provided to the Board in a timely manner.

Two complaints were not provided to the School Board.

One Hotline Summary Report not received in a timely manner.

Overall, the School Board receives Hotline Summary Reports in a timely manner.

Complaints appear to be addressed.

days from the time the district investigator receives the report from the vendor to when the report is made available to the director of internal auditing. **We reviewed each complaint and determined all complaints were provided to the OIA, and provided in a timely manner.**

Reporting of Hotline Complaints

The district investigator summarizes monthly hotline activity into a Hotline Reporting Summary. This report is provided by the Superintendent's Office, via email, to the coordinator of board affairs, who in turn provides it to the School Board members each month. During fieldwork, we secured copies of these reports from the coordinator of board affairs who confirmed the reports are sent to each Board member when they are received from the Superintendent's Office. **The reports were provided to the Board with an average reporting time of 9 days after prior month end.**

As discussed in the previous section, 2 of the 172 complaints were not originally received from the vendor. These 2 complaints were part of the 5 total complaints made during November 2016. The district investigator included the 3 complaints that were "received" from the vendor during November 2016 in the School Board's Hotline Reporting Summary. The district investigator contacted the vendor to acquire copies of the 2 missing complaints and collected them in December 2016, after the School Board received their copy of the Hotline Reporting Summary for November 2016. **The 2 complaints were not included in subsequent Hotline Summary Reports to the School Board.**

Additionally, during fieldwork we **noted the Hotline Reporting Summary for December 2017, was missing from the reports submitted by the coordinator of board affairs office.** This matter was brought to the attention of the coordinator who in turn made contact with the Superintendent's Office to obtain a copy. The coordinator stated District staff inadvertently overlooked the report and immediately sent the report when it was brought to their attention. **It appears this was an isolated occurrence, as all other reports were submitted to the coordinator, and in a timely manner.**

Note: Prior to the issuance of this report, the coordinator of board affairs received a copy of the Hotline Reporting Summary for December 2017.

Investigation of Hotline Complaints

Per discussion with the district investigator, once a complaint is received, the matter is discussed with the Deputy Superintendent and the Assistant Superintendent of Human Resources, and a plan of action is developed. This action plan usually involves having the matter referred to a department-level supervisor for investigation, or direct investigation by the district investigator. **We did not research the validity of actions taken or not taken, only that the complaint was addressed.**

The district investigator performs monthly reconciliation of complaint log.

The district investigator stated that when the Activity Report is made available by the vendor, a reconciliation between the district investigator's Hotline Complaint Log and the vendor Activity Report is performed to ensure all complaints filed for the month have either been addressed or are currently being worked. **Per review of the district investigator's Hotline Complaint Logs, 171 of 172 complaints were addressed.**

One complaint was missing a response.

We did note one complaint received in March 2016 was missing a response. According to the district investigator, this complaint, which was related to a bus transportation matter, was inadvertently overlooked. When the complaint was discovered, the district investigator felt it could not be adequately investigated given the lapse in time. It appears this was an isolated occurrence, as all other complaints were addressed.

Certain hotline callers instructed to contact the district investigator directly.

We were made aware of occasional instances when the District instructed the vendor to ask hotline callers to contact the district investigator directly concerning the reported complaint. According to the district investigator, he would discuss certain complaints with District management, and a decision would be made to ask the caller to contact the district investigator because more detail was needed to adequately address the complaint. This scenario could reduce the effectiveness of the hotline by potentially compromising the caller's anonymity. The vendor has established procedures for requesting additional information from callers without District personnel speaking directly to a caller, thereby helping ensure anonymity.

Recommendations

Develop strategy to ensure a bumper sticker is affixed to all District vehicles.

Communication of Hotline Information

In an effort to ensure that all District vehicles are continually equipped with a sticker, **we recommend the District develop a reporting strategy to notify vehicle operators and supervisors when their sticker is noted missing during routine maintenance and that the garage manager remind all garage personnel of the proper procedure concerning the hotline stickers.**

Provide copy of annual Executive Summary Report to the School Board.

