



Calendar Year 2022  
**State Government Accountability Hotline  
Summary Report**

November 2023  
Report 2023-34



Secretary of State  
LaVonne Griffin-Valade



Audits Director  
Kip Memmott

# Report Highlights

Calendar Year 2022  
State Government Accountability Hotline

## By the Numbers

Calendar Year 2022

**236**

Total reports to the hotline  
in 2022

**11**

Of those required further  
investigation; **one** was  
substantiated as fraud, and  
**one** was identified as a  
violation of federal  
compliance requirements

**\$250,000**

The approximate dollar  
amount of fraud identified

**\$390,000**

The approximate dollar  
amount in questioned costs  
identified

**4**

Reports remain open and  
may result in a management  
letter to the involved  
agencies

**10**

Reports alleged fraud, theft  
by misuse of resources,  
conflict of interest  
violations, or ethics  
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.

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 Oregon Secretary of State Government Accountability Hotline in calendar year 2022. As required by Oregon Revised Statute 177.180, we describe the number, nature, and resolution of hotline reports received during the year.



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# Introduction

As reported in the Association of Certified Fraud Examiners' (ACFE) 2022 Global Fraud Study, tips are consistently the most common fraud detection method.<sup>1</sup> The study found 42% of frauds were uncovered from tips, with employees being the most common source of tips. According to the study, 12.6% of the reported fraud cases reviewed were related to government and public administration, which was the second leading industry behind banking and financial services. The study also found the five most common fraud schemes used in government and public administration were: corruption, billing, expense reimbursements, noncash (e.g., inventory or confidential customer information), and payroll. 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 ACFE's study, organizations with a hotline saw a much higher likelihood that a fraud would be detected by a tip than organizations without a hotline.

To ensure state employees are aware of the Oregon Secretary of State Government Accountability Hotline, notices are posted in state offices that explain the purpose of the hotline and display the hotline telephone number; a hotline page is presented on the Oregon Secretary of State website<sup>2</sup>; and the Secretary sends an annual email to state employees and a press release to citizens about the hotline. Additionally, Secretary of State Audits Division employees have the hotline's contact information in their email signatures and business cards. This active approach to publicizing helps ensure employees and citizens are aware of the hotline.

## The Legislature requires an annual summary report on hotline activity

In 1995, the legislature created the Government Waste Hotline (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.<sup>3</sup>

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 2022, we made no direct referrals to the Oregon Government Ethics Commission; however, we suggested the caller contact them for nine of the 236 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.

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<sup>1</sup> 2022 Report to the Nations on Occupational Fraud and Abuse. Copyright 2022 by the Association of Certified Fraud Examiners, Inc., pages 4, 32, and 33. Available at: [2022 ACFE Report to the Nations](#)

<sup>2</sup> <https://sos.oregon.gov/audits/Pages/accountability.aspx>

<sup>3</sup> See ORS 177.180

# How the Hotline Works

To administer the hotline, we contract with a third party that provides 24-hour call center services and case management software. 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 of misuse of state funds and resources and determine which reports to investigate further.

Some reports warrant an audit or investigation. Other reports 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 appropriate for another public body to review, we refer the report 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.

