

Dear Editor – Culver City Killed Its Fraud, Waste, and Abuse Program

culvercitycrossroads.com/2021/06/07/dear-editor-culver-city-killed-its-fraud-waste-and-abuse-program



Dear Editor,

Culver City was concerned that it might have a fraud, waste, and abuse (FWA) problem. It hired an expert and paid handsomely for advice. The City Council accepted the expert's recommendations, e.g., hire an Internal Auditor, and vowed to implement them. Staff—inexperienced in internal auditing—thought they knew better than the expert. They corrupted the expert's recommendations and doomed the City's FWA program to fail. The City Council and others sat idly and, thus, were complicit. The following explains how it happened.

In 2015, after a very competitive process, Culver City hired Moss Adams LLP (Moss Adams) to “improve fraud detection and prevention.” Moss Adams has “a long history of successful performance of internal audit engagements for local governments.”

On September 9, 2019, the City Council accepted Moss Adams’s Fraud, Waste, and Abuse Program report. It states, in part, “Management Response ... The City is committed to fully implement a Fraud, Waste and Abuse Program per the recommendations of Moss Adams.” The City paid Moss Adams \$100,000-plus (taxpayer funds) for its recommendations. The report emphasizes that only an Internal Auditor should manage an FWA program. One day after the City Council adopted the report, Moss Adams emailed Chief Financial Officer Onyx Jones and Senior Financial Analyst Punit Chokshi. The email emphasizes, “It is best practice and industry standard for reports received by the third-party hotline provider ... to go to the Internal Auditor for evaluation and dissemination, which ensures independence and protects confidentiality.” A month later, disregarding Moss Adams’s recommendations and the City’s commitment, CFO Jones put Chokshi—who had no internal-auditing experience—in command of the City’s FWA program.

About seventeen months later, at the March 22, 2021 City Council Meeting, the City Council accepted Moss Adams’s Enterprise Risk Assessment report (ERA). The ERA reiterates, “The City has committed to fully implementing a Fraud, Waste and Abuse Program per the recommendations of Moss Adams.” Furthermore, the ERA cites a survey of the City’s Supervisors, where approximately 44% do NOT feel that they would be free from retaliation if they whistle blow. The existence of this fear indicates the need for a proactive Internal Auditor. No City Council Member asked for any explanation.

At that same March 22, 2021 City Council Meeting, CFO Jones anticipated questions related to her deviation from Moss Adams’s recommendations. She boastfully stated, “[F]inally, one of the most significant changes is the addition of an internal control framework. This framework formalizes the responsibilities, and the reporting lines and the protocols for a new division, now; that’s being formed within the City—the Internal Audit Division. And, so, we did an extensive hiring process. We opened it up to outside candidates. And, we actually had applicants as far as Chicago apply for Senior Management Analyst position. And, our internal candidate—Punit Chokshi—did really well, did amazing through the process; and, without hesitation, we hired him for this position.” No City Council Member inquired about the deviation from Moss Adams’s recommendations.

CFO Jones’s statement contains grossly misleading implications and omitted facts. For example, a careful reading—“And, so, we did an extensive hiring process”—implies that hiring a Senior Management Analyst is the same as hiring an Internal Auditor. The job duties and qualifying requirements greatly differ—like day and night.

First, the hiring process for that Senior Management Analyst position took place back in November 2019—16 months before the March 2021 City Council Meeting. The “duties” listed in the job description do not mention or refer to internal auditing. The “Minimum Requirements” do not list auditing experience.

CFO Jones recognized that a Senior Financial Analyst would NOT qualify to run the FWA program. At the November 20, 2019 Finance Advisory Committee (FAC) meeting—after the Senior-Financial-Analyst-application period closed—CFO Jones stated that: (1) in January 2020, the City would advertise to hire an Internal Auditor; and (2) in March 2020, the selected Internal Auditor would run the FWA Program. In particular, she stated that the Internal Auditor would be the sole recipient of whistle-blower complaints. None of that ever happened. Responding to a Public Records Act (PRA) request seeking, “Each solicitation or

advertisement after January 1, 2020 by Culver City to employ an Internal Auditor”; the City admitted, “There are no documents responsive to this request.” Responding to a PRA request seeking, “A record identifying the Internal Auditor of Culver City”; the City disingenuously responded “There are no disclosable non-privileged documents responsive to this request....”

Second, CFO Jones’s modifications of Moss Adams’s recommendation do not meet the industry standard. In late 2019, Chokshi “surveyed” 11 municipalities to learn about their FWA programs.

Chokshi learned that the municipalities had a separate City Auditor Department. At the January 8, 2020 FAC meeting, Chokshi discussed “the general practice of other cities to have complaints reported to the City Auditor.” Most importantly, when asked as to whom those City Auditors reported, Chokshi admitted, “It’s the City Council.” Culver City does not have a separate City Auditor Department. A Senior Management Analyst “functions as a member of the management team in the Finance Administration Division of the Finance Department.” Thus, CFO Jones controls the FWA program.

The “survey” did not deal with costs of maintaining an FWA program. Cost to the City or any of the 11 municipalities was not a concern.

Unlike our City, those 11 municipalities require their auditing-position candidates to have multi-years-auditing experience and various certifications, e.g., Certified Internal Auditor, Certified Fraud Examiner, Certified Public Accountant, Certified Information Systems Auditor.

Third, Chokshi’s background qualifies him as a Senior Management Analyst, but not as an Internal Auditor. His prior Job Descriptions show no auditing experience, except clerical comparisons from May 2009 to June 2014.

Fourth, one might question the entire November 2019 hiring process. By May 15, 2019, about six months before the position was first advertised; CFO Jones promoted Chokshi to Senior Management Analyst. On October 14, 2019, weeks before the application period opened; CFO Jones designated Chokshi as the person to have “primary responsibility for [the] hotline program.”

Finally, the City allowed CFO Jones—whose résumés show no internal-auditing experience—to kneecap our FWA program. As the City has no separate City Auditor Department, CFO Jones controls Chokshi’s time available to detect fraud, waste, or abuse. More troublesome, many interested persons could bury the results of an investigation. CFO Jones decides whether to forward FWA-investigative reports to the City Manager. In turn, he decides whether to pass them to the Audit Subcommittee. Then, the Subcommittee decides whether the reports go to the City Council. Further, in some instances, both the City Attorney and the City Manager may decide how an investigation proceeds. The City’s procedures are far from the best practice and industry standard. They do not “ensure[] independence and protect[] confidentiality.”

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By providing a false sense of security, a severely disabled FWA program is worse than no FWA program. We expect and deserve better from our elected officials and Staff. At the least, our City’s FWA program should meet the best practice and industry standard. Culver City should promptly hire an Internal Auditor, one who would report only to the City Council. Otherwise, oversight of Culver City government is nothing but a charade.

Les Greenberg, Esquire