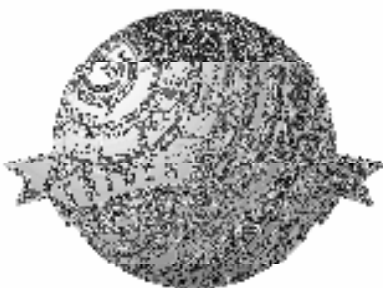


INVESTIGATION REPORT
OF
ALLEGED CASH THEFT
SOLID WASTE MANAGEMENT DEPARTMENT
REPORT NO. 07-106



City of Albuquerque
Office of Internal Audit and Investigations

**Investigation Report – Alleged Cash Theft
Solid Waste Management Department
Report No. 07-106
Executive Summary**

On November 1, 2006, Solid Waste Management Department (SWMD) requested that the Office of Internal Audit and Investigations (OIAI) conduct an investigation regarding allegations of cash theft committed by a SWMD cashier (target). The allegations concern inappropriate cash handling by the target on October 5, 2006 at the Eagle Rock Convenience Center (ERCC) and on October 28, 2006 at the Montessa Park Convenience Center (MPCC.)

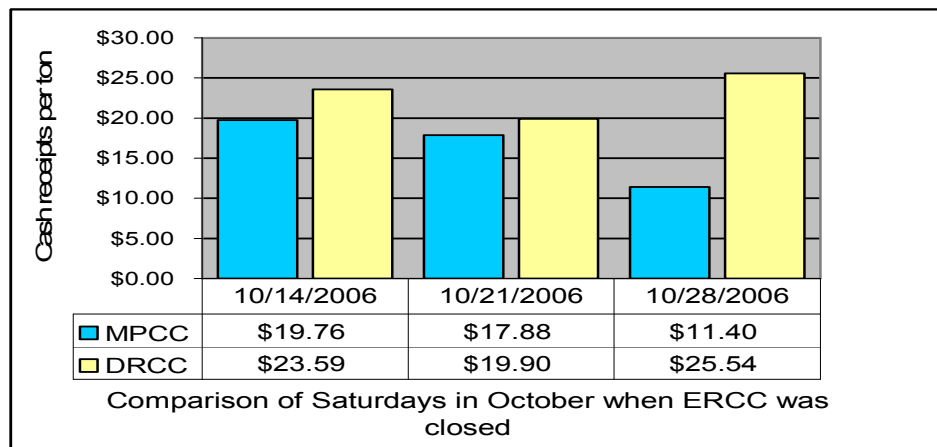
SWMD has three Convenience Center (CC) locations: ERCC, MPCC, and Don Reservoir Convenience Center (DRCC). ERCC was closed for remodeling from October 9th to October 31, 2006.

Objective: *Is there evidence to support the allegations of inappropriate cash handling by the target on October 5, 2006?*

- ❖ Cash receipts per ton for this day were approximately \$990 less than the department average for the same day at the other two CC locations.
- ❖ One transaction was noted where a customer handed the target cash and change was given from the cash register. However, the point of sale (POS) system generated no receipt.
- ❖ The target took money from the cash drawer to the calculator, performed a calculation and returned to the drawer. The target made change in the cash drawer and with something in her hand from the cash drawer went out of range of the surveillance cameras. When the target reappeared on the surveillance tape there was nothing in her hand.
- ❖ The cash drawer was open several times when no customers were at the window.

Objective: *Is there evidence to support the allegations of inappropriate cash handling by the target on October 28, 2006?*

- ❖ The cash receipts per ton collected on October 28, 2006 was \$11.40. The department average of cash receipts per ton was \$21.33. We multiplied the tonnage collected to the department average and noted the revenue collected was approximately \$880 less than the department average.



- ❖ The target stated that the Point of Sale (POS) system was not functioning properly for a four-hour period. However, the sales journal report generated from the POS system showed the system was functioning properly.
- ❖ The target logged on to the POS system nine times and logged off four times during the four-hour period.
- ❖ The end of day balancing sheet showed an unaccounted overage of \$193.35.
- ❖ City Security changed the surveillance tape on October 26th and not again until October 29th.
- ❖ The lock on the surveillance equipment case was missing which allowed anyone access to the equipment.
- ❖ The surveillance equipment had been adjusted to record only static.