Reporting of Hotline Complaints

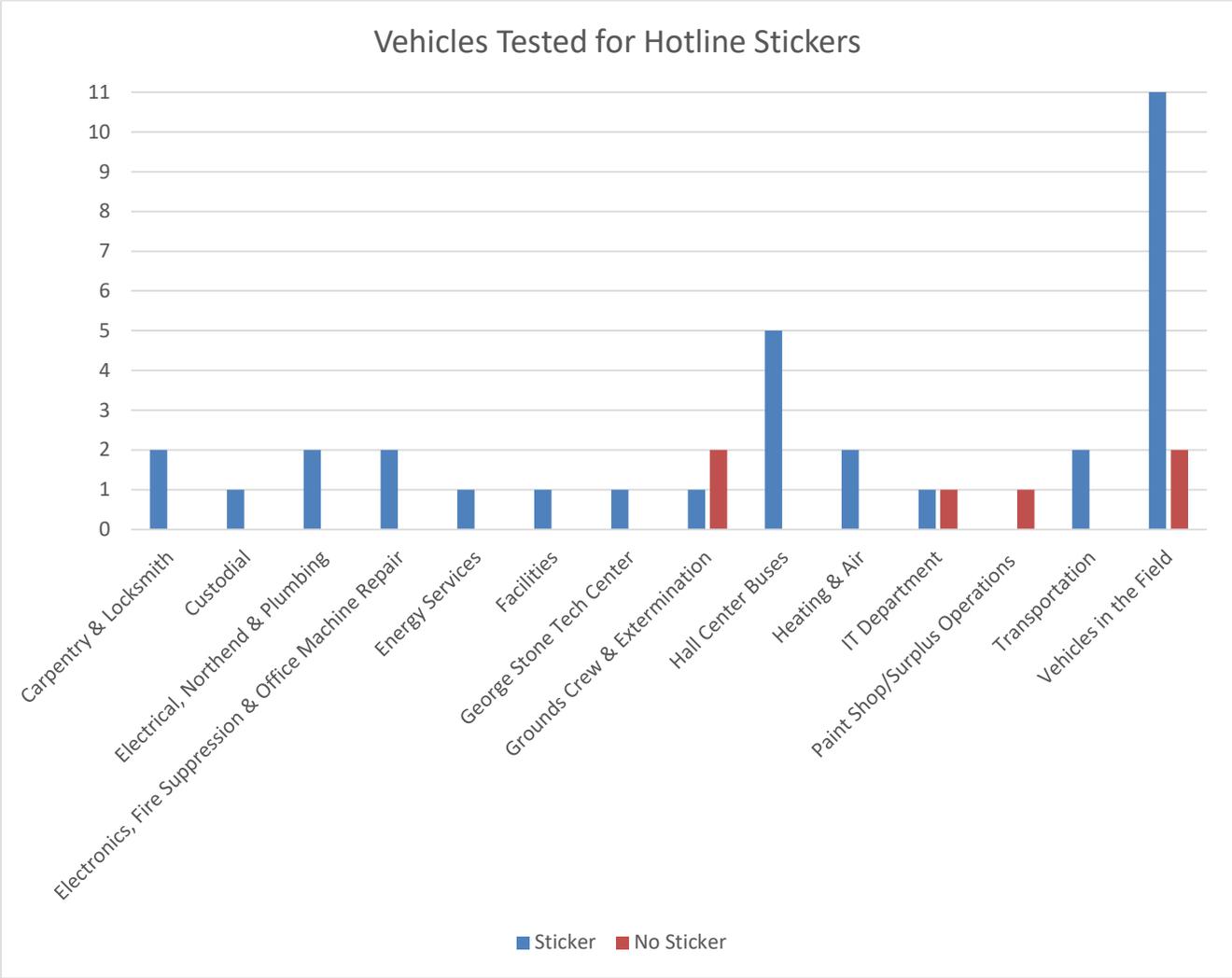
In an effort to ensure that the School Board receives all complaints reported to the vendor, **we recommend a copy of the annual Executive Summary Report, or an annual report prepared by the district investigator, be provided to the School Board.**

Limit initiating direct contact with anonymous reporters.

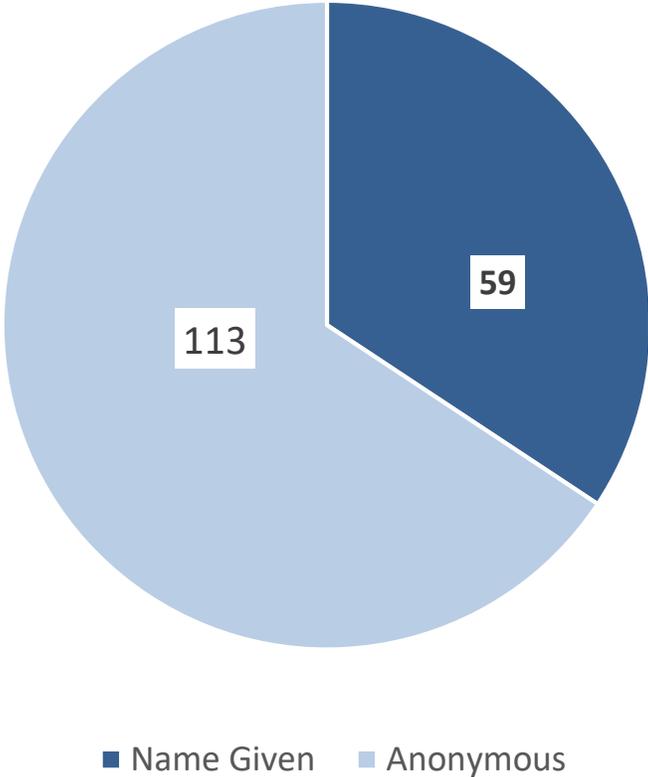
Investigation of Hotline Complaints

In an effort to address the matter of hotline callers being instructed to contact the district investigator directly, which could potentially compromise a caller's anonymity, **we recommend the District limit this practice to absolutely necessary circumstances.**