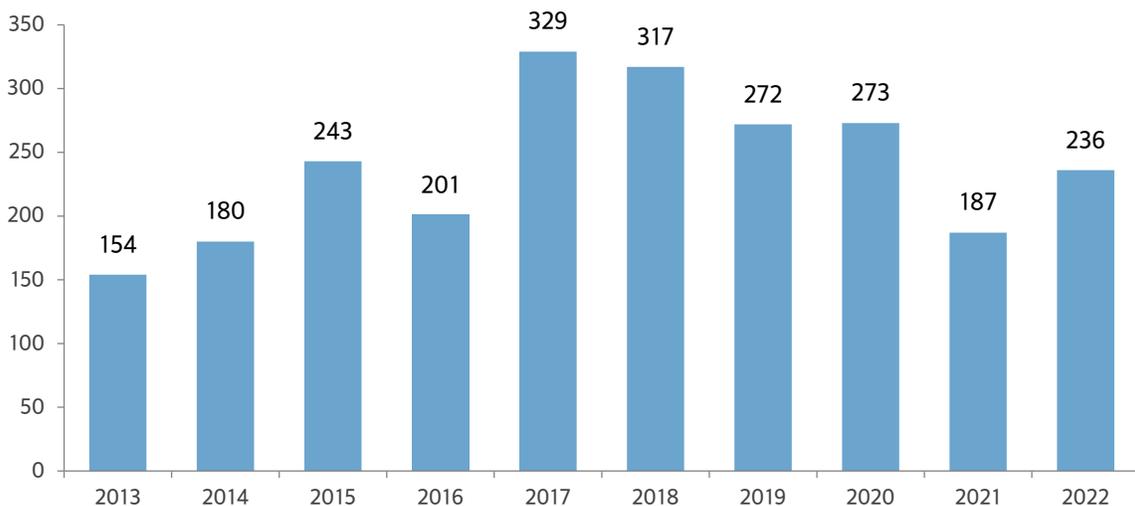
If, after completing an investigation, we find that an officer, employee, or contractor of a state agency or public body was involved in activities constituting misuse of state funds and resources, we may prepare a written report to the involved state agency or public body. If requested, we also provide 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 declined since 2017

Figure 1 shows the number of hotline reports received since 2013. 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 in alignment with the average of the prior 10 years.

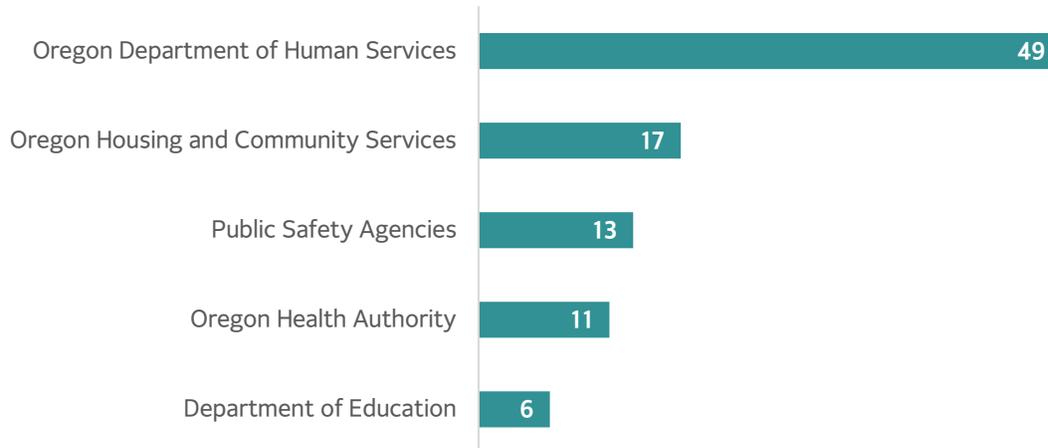
**Figure 1: Number of reports made to the hotline**



## Human services are the subject of most reports

Figure 2 lists the agencies that were the most frequent subjects of hotline reports in 2022. Because reports are rarely substantiated, this chart is not an indicator of which agencies are subjects of true misuse of state funds or resources. However, it does indicate those agencies that are the subject of the most concerns. While the Oregon Department of Human Services (ODHS) received the most hotline calls by a large margin, 42 calls alleged public assistance fraud specific to a recipient. We directed those callers to ODHS's fraud hotline.

**Figure 2: In 2022 most reports pertained to the Oregon Department of Human**



Note: Excludes agencies with 5 or fewer reports

# 2022 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. Half of those reports were specific to public assistance fraud for programs such as supplemental assistance for needy families (a.k.a. food stamps) and emergency rental assistance.