Objective: Are there areas in which SWMD could reduce the risk of theft?

- ❖ Surveillance equipment was not secure.
- ❖ The surveillance display is located in the booth and shows the area the cameras are recording.
- ❖ Management does not regularly review the surveillance tapes.
- ❖ Currently cashiers do not receive a break or lunch hour during their ten-hour shift. SWMD allows the cashiers to eat during slow periods of their shift while on the clock.
- ❖ Refunds are not recorded in the POS system. The cashier records the refund as a short at the end of the day.
- ❖ Several experienced cashiers are utilized to train new staff. This practice promotes a lack of consistency in training.

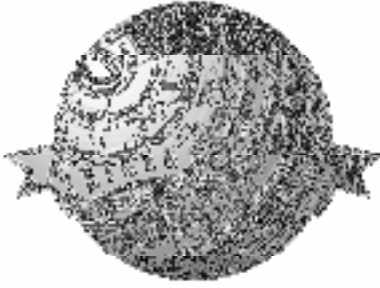
Recommendations:

- ❖ Update surveillance equipment to current technology.
- ❖ Secure surveillance equipment.
- ❖ Remove the monitor and ensure the cameras are situated so that it maximizes surveillance.
- ❖ Review the surveillance footage regularly.
- ❖ A break or a lunch hour should be incorporated in the cashier's ten-hour workday.
- ❖ Refunds should be recorded in the POS system.
- ❖ A cash over and short policy should be implemented to define disciplinary actions for repeat outages.
- ❖ One individual should be designated as the trainer for all new hires.

Actions taken by SWMD:

SWMD terminated the employment of the target on December 28, 2006 for failing to attend two predetermination hearings on December 22, 2006.

Solid Waste Management Department's responses are included in the report.



City of Albuquerque
Office of Internal Audit and Investigations
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

July 25, 2007

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Investigation: Alleged Cash Theft
Solid Waste Management Department
07-106

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted an investigation regarding allegations of cash theft committed by a Solid Waste Management Department (SWMD) cashier (target). The allegations concern cash inconsistencies in the target's cash drawer on October 5, 2006 at the Eagle Rock Convenience Center (ERCC) and on October 28, 2006 at the Montessa Park Convenience Center (MPCC.)

SWMD has three Convenience Centers (CC): ERCC, MPCC, and Don Reservoir Convenience Center (DRCC). ERCC was closed for remodeling from October 9th to October 31, 2006.

OCTOBER 5, 2006 INCIDENT

SWMD reported that on October 5, 2006 the target was working alone at the ERCC and had to leave abruptly due to a family emergency. When the target's supervisor arrived at ERCC, the target promptly left the facility without balancing her cash drawer. When the back up cashier arrived to take over for the target, the supervisor and back up cashier balanced and closed the target's cash drawer.

The supervisor discovered that the target's drawer was short \$50.99. The following day the supervisor reviewed the surveillance tape for ERCC and noted a refund for \$9.50. The remaining amount \$41.49 was unaccounted for. When questioned by the supervisor, the target did not know the reason for the shortage.

The cash receipts per ton for October 5, 2006 were as follows:

- ERCC – \$19.48
- MPCC – \$27.93
- DRCC – \$29.49

OCTOBER 28, 2006

During the supervisor's review of the cash receipts per ton on October 28, 2006, she noted that MPCC collected \$11.40 per ton and DRCC collected \$25.54. SWMD reported that the target was working alone at MPCC when she reported a problem with the point of sale (POS) system to the supervisor. The supervisor, another SWMD cashier and the MPCC foreman advised the target to use the manual receipt book located within the cashier's booth.

The target stated the following:

- The POS system was not functioning properly from approximately 11:00 am until 3:00 pm.
- The text on the monitor was rotated 180 degrees.
- The system was not allowing the target to input customer transactions.
- During this time period the target allowed a few customers in for free.
- Manual receipts were not generated.
- Sales were tracked during the time the system was down on two post it notes.
- The post it notes were thrown away at the end of the business day by the target.
- All sales recorded on the post it notes were entered in the POS system when the system began working later that day.

OBJECTIVES

- Is there evidence to support the allegations of inappropriate cash handling by the target on October 5, 2006?
- Is there evidence to support the allegations of inappropriate cash handling by the target on October 28, 2006?
- Are there areas in which SWMD could reduce the risk of theft?