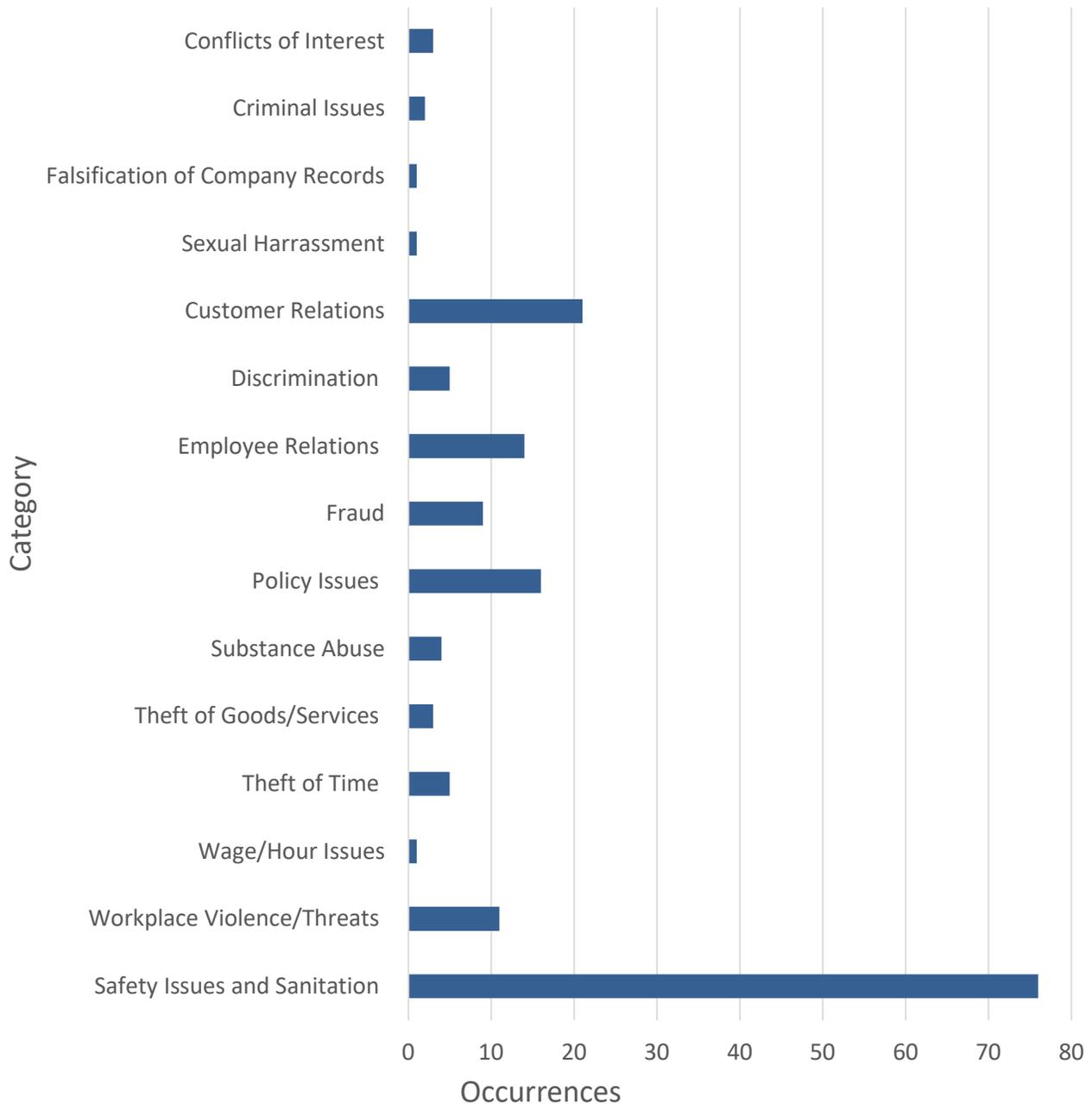
Appendix A



Occurrences by Identity Type (Known or Anonymous)
2016 and 2017 Calendar Years



Complaint Occurrences by Category 2016 and 2017 Calendar Years



Remaining categories include: Accounting & Audit Irregularities, Fraudulent Insurance Claims, Improper Loans to Executives, Insider Trading, Kickbacks, Production Quality Concerns, Release of Proprietary Information, Retaliation of Whistleblowers, Theft of Cash, Unauthorized Discounts, and Worker’s Compensation Fraud.

Management Response
