

Investigation

Recommendation

1. That the June 25, 2020, Office of the City Auditor report CR_8363, be received for information.
2. That the June 25, 2020, Office of the City Auditor report CR_8363 remain private pursuant to sections 20 (disclosure harmful to law enforcement) and 25 (disclosure harmful to economic and other interests of a public body) of the *Freedom of Information and Protection of Privacy Act*.

Previous Council/Committee Action

At the July 6/8, 2020, City Council meeting, the following motion was passed:

That the June 25, 2020, Office of the City Auditor report CR_8363 and the June 25, 2020, Integrated Infrastructure Services report CR_8342 be made public subject to section 29 (information that is available for purchase or will be available to the public within 60 days) of the *Freedom of Information and Protection of Privacy Act* and pending notification from the City Solicitor and that the reports be scheduled at the September 18, 2020, Audit Committee meeting.

Executive Summary

This report presents the results of the Investigation conducted by the Office of the City Auditor.

Report

On September 18, 2019, the City Manager's Office received an email alleging that a City employee had a side business in traffic sign rentals and had inappropriately directed work to this private company for personal gain. On October 11, 2019, the allegation was forwarded to the Office of the City Auditor for investigation.

Based on our investigation we concluded that approximately \$1.6 million (excluding GST) was allegedly stolen from the City of Edmonton between 2015 and 2019. This was achieved through a false invoicing scheme that took advantage of control weakness in the City's procurement and payment processes.

To reduce the risk of a similar false invoice scheme being successful, financial oversight and controls need to be strengthened in the Building Great Neighbourhoods and Open Spaces Branch in the Integrated Infrastructure Services Department (IIS).

Although this particular false invoice scheme impacted Neighbourhood Renewal projects, any area in the organization that uses the cheque requisition process without having strong controls and oversight is vulnerable.

The Office of the City Auditor has made two recommendations to address these issues.

The Office of the City Auditor reported this theft to the Edmonton Police Service. On March 12, 2020, Edmonton Police Services informed us that they have opened a file and are investigating.

The Office of the City Auditor also reported this theft to the Law Branch. The Law Branch has reported the theft to the City's Insurer under its Commercial Crime Insurance Policy. The City is currently working with its Insurer to explore options for fund recovery. The Office of the City Auditor continues to work with the Law Branch and the Insurer to support the civil legal process.

Policy

Bylaw 16097, Audit Committee Bylaw, Section 14(d) states that, "Committee will review all reports from the City Auditor dealing with completed audit projects."

Public Engagement

Public engagement was not required for this report.

Attachment

1. Investigation Report