SCOPE

The scope of the investigation was limited to:

- Events surrounding the allegations presented to OIAI by SWMD as stated above.
- SWMD cash handling practices at the CC.

METHODOLOGY

The methodologies used during our investigation consisted of:

- Documentation review and verification.
- Review of surveillance video.
- Interviews of City personnel deemed necessary to attain a conclusion regarding our objectives.

OUTCOME OF INVESTIGATION

OCTOBER 5, 2006 INCIDENT – REVENUE WAS APPROXIMATELY \$930 LESS THAN THE DEPARTMENT AVERAGE FOR THAT SAME DAY.

During our review of the video surveillance tape of October 5, 2006 at ERCC, we noted that the target spent most of the four and a half hours she worked talking on the City's phone. She was subsequently disciplined by SWMD for this violation.

We noted the cash drawer was open when no customers were at the window. One transaction was noted where a customer handed the target cash and change was given from the cash register. However, no receipt was generated by the computer. After this transaction, the target took money from the cash drawer to the calculator, performed a calculation and returned to the cash drawer. The target opened the cash drawer, made change and with something in her hand from the cash drawer went out of sight of the surveillance cameras. When the target reappeared on the surveillance tape, there was nothing in her hand.

When the ERCC cash receipts per ton were compared with the other CC locations for the same day, cash receipts were approximately \$990 less than the department average.

OCTOBER 28, 2006 INCIDENT –REVENUE WAS APPROXIMATELY \$880 LESS THAN THE DEPARTMENT AVERAGE.

We were unable to review the video surveillance tape of October 28, 2006 at MPCC. City Security and OIAI noted that the tracking on the surveillance equipment had been adjusted to record only static.

The tape change log maintained at the site by City Security, documented the security tape was changed on October 26th and not changed again until October 29th. Also, we noted that the lock on the case where the surveillance recorder is housed was missing. Every employee who had access to the booth had access to the surveillance recorder.

The sales journal report generated from the POS system showed that the system was functioning properly during the four hour time period that the target claimed the system was down. No sales transactions were noted during this time period. However, there was one transaction noted that was used to open the cash drawer. The target logged on to the POS system nine times and logged off four times during the four-hour period.

The target stated that she tracked the sales during the period the computer was down on post it notes and when the system came back up, she entered the transactions. The targets' end of day balancing sheet showed an overage of \$193. She stated that she could account for \$139 of the overage. Upon our review of the receipts totaling \$139 they were already properly recorded in the system. The \$193 was unaccounted for. When questioned, the target could not account for the overage.

The following table represents OIAI's average of cash receipts per ton collected on the Saturdays in October when ERCC was closed for remodeling. This method provides a reliable department average for cash receipts per ton.

<i>Date</i>	<i>CC location</i>	<i>Cash Receipts per Ton</i>
10/14/06	MPCC	\$19.76
	DRCC	\$23.59
10/21/06	MPCC	\$17.88
	DRCC	\$19.90
10/28/06	DRCC	\$25.54
	<i>Average</i>	\$21.33

The cash receipts per ton collected on October 28, 2006 was \$11.40. The department average of cash receipts per ton was \$21.33. We multiplied the tonnage collected to the department average and noted the revenue collected was approximately \$880 less than the department average.

FINDINGS

We make recommendations, when appropriate, regarding areas noted during the investigation that we believe could improve the Department's effectiveness, efficiency and compliance with administrative policies and applicable rules and regulations. These recommendations could prevent future theft and provide controls that would detect theft.

1. SWMD SHOULD ENSURE THE SURVEILLANCE EQUIPMENT IS UPDATED, SECURE, WORKING PROPERLY, PROPERLY LOCATED AND THE TAPES ARE CHANGED BY CITY SECURITY PERSONNEL DAILY.

MPCC

As noted above, we were unable to view the surveillance tape on October 28, 2006 because the video tracking had been changed. The security tape had not been changed by Security and the lock had been removed from the housing of the video recording equipment.

ERCC

ERCC has the surveillance monitor located within the booth which can be seen by the employees. The monitor displays the locations in which the equipment is currently recording. This allows cashiers to locate areas where cameras are not recording.