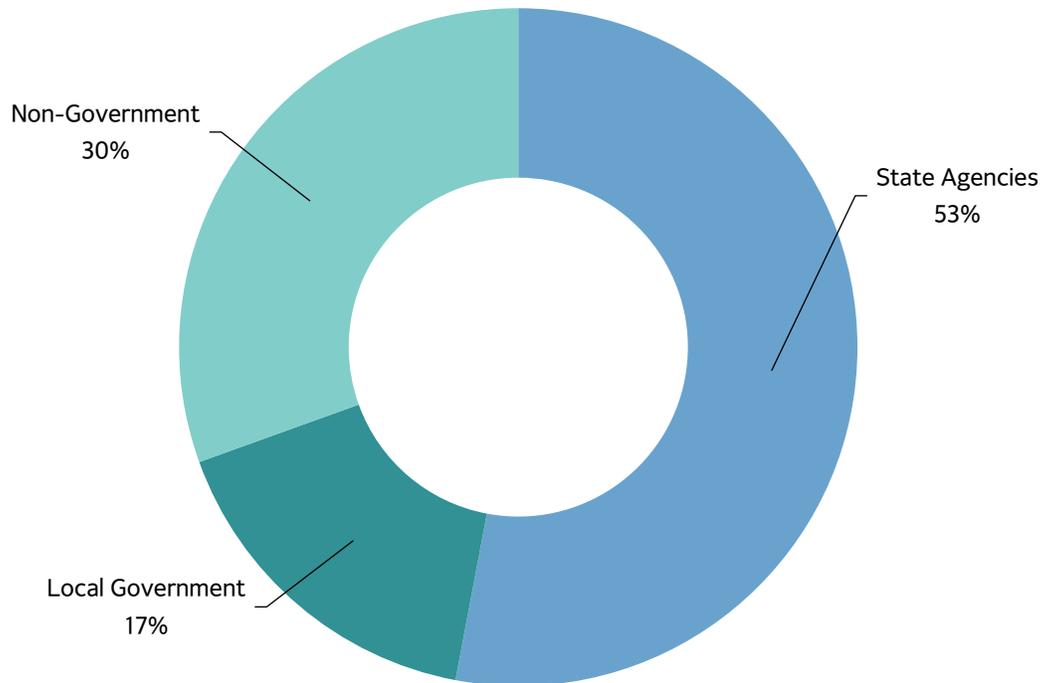
**Figure 3: Over a third of all reports received in 2022 pertained to fraud, theft, or ethics.**

	Description	Number of 2022 Reports	Percent of 2022 Reports
<b>Fraud, Theft, or Ethics</b>	Reports alleging fraud, falsification or destruction of information, embezzlement, theft, corrupt practices, conflict of interest, or kickbacks	86	36%
<b>Business Practices</b>	Reports concerning state business practices and public contracting, policies and procedures, pandemic response, and cost saving recommendations	58	25%
<b>Unrelated/Insignificant</b>	Reports determined unrelated or insignificant to state funds or resources	44	18%
<b>Work Environment</b>	Reports alleging improper behavior, discrimination, wrongful termination, time theft, or unsafe environments in the workplace	30	13%
<b>Financial Management</b>	Reports concerning accounting practices, audits, and tax issues	16	7%
<b>Elections</b>	Reports concerning election systems or voter fraud	2	1%
<b>Total</b>		<b>236</b>	<b>100%</b>

## 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 2022. Approximately 70% 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**



### Report resolution depends on the information provided

Our ability to act on a report depends on the specificity and nature of information provided. If reporters provide 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 (i.e., 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.

## 2022 hotline reports

- **185 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.
- **19 reports** were referred directly to another public body that could more appropriately investigate the allegation.
- **10 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 referred to the appropriate state agency for investigation. Five were investigated by the hotline, only one of which was substantiated.
- **11 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.
- **11 reports** required further review to determine whether the described concerns involved misuse of state funds and resources. One violation was substantiated resulting in a settlement of \$250,000. One violation was substantiated resulting in questioned costs of approximately \$400,000.
- **Six 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.

## 2021 hotline reports

One report from 2021 remained open at the release of the prior year report in July 2022. Based on procedures performed, a violation was substantiated identifying \$2,153 in questioned costs.

### Hotline team

Teresa Furnish, CISA, Deputy Director  
Ian Green, CGAP, CFE, CISA, CIA, MS Econ, Audit Manager  
Kari Mott, CPA, MBA, 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 elected 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.



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