

**INVESTIGATION REPORT**  
**OF**  
**SUNPORT SANTA EVENT**  
**AVIATION DEPARTMENT**  
**REPORT NO. 09-205**



**City of Albuquerque**  
**Office of Internal Audit and Investigations**

**Aviation Department - Investigation  
Sunport Santa Event  
Report No. 09-205  
Executive Summary**

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**Background:** The Office of Internal Audit and Investigations (“OIAI”) conducted an investigation concerning an allegation of possible misappropriation of cash assets at the City of Albuquerque Aviation Department (“AD” or “Department”). This investigation was predicated upon a call to OIAI. The caller reported that an employee of the AD, Finance Division, who chaired the Sunport Santa Committee solicited donations for the event and may have kept some of the proceeds. The caller provided sufficient information to initiate an investigation.

During OIAI’s investigation a surprise cash count was conducted on AD’s Finance Division by OIAI’s Internal Audit Division. The employee identified in the above allegation was short on her petty cash fund during the count.

**Objective:** *Is there evidence to support the allegation of solicitation of donations and/or misappropriation of cash assets from the Sunport Santa Event?*

- AD’s Sunport Santa Committee members did not receive approval from the Chief Administrative Officer (“CAO”) to solicit donations for the Sunport Santa Event as required by the City of Albuquerque’s Cash Handling and Procedures Manual.
- AD employees did not deposit the cash donations into a City of Albuquerque (“City”) account from the spaghetti luncheon and silent auction as required by the Cash Handling Policies and Procedures manual.
- AD’s Sunport Santa Committee members did not keep any written documentation of how much money was collected from the fundraising events.

**Recommendations:** The AD should:

- Receive prior approval from the CAO for any future events where donations are solicited, as required by the City’s Cash Handling Policies and Procedure manual.
- Deposit all cash received by the City with the City Treasurer or with the City’s fiscal agent within 24 hours of receipt.
- Ensure that money received from any fundraising event is properly documented and accounted for.

**Objective:**

*Are there areas in which AD can reduce the risk of fraud?*

- During our surprise cash count on April 6, 2009 a custodian's petty cash fund was short \$61.99.

**Recommendation:**

The AD should ensure that the petty cash fund is reconciled timely and accounted for properly.

**Management responses are included in the report.**



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

June 30, 2010

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

Investigation: Sunport Santa Event  
Aviation Department  
09-205

**FINAL**

**INTRODUCTION**

Office of Internal Audit and Investigations (“OIAI”) conducted an investigation concerning an allegation of possible misappropriation of cash assets at the City of Albuquerque Aviation Department (“AD” or “Department”). This investigation was predicated upon a call to OIAI. The caller reported that an employee of the AD, Finance Division, who chaired the Sunport Santa Committee solicited donations for the event and may have kept some of the proceeds. The caller provided sufficient information to initiate an investigation.

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**BACKGROUND AND EVENTS**

The AD has had a Sunport Santa Event for over five years. This event is for the children of Sunport employees and passengers passing through the Sunport. During this event, the children meet Santa & Mrs. Claus and are given toys and gift bags. According to AD’s Associate Director, “The event has always been a successful highlight and promotes public relations and boosts employee moral.”

In 2008, the year under investigation, the event was held on Saturday, December 20. Per a poster provided to OIAI, 12:00 p.m. to 1:30 p.m. was reserved for AD employees' children. According to interviews, the event continued from 1:30 p.m. to 3:00 p.m. for children of passengers passing through the Sunport.

Due to budgetary concerns for FY09, the Associate Director told the Sunport Santa Committee ("Committee") to scale back on expenses. The Associate Director stated that she had given a verbal limit of around \$250.00 in City funds.

In OIAI's interview with the Committee chairperson ("Subject"), the Subject stated she knew funds were tight and some Committee member suggested having a silent action. Per the Subject, the Committee decided to hold a spaghetti luncheon and silent auction to raise the funds. Letters were sent out by the Subject and the Committee to airline companies, airport vendors, and individuals to solicit donations to