The current technology allows for digital recording and online real time review. The current equipment located at ERCC is a VHS recorder that can play back only on that specific machine. SWMD reuses the VHS tapes regularly. The recording quality decreases the more the tapes are reused.

Per discussion with management, they usually view the tapes when there is a stated problem. Management is not reviewing the tapes regularly. According to the Association of Certified Fraud Examiners, the best deterrent of fraud is the perception of detection.

RECOMMENDATION

SWMD should regularly ensure that the surveillance equipment is reviewed, updated and working properly. SWMD should also ensure that the surveillance recording devices are secure and that employees do not know where the cameras are recording. Also, SWMD should ensure that Security changes the tapes daily.

DMD Security Division should ensure that the tapes are changed daily and that the equipment is recording properly at each of the CC locations.

RESPONSE FROM SWMD

“Solid Waste Management Department agrees with the finding and recommendation. The surveillance equipment located at the three convenience centers is obsolete and in poor condition, and video tapes can only be viewed on the recorder at the point-of-sale (POS) site at the convenience centers.

“SWMD recognizes the importance of having reliable and secure surveillance equipment that is readily accessible to SWMD management. Prior to this incident, the Department began implementing a comprehensive technology plan to update all digital security systems at POS sites. The DVtel security system has been approved by the technical review committee as the standard solution for security at all SWMD POS sites and will allow remote viewing and real-time capturing of data, as well as retaining at least three months of on-line backup for investigations. There will be no displays in the cashier’s booth indicating where the cameras are recording. The initial installation at the Eagle Rock Convenience Center (ERCC) will be funded through SWMD’s Capital Projects Fund 651, and managed by the Department’s Management Information System (MIS) group and is expected to be complete by July 2007.

“The Department hopes to extend the DVtel remote security system to the Montessa Park and Don Reservoir convenience centers and the Cerro Colorado Scale House by mid-FY/08, depending on funding availability. The Department is discussing funding options with the Department of Municipal Development/Security and the Budget Office.”

RESPONSE FROM DMD

“The Department of Municipal Development/Security Division agrees with the finding and recommendation. Until the Solid Waste Management Department is able to complete installation of the DVtel remote security system at all POS locations, the Security Division will make reasonable efforts to ensure that tapes are changed daily and the obsolete equipment in place is recording properly. The Security Division continues to work with the SWMD to secure the video tapes and recording equipment at each site until such time as it is replaced with the DVtel system.”

2. SWMD SHOULD CONSIDER CHANGING THE CASHIERS TEN-HOUR WORK DAY AND ALLOWING A BREAK DURING THE WORK DAY.

The cashiers currently work four ten hour days with no breaks or lunch hour. The cashier's shifts overlap on Wednesday, which allows two cashiers in the booth all day. Since the cashiers may have down time during the day, SWMD allows the cashiers to bring their lunch and eat during their shift.

Our interview of the cashiers indicated that many of them have left the booth to run personal errands while on City time. This usually occurs when two cashiers are working in the same booth. Management was unaware of this practice. Since management had not disciplined the cashiers regarding this matter, the cashiers felt this was an allowable practice. Management has subsequently instructed the cashiers not to leave the site during their shift for personal reasons.

RECOMMENDATION

SWMD should consider changing the cashier's ten-hour workday and allowing the cashiers to take a break during the workday.

RESPONSE FROM SWMD

“The Solid Waste Management Department is willing to consider changes to the cashier's current work schedules although the Department worked with the union, at their request, to establish the ten-hour workday currently in place. Despite union agreement, the Department will again revisit the question of whether the current work schedule is in compliance with the FLSA.”

“In addition, the Department feels obliged to respectfully note that cashiers have been instructed to get prior approval from a supervisor before leaving a facility and to clock out before leaving. While the Department agrees that management was unaware that cashiers were leaving the facility to run personal errands while on City time, the Department submits that cashiers interviewed by OIAI during the investigation may have made statements or representations in an effort to justify their behavior. The Department believes that cashiers know it is not an allowable practice to leave the facility without approval.

“An evaluation of alternative work schedules and cost analysis will be completed by August 1, 2007.”

3. SWMD SHOULD ENSURE THAT REFUNDS ARE RECORDED IN THE POS SYSTEM.

Refunds are provided to customers who pay to enter the CC site but have materials that are determined to be unallowable by the site foreman. The customer must take the remaining portion of the load to the landfill. Based on the foremen’s knowledge of how much of the load was not accepted, a prorated refund is given by the cashier.

Our review of the daily over and short outages indicated that the cashiers are not recording refunds in the system. Instead, the cashiers record the refund as a shortage at the end of the day and attach the original receipt with the customers name and contact information. This process does not give an accurate picture of the cashier’s outages.

The cashiers do not account for the entire daily outage. The cashiers usually document a portion of the outage with the remaining balance as unaccounted for. Also, the supervisor does not review the outages of the individual cashiers regularly. Reviewing outages regularly could help alert management to the possibility of theft.

SWMD is not currently utilizing the POS system to its full capabilities to track refunds at the CC sites.

RECOMMENDATION

SWMD should begin recording refunds in the system and reviewing the cashier’s outages regularly. This will help management establish a pattern of employee behavior. SWMD should implement a cash over and short policy to define disciplinary action for repeat outages. SWMD should also consider attaching a sign

to each cash booth that would inform the customers to contact management if they do not receive a receipt for the transaction.

RESPONSE FROM SWMD

“The Solid Waste Management Department agrees that signs should be posted at each cash booth requesting customers to contact management if they do not receive a receipt for their transaction. Such signs will be installed by August 1, 2007.

“The Solid Waste Management Department agrees that better accounting for customer refunds is needed. However, the refund function on the POS system is not well designed for use at the convenience centers. The cashier must enter into the sales journal on-line to look up the transaction number that is to be refunded. This is time consuming and can cause errors in the sales journal if the wrong transaction is selected; it can also result in delays for customers waiting in line at the convenience centers. In addition, to use the refund function, the cashier must log into the sales journal using the supervisor’s password, unless the department is able to hire enough supervisors to cover all facilities for all hours of operation. This abrogation of security levels may provide opportunities for wrongdoing.

“The Solid Waste Management Department is implementing a different approach than that proposed, to segregate refund transactions from cash over/shortages by adding a line on the daily reconciliation form for refund transactions. The supervisor can then enter the refunds into the POS system the following day. Because cashier outages will no longer include customer refunds, the outages for each cashier can be reviewed regularly by the Fiscal Supervisor. Updated policies and procedures to implement this change will be in place by August 1, 2007.

“The Department believes the existing Administrative Instruction 2-21 will be adequate and sufficient, once refunds are segregated from daily cash outages, should disciplinary action be indicated based on a regular review of repeat outages.”

4. SWMD SHOULD DESIGNATE ONE EMPLOYEE AS THE TRAINER FOR ALL NEW HIRES AND INCORPORATE THIS POLICY INTO THEIR POLICIES AND PROCEDURES MANUAL.

SWMD currently utilizes several experienced cashiers to train new hires. Our interview of the cashiers indicated a lack of consistency in several areas. If one employee trained all new cashiers, the possibility of irregularities could decrease.

RECOMMENDATION

SWMD should designate one employee as the trainer for all new hires to reduce the risk of inconsistencies. SWMD should incorporate this policy into the current revision of the policies and procedures manual.

RESPONSE FROM SWMD

“The Solid Waste Management Department agrees that training that ensures consistency in operations at the convenience centers is important. However, the Department submits that use of the Learning, Education, and Development (LEAD) recommended “Train the Trainer” Program, given the hours of operations and turnover at the convenience centers, might be a more effective solution than the designation of a single trainer. This would allow the cashier program to have several trained trainers while maintaining a consistent training program. The department will incorporate this into the current revision of the policies and procedures manual, and implement the policy effective September 1, 2007.”

ACTIONS TAKEN BY SWMD

SWMD terminated the employment of the target on December 28, 2006 for failing to attend two predetermination hearings on December 22, 2006.

CONCLUSION

A culture of noncompliance combined with a lack of accountability and transparency can contribute to theft and non-compliance. We feel that by implementing the recommendations stated above SWMD will reduce the possibility of theft and abuse in the future.

Principal Auditor

Budget Auditor

REVIEWED:

Inspector General

APPROVED:

APPROVED FOR PUBLICATION:

Carmen Kavelman, CPA, CISA, CGAP
Director
Office of Internal Audit & Investigations

Chairperson, Accountability in Government
Oversight Committee