



Internal Audit – Fraud Complaints Received Q117 January 1, 2017 to March 31, 2017

Item 2F

July 18, 2017

Building Investment, Finance and Audit Committee

Report: BIFAC:2017-51

To: Building Investment, Finance and Audit Committee (BIFAC)

From: Chief Internal Auditor

Date: July 9, 2017

PURPOSE:

To provide the Building Investment, Finance and Audit Committee (“the Committee”) with a statistical report with respect to fraud complaints received by the Internal Audit Department for the period of January 1, 2017 to March 31, 2017.

RECOMMENDATIONS:

It is recommended that the Committee receive this report for information.

REASONS FOR RECOMMENDATIONS:

Background

In general, the Investigations Unit (“Investigations”) is responsible for:

- Conducting and overseeing reviews and investigations about tenants and contractors;
- Overseeing the operation of the TCHC fraud hotline;
- Educating staff on matters related to ethical conduct;
- Providing subject matter expertise in policy and procedures development; and

- Developing a network of contacts with law enforcement, other government agencies and organizations, and other regulatory bodies.

Reporting to the Committee on Fraud Complaints Received

The Committee requested that fraud complaint data be reported to the Committee on a quarterly basis. This report sets out fraud complaint data for Q117 (January 1, 2017 to March 31, 2017), with comparative data for the same period in 2016.

Sources of Fraud Complaints

Fraud complaints¹ received by the Investigations Unit of the Internal Audit Department come from many sources, including but not limited to:

- TCHC Fraud Hotline
- TCHC Senior Management
- Tenants
- City's 311 service
- TCHC EasyTrac system
- TCHC Staff
- City's Fraud and Waste Hotline
- Other social housing agencies
 - TCHC Operations (e.g. unit inspections)

Investigations Statistics

Attachment 1 to this report sets out an overview of the scope, nature and type of fraud complaints that have been received in Q1 2017, along with comparative data for the same period in 2016.

The attachment sets out a number of reporting parameters with respect to the complaints received, as follows:

Source of Complaints – Gross (Table 1)

The data shows that in Q1 2017 there was a slight increase of 2.1% (4) in the gross number of complaints received. This being the fifth year of the fraud hotline's operation, we have come to learn that there is generally no particular reason(s) why the gross number of complaints received fluctuates from quarter to quarter.

¹ The terms 'fraud complaints' and 'complaints' are used interchangeably throughout this report.

There was a 129.4% (22) increase in the number of fraud complaints received from staff. We believe this can be attributed to the increased profile of the Investigations Unit throughout the organization – staff are becoming more knowledgeable about where they should send fraud complaints.

Net Complaints Received (Table 2)

In Q1 2017 approximately 29% of the gross complaints received;

- Were not fraud related; or
- Were reported more than once; or
- Did not pertain to a TCHC tenant, building or staff member.

This represents a decrease from the Q1 2016 rate of nearly 37%.

As a result, the net number of complaints increased by 18 (15.0%) in Q1 2017.

Who the Complaints are About (Table 3)

This identifies on a net complaint basis who the complaints were about – staff, tenants, contractors or other. 85.5% of net complaints received in Q1 2017 were about tenants. Though a slight decrease from Q1 2016, this is in line with the same levels since the inception of the fraud hotline in 2012.

Nature of Complaints (Table 4)

This sets out, on a net complaint basis, the broad subject matter of the complaint received. For staff and tenant complaints, the data is further broken down to more specific subject matters:

Staff

A 'Staff Performance Complaint' is one which relates to a performance issue about a staff member, as opposed to a fraud or more serious matter. These complaints are not reviewed by the Investigations Unit – they are forwarded to the appropriate Operating Unit or department for follow up.

'Staff Complaints – Other' include all other complaints received about a staff member.

The number of Staff Complaints – Other received in Q1 2017 increased significantly from 8 reported in Q1 2016 to 16 reported in Q1 2017. This is attributed, in part, to an increased number of employee related matters discovered in Internal Audit engagements conducted in late 2016 and early 2017.

