



Calendar Year 2023

State Government Accountability Hotline Summary Report

August 2024

Report 2024-24



**Oregon Secretary of State
Audits Division**

Report Highlights

Calendar Year 2023

State Government Accountability Hotline

By the Numbers

Calendar Year 2023

268

Total reports to the hotline in 2023

16

Of those required further investigation, **none of which** were substantiated as fraud

4

Reports remain open and may result in a management letter to the involved agencies regarding other issues, such as identified control weaknesses

11

Reports alleged fraud, theft by misuse of resources, or conflict of interest violations on the part of a specific state employee



Since the inception of the Oregon Secretary of State Government Accountability Hotline, we have identified several million dollars in questioned costs. Those amounts represent misappropriated public and private funds, questionable expenditures, monies not spent in accordance with applicable laws, errors in federal awards, and potential savings that could result from improved efficiencies or elimination of waste or misuse.

The toll-free hotline was established in 1995 for individuals to report the misuse of state funds and resources by state agencies, state employees, or persons under contract with state agencies. Audits Division staff review each hotline report and determine which reports to investigate further.

This report summarizes activity reported through the Government Accountability Hotline in calendar year 2023. As required by Oregon Revised Statute 177.180, we describe the number, nature, and resolution of hotline reports received during the year.



Oregon Secretary of State
Audits Division

Secretary of State **LaVonne Griffin-Valade**
Audits Director **Kip R. Memmott**

Introduction

Tips are critical to the successful detection of fraud. According to the Association of Certified Fraud Examiners' 2024 Global Fraud Study, tips were the method of identification in 43% of all fraud cases.¹ More than half the tips received come from employees of organizations. According to the study, 12.4% of the reported fraud cases reviewed were related to government and public administration, which was the third leading industry behind banking and financial services, and manufacturing. The study also found the six most common fraud schemes used in government and public administration were: corruption, billing, payroll, cash larceny, expense reimbursement, and noncash (e.g., inventory or confidential customer information). The median loss in government due to fraud was \$150,000.

The presence of a reporting hotline has a substantial positive impact on how frauds are discovered. According to the association's study, organizations with a hotline are nearly twice as likely to detect fraud through tips than organizations without a hotline.

To ensure state employees are aware of the Oregon Secretary of State Government Accountability Hotline, we distribute a poster for state offices explaining the function of the hotline; the poster displays the hotline telephone number and web address. Newly redesigned posters were distributed free of charge to state agencies in 2022 and 2023.² Additionally, a hotline page is available on the Oregon Secretary of State website.³

The Legislature requires an annual summary report on hotline activity

In 1995, the Legislature created the Government Waste Hotline (now called the State Government Accountability Hotline) for employees and members of the public to report misuse of state funds or resources by state agencies, state employees, or persons under contract with state agencies. State law provides confidentiality for the identity of any person making a report through the hotline.⁴

We are required to notify the Oregon Government Ethics Commission if we find potential violations of Oregon ethics law (ORS Chapter 244). We are also required to notify the appropriate law enforcement agency if we find potential criminal activity. For calendar year 2023, we made no direct referrals to the Oregon Government Ethics Commission; however, we suggested the caller contact them for seven of the 268 reports.

We are also required to prepare and submit an annual report to the Legislature and appropriate interim committees that describes the number, nature, and resolution of reports made through the hotline. We are required to include in the report any savings resulting from improved efficiencies or eliminated waste or misuse that resulted from hotline reports and investigations. To meet the required reporting requirements, we prepare this annual report of summary-level information.

¹ 2024 Report to the Nations on Occupational Fraud and Abuse. Copyright 2024 by the Association of Certified Fraud Examiners Inc., pages 4, 23, 36, and 37. Available at [2024 ACFE Report to the Nations](#)

² See Appendix A. Any state office can request a poster free of charge by contacting the audits division at audits.sos@oregon.gov.

³ <https://sos.oregon.gov/audits/Pages/accountability.aspx>

⁴ See ORS 177.180

How the Hotline Works

To administer the toll-free hotline, we contract with a third party that provides 24-hour call center services and case management software.⁵ All hotline reports are logged into a database that selected division staff access through the case management software. We conduct an initial review of each report and determine which reports to investigate further.