Staff Complaints – Other are forwarded to the Human Resources department for review and investigation. Investigations will assist the Human Resources department in their review of the matter when requested.

Tenants

Complaints about tenants have been broken down into five main subject areas. The three main tenant complaint subject areas are set out in the following table:

Nature of Tenant Complaint	Q1 2017		Q1 2016	
	No.	% ²	No.	%
Unreported members in a unit	48	34.8	44	36.7
Unit/Room being sublet	32	23.2	30	25.0
Unreported income	<u>21</u>	<u>15.2</u>	<u>18</u>	<u>15.0</u>
Subtotal	<u>101</u>	<u>73.2</u>	<u>92</u>	<u>76.7</u>

These three complaint categories have consistently been the ‘top three’ types of complaints received since we started to keep these records. Their percentage of total net complaints received, both cumulatively and individually, have remained relatively the same over the years.

Distribution by Operating Unit (Table 5)

This shows the number of net complaints received within a particular operating unit (“OU”).

This table allows the reader to compare (i) an OU’s % of Complaints Received to (ii) that OU’s number of units as a % of Total TCHC units. For example, Operating Unit J (Grange Bathurst St. Lawrence)

² % of **all** Net Complaints received by TCHC.

contains 6.3% of TCHC's units and in Q1 2017 it received 9.4% of fraud complaints received.

Though nearly 86% of the fraud complaints received are about tenants, this table is in no way whatsoever a reflection of the quality of service provided by TCHC staff or the third party vendors who manage our buildings.

While the results do fluctuate from year to year, there appears to be a pattern of some of the operating units being either consistently in the 'green' (less % of fraud complaints than their population) or in the 'red' (more % fraud complaints than their population). The reason(s) behind this phenomena is unknown.

Hotline Usage (Table 6)

Actually two tables (Table 6a and Table 6b), they show how complainants have been accessing the Hotline.

88.1% of the Hotline complainants have chosen to remain anonymous in Q1 2017 (Table 6a). This is a slight from 83.3% in Q1 2016.

There was an increase in Q1 2017 of those complainants accessing the Hotline using the Hotline internet portal – from 29.7% in Q1 2016 to 39.0% in Q1 2017 (Table 6b).

Status of Complaints Received (Table 7)

This table sets out the status of complaints received during Q1 2017 and Q1 2016, as at May 11, 2017.

It should be noted that these are cumulative status results for the time periods in question. For example, if a Q1 2016 fraud complaint was closed in 2017, that status will be reflected in the 2016 column. As such, there will always be a difference between the current year's results and the previous years reported results.

There were 12 (8.9%) unassigned files at the end of the Q1 2017. The reasons why they were still unassigned is that either (i) we have yet to determine what TCHC address and/or tenant that is being complained about or (ii) there is a generally a time delay of one or two days between the receipt of a fraud complaint and the assignment of its review to a particular person.

Due to the volume of complaints received we have to rely on the good work of operating unit and other departmental staff to conduct the review and investigation of most of the tenant complaints received. This allows for the timely resolution of the complaint. We are very much appreciative of the assistance and work conducted by TCHC staff in this regard.

Complaint Investigations Closed (Table 7)

During Q1 2017 and Q1 2016 the Investigations Unit received 246 complaints³.

As at May 11, 2017, the number of complaints that had been reviewed and closed by the Investigations Unit and other TCHC staff is summarized as follows:

	<u>Complaints Received</u>	<u>No. Cases Closed</u>	<u>Cases Closed %</u>
Q1 2017	135	33	24.4
Q1 2016	<u>111</u>	<u>87</u>	78.3
Total	<u>246</u>	<u>120</u>	48.8

It should be noted that the length of time to complete a review of a fraud complaint is variable, depending upon the nature and complexity of the matter being looked into.

Results of Closed Complaint Investigations (Table 7)

When the review of a complaint is concluded, the result will either be Founded or Unfounded.

A complaint is considered to be Founded when sufficient evidence is obtained to support the allegation made.

A complaint is considered to be Unfounded when:

- Insufficient evidence is found to support the allegations made; or

³ This amount does not include Staff Performance complaints nor Market Rent complaints. These complaint types are automatically referred to the appropriate Operating Unit or TCHC department.

- The complaint is determined to be without any merit.

Of the Q1 2017 and Q1 2016 complaints that had been closed as at May 11, 2017, on a rolling basis, the results of the reviews are summarized as follows:

	<u>No. Cases Closed</u>	<u>Unfounded</u>		<u>Founded</u>	
		No.	%	No.	%
Q1 2017	33	23	69.7	10	30.3
Q1 2016	<u>87</u>	<u>48</u>	55.2	<u>39</u>	35.1
Total	<u>120</u>	<u>71</u>	59.2	<u>49</u>	40.8

In more simple terms, when cases are closed nearly 60% of the fraud complaints are Unfounded and 40% are considered to be Founded.

IMPLICATIONS AND RISKS:

The review and investigation of fraud complaints about staff, tenants and contractors is an integral part of Toronto Community Housing's risk management strategy. Regular updates to the Committee about fraud complaints received will assist in the identification and mitigation of risks faced by the organization.

SIGNATURE:

"Michael Vear"

Michael Vear, CA, CPA, CPA (Illinois)
Chief Internal Auditor

ATTACHMENT:

1. Internal Audit – Fraud Complaints Received Q117 January 1, 2017 to March 31, 2017)

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Attachment 1
Internal Audit - Fraud Complaints Received
Q117 January 1, 2017 to March 31, 2017

Table 1
Source of Fraud Complaints - Gross

- this shows the sources of ALL fraud complaints received

	Q117		Q116		Change Q116 to Q117	
	No.	%	No.	%	No.	%
Fraud Hotline	118	60.8	138	72.6	(20)	(14.5)
EasyTrac	22	11.3	18	9.5	4	22.2
Other						
City Fraud Line	0	0.0	1	0.5	(1)	(100.0)
Call In - Telephone	0	0.0	0	0.0	0	0.0
Staff/Internal Emails	39	20.1	17	8.9	22	129.4
Letter/External Emails	15	7.7	16	8.4	(1)	(6.3)
Walk In/Person	0	0.0	0	0.0	0	0.0
Fax/Other	0	0.0	0	0.0	0	0.0
	<u>194</u>	<u>100.0</u>	<u>190</u>	<u>100.0</u>	<u>4</u>	<u>2.1</u>

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Q117 January 1, 2017 to March 31, 2017

Table 2

'Net' Fraud Complaints Received

- this table eliminates duplicate complaints, complaints about non-TCH properties, and non-fraud related complaints to arrive at the 'true' (or 'net') number of fraud complaints received

	Q117		Q116		Change Q116 to Q117	
	No.	%	No.	%	No.	%
Total Fraud Complaints Received 'Gross' (Table 1) (A)	194	100.0	190	100.0	4	2.1
Other Matters						
Item Reported is Not Fraud	18	9.3	9	4.7	9	100.0
Item Reported More Than Once	27	13.9	43	22.6	(16)	(37.2)
Not a TCH Tenant or Unit	11	5.7	18	9.5	(7)	(38.9)
Address Unknown	0	0.0	0	0.0	0	0.0
Total Other Matters (B)	56	28.9	70	36.8	(14)	(20.0)
'Net' Fraud Complaints Received (A) - (B)	138	71.1	120	63.2	18	15.0

Attachment 1
Internal Audit - Fraud Complaints Received
Q117 January 1, 2017 to March 31, 2017

Table 3
'Net' Fraud Complaints Received Were About

- this table identifies if the 'net' fraud complaints received were about Staff, Tenants, Contractors, or Other

	Q117		Q116		Change Q116 to Q117	
	No.	%	No.	%	No.	%
Staff	17	12.3	13	10.8	4	30.8
Tenants	118	85.5	106	88.3	12	11.3
Contractors	2	1.4	0	0.0	2	0.0
Other	1	0.7	1	0.8	0	0.0
Total 'Net' Fraud Complaints	138	100.0	120	100.0	18	15.0

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Q117 January 1, 2017 to March 31, 2017

Table 4
Nature of Fraud Complaints

- this sets out the general nature of the 'net' fraud complaints received

	Q117		Q116		Change Q116 to Q117	
	No.	%	No.	%	No.	%
Staff						
Staff Performance Complaints	1	0.7	6	5.0	(5)	(83.3)
Staff Complaints - Other	16	11.6	8	6.7	8	100.0
Waste	0	0.0	0	0.0	0	0.0
Total Staff Fraud Complaints	17	12.3	14	11.7	3	21.4
Tenants						
Unreported Extra Members in Unit	48	34.8	44	36.7	4	9.1
Unit/Room Being Sublet	32	23.2	30	25.0	2	6.7
Unreported Income	21	15.2	18	15.0	3	16.7
Miscellaneous Fraud	11	8.0	8	6.7	3	37.5
Over Housed Unit	5	3.6	3	2.5	2	66.7
Market Rent Units	1	0.7	3	2.5	(2)	(66.7)
Total Tenant Fraud Complaints	118	85.5	106	88.3	12	11.3
Contractor	2	1.4	0	0.0	2	0.0
Other	1	0.7	0	0.0	1	100.0
Total 'Net' Fraud Complaints	138	100.0	120	100.0	18	15.0

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Q117 January 1, 2017 to March 31, 2017

Table 5
Distribution by Operating Unit

- this shows the distribution of the 'net' fraud complaints received by Operating Unit (OU)

- it also compares (i) the OU's % of Fraud Complaints Received to (ii) the OU's number of units as a % of Total TCH units

means the OU's % of Complaints Received is LESS than it's % of Total TCH units means it is GREATER than

	Q117			Q116			Change	
	<u>Complaints</u> No.	%	% of Total Units	<u>Complaints</u> No.	%	% of Total Units	No.	%
OUA - Seniors & Single Family East	1	0.7	11.6	4	3.3	13.3	(3)	(75.0)
OUB - Seniors & Single Family West	3	2.2	11.0	6	5.0	11.0	(3)	(50.0)
OUC - Weston/Rexdale	7	5.1	4.5	3	2.5	5.4	4	133.3
ODU - York Black Creek	13	9.4	6.1	3	2.5	6.1	10	333.3
OUE - Etobicoke South High Park	8	5.8	7.3	10	8.3	7.3	(2)	(20.0)
OUF - Yorkdale Lawrence	9	6.5	3.7	6	5.0	3.7	3	50.0
OUG - Willowdale Don Valley	9	6.5	4.1	6	5.0	4.1	3	50.0
OUH - Scarborough	7	5.1	3.9	3	2.5	5.1	4	133.3
OUI - Scarborough Southwest	10	7.2	5.8	8	6.7	5.8	2	25.0
OIJ - Grange Bathurst St Lawrence	13	9.4	6.3	9	7.5	6.3	4	44.4
OJK - Central Sherbourne	5	3.6	5.8	6	5.0	6.7	(1)	(16.7)
OUL - Don Valley Beaches	7	5.1	5.2	10	8.3	5.2	(3)	(30.0)
OUM - Central Parliament	3	2.2	3.2	7	5.8	3.2	(4)	(57.1)
OUW - Contract Managed West	16	11.6	6.6	10	8.3	5.7	6	60.0
OUX - Contract Managed Central	7	5.1	4.8	8	6.7	4.0	(1)	(12.5)
OUY - Contract Managed East	11	8.0	10.1	11	9.2	7.1	0	0.0
Corporate Offices/Staff	3	2.2	N/A	4	3.3	N/A	(1)	(25.0)
Rent Supplement	1	0.7	N/A	1	0.8	N/A	0	0.0
Non-TCHC	5	3.6	N/A	5	4.2	N/A	0	0.0
Other Unknown	0	0.0	N/A	0	0.0	N/A	0	0.0
Total 'Net' Complaints	138	100.0	100.0	120	100.0	100.0	18	15.0

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Internal Audit - Fraud Complaints Received
Q117 January 1, 2017 to March 31, 2017

Table 6
Hotline Usage

- these two tables show how complainants have been accessing the Do What's Right Hotline
- Table 6a analyzes whether or not complainants choose to remain anonymous
- Table 6b shows how complainants access the Do What's Right Hotline (e.g. internet, telephone etc.)
- Tables 6a and 6b are based on the 'gross' number of complaints received on the Do What's Right Hotline (refer Table 1)

	Q117		Q116		Change 2016 to 2017	
	No.	%	No.	%	No.	%
Table 6a - Anonymous vs. Not Anonymous						
Anonymous	104	88.1	115	83.3	(11)	(9.6)
Not Anonymous	14	11.9	23	16.7	(9)	(39.1)
	118	100.0	138	100.0	(20)	(14.5)
	118	100.0	138	100.0	(20)	(14.5)
Table 6b - Method Used to Access Hotline						
Internet	46	39.0	41	29.7	5	12.2
Telephone	72	61.0	96	69.6	(24)	(25.0)
Email	0	0.0	1	0.7	(1)	(100.0)
Letter	0	0.0	0	0.0	0	0.0
	118	100.0	138	100.0	(20)	(14.5)
	118	100.0	138	100.0	(20)	(14.5)

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Table 7
Status of Fraud Complaints Received

'- for 'net' fraud complaints received for the 1st quarter of each respective year of the year noted, this sets out the status of the complaint, as at May 11, 2017.

		Complaints Received	Closed		In Progress		To Be Assigned			
			Unfounded No.	%	Founded No.	%	No.	%	No.	%
Tenants										
Unreported Extra Members in Unit	2017	48	8	16.7	3	6.3	33	68.8	4	8.3
	2016	44	25	56.8	11	25.0	8	18.2	0	0.0
Unit/Room Being Sublet	2017	32	9	28.1	5	15.6	17	53.1	1	3.1
	2016	30	6	20.0	18	60.0	6	20.0	0	0.0
Unreported Income	2017	21	1	4.8	1	4.8	15	71.4	4	19.0
	2016	18	6	33.3	2	11.1	10	55.6	0	0.0
Miscellaneous Fraud	2017	11	1	9.1	1	9.1	8	72.7	1	9.1
	2016	8	4	50.0	4	50.0	0	0.0	0	0.0
Overhoused Unit	2017	5	1	20.0	0	0.0	4	80.0	0	0.0
	2016	3	2	66.7	1	33.3	0	0.0	0	0.0

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Internal Audit - Fraud Complaints Received
Q117 January 1, 2017 to March 31, 2017

Table 7 (cont'd)
Status of Complaints Received

		Complaints Received	Closed				In Progress		To Be Assigned	
			Unfounded No.	%	Founded No.	%	No.	%	No.	%
Staff										
Other	2017	16	2	12.5	0	0.0	13	81.3	1	6.3
	2016	8	5	62.5	3	37.5	0	0.0	0	0.0
Waste	2017	0	0	-	0	-	0	-	0	-
	2016	0	0	-	0	-	0	-	0	-
Contractor										
	2017	2	2	100.0	0	0.0	0	0.0	0	0.0
	2016	0	0	-	0	-	0	-	0	-
Other										
	2017	1	0	0.0	0	0.0	0	0.0	1	100.0
	2016	0	0	-	0	-	0	-	0	-
Total	2017	136	24	17.6	10	7.4	90	66.2	12	8.8
Total	2016	111	48	43.2	39	35.1	24	21.6	0	0.0

NB: 2017 and 2016 Total Fraud Complaints Received will not agree to Table 4 because this table does not include Staff Performance Complaints nor Market Rent Complaints. These complaint types are automatically referred to an Operating Unit.