Some reports warrant an audit or investigation. Others do not involve claims of misuse of state funds and resources and are outside our authority to review under the hotline statutes. If we believe a report would be more appropriate for another public body to review, we refer the information to the appropriate public entity. For reports that do not fall under the authority of the hotline, if appropriate, we provide individuals with alternative contacts for reporting their concerns.

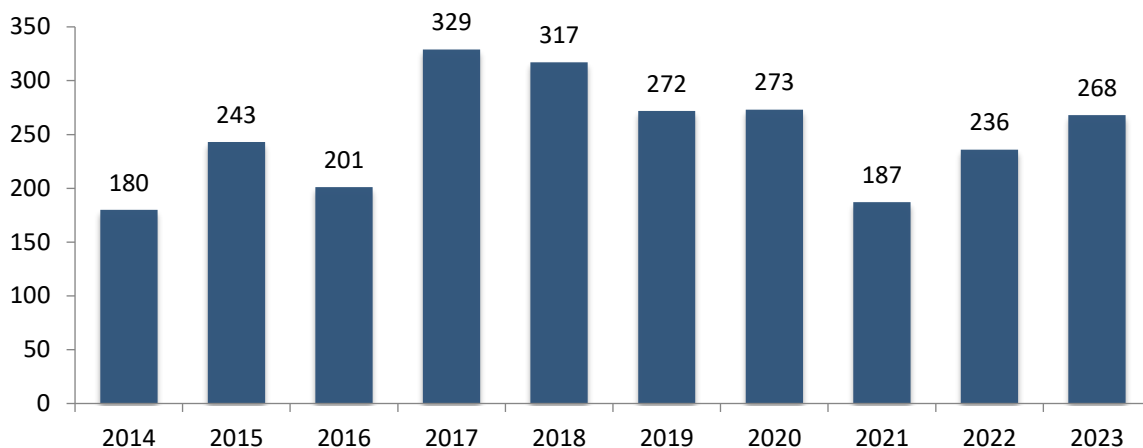
If, after completing an investigation, we find that an officer, employee, or contractor of a state agency or public body was involved in activities constituting misuse of state funds and resources, we must prepare a written report to the involved state agency or public body. If requested, we also provide a copy of any report to the person who contacted the hotline.

Currently, the hotline is administered by an audit manager, who is a Certified Fraud Examiner, and a principal auditor who reviews and responds to hotline reports. Most reports are addressed by the lead and the manager. Occasionally, we assign other staff, including other Certified Fraud Examiners, to help review those reports.

Hotline reports have increased in the last couple of years

Figure 1 shows the number of hotline reports received since 2014. The volume of reports tends to be higher during election cycles, after publicized instances of fraud, and after public officials (such as the Governor or the Secretary of State) send emails promoting the hotline to all state employees. The increase in the current year brings the number of reports slightly above the average of the prior 10 years.

Figure 1: Number of reports made to the hotline



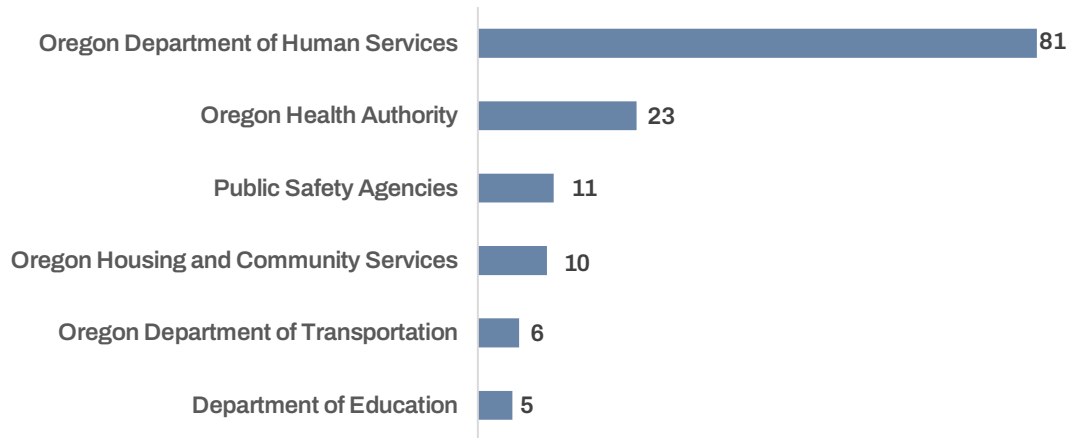
⁵ Navex Global Inc.

Human services allegations are reported most

Figure 2 lists the agencies which were the most frequent subjects of hotline reports in 2023. Since reports are rarely substantiated, this chart cannot be relied on as an indicator of which agencies are subjects of true misuse of state funds or resources.

However, the chart does indicate those agencies that are the subject of the most concerns. The Oregon Department of Human Services (ODHS) received the most hotline calls, with 63 reports alleging fraud related to public assistance. We directed those callers to ODHS’s fraud hotline.

Figure 2: In 2023, most reports we received pertained to the Oregon Department of Human Services



Note: Excludes agencies with four or fewer reports

2023 Hotline Results

Most hotline reports were related to fraud, theft, or ethics

We classify reports received through the hotline as shown in Figure 3. A large portion of reports pertain to fraud, theft, and ethics. 62% of those reports were specific to public assistance fraud for programs such as supplemental nutrition assistance program (a.k.a. food stamps) and emergency rental assistance.

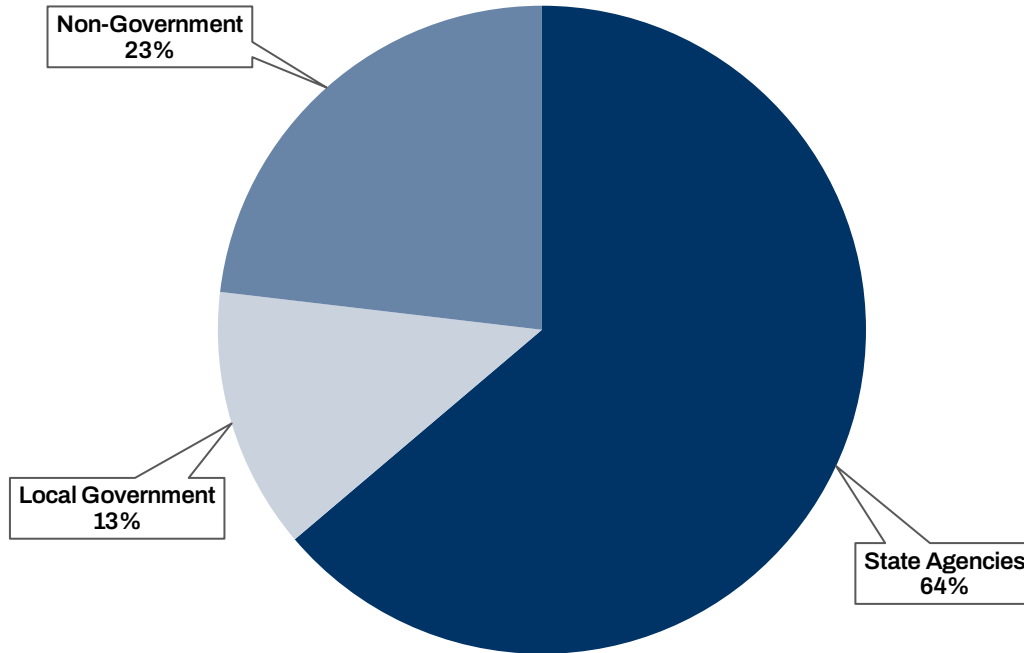
Figure 3: 39% of all reports received in 2023 pertained to fraud, theft, or ethics

	Description	Number of 2023 Reports	Percent of 2023 Reports
Fraud, Theft, or Ethics	Reports alleging fraud, falsification or destruction of information, embezzlement, theft, corrupt practices, conflict of interest, or kickbacks	104	39%
Business Practices	Reports concerning state business practices and public contracting, policies and procedures, and cost saving recommendations	76	28%
Unrelated/Insignificant	Reports determined unrelated or insignificant to state funds or resources	45	17%
Work Environment	Reports alleging improper behavior, discrimination, wrongful termination, time theft, overtime use, or employee performance	34	13%
Financial Management	Reports concerning accounting and state spending practices and documentation concerns	9	3%
Total		268	100%

Most hotline reports concern state agencies and local governments

Figure 4 details the type of entities that were the subject of hotline reports received in 2023. Approximately 77% of the reports were related to entities with the potential to receive state funds. Non-government entities, such as businesses, are less likely to receive state funds.

Figure 4: Most reports pertain to entities with the potential to receive state funds



Resolution of hotline reports is dependent on information provided by the reporter

Our ability to act on a report depends on the specificity and nature of the information provided. If a reporter provides their contact information, we may contact them directly to obtain additional information. If reporters are anonymous through the online reporting application, we can communicate through the application to request necessary additional information, but those callers do not always respond to our requests for more details.

We resolve reports by performing reviews and reporting findings, referring reports to contacts at other public bodies for their consideration and review, referring reporters to appropriate contacts, and providing requested information.

We have flexibility in how hotline reports are addressed. Specifically, we can refer reports received through the hotline to other public bodies (e.g., state government, local governments, and special purpose governments) more appropriate to address the report. For example, if we receive a report regarding alleged tax evasion, we can refer that report to the Department of Revenue. When a report is referred, generally only the content of the report is referred, and the reporter's identity is withheld unless the reporter waives confidentiality.

2023 hotline reports

- **210 reports** were closed after we provided the reporter with alternative contacts more appropriate to address their concerns, such as a state agency's human resources department or a local government's board or commission. Several of these cases did not involve state funds or resources or were personal legal matters outside the purview of the hotline.
- **14 reports** were referred directly to another public body that could more appropriately investigate the allegation.

- **11 reports** alleged fraud or theft by the misuse of resources or conflict of interest ethic violations on the part of a specific state employee.
 - Four were reported to the appropriate state agency for investigation.
 - Four resulted in our referring a caller to the appropriate state agency for investigation.
 - Three related to former Secretary of State Shemia Fagan, which were closed in response to the corresponding investigation by the Oregon Ethics Commission.
- **Six reports** were high-level suggestions for improving efficiencies, not allegations of wrongdoing. These were added to the division’s internal listing of ideas for future performance audits.
- **16 reports** required further review to determine whether the described concerns involved misuse of state funds and resources.
 - Eight were unsubstantiated.
 - Five were referred to an audit team, and
 - Three related to former Secretary of State Shemia Fagan, which were closed in response to the corresponding investigation by the Oregon Ethics Commission.
- **17 reports** were closed after the reporter did not respond to our requests for additional information needed to proceed with an investigation.
- **Four reports** remain open and may result in a management letter to the involved agency.

2022 hotline reports

At the time of last year’s hotline summary report in November 2023, four reports from 2022 remained open. As of this report, based on procedures performed, we found the violations were not substantiated.

Audit team

Teresa Furnish, CISA, Deputy Director
 Ian Green, CGAP, CFE, CISA, CIA, MS Econ, Audit Manager
 Kari Mott, CPA, MBA, Principal Auditor
 Kyle Rossi, Principal Auditor

ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.

Appendix A: State Government Accountability Hotline Poster



Have concerns about the potential misuse of state government resources?

STATE GOVERNMENT ACCOUNTABILITY HOTLINE

Call toll free
800-336-8218

Report online
accountability.oregon.gov

We examine potential misuse of state resources. These inquiries mainly occur at state agencies, but may involve other entities receiving state or federal funds from state agencies. Misuse may involve fraud, waste, or abuse.

Your identity is protected by law.
You may report anonymously.





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This report is intended to promote the best possible management of public resources.

Copies may be obtained from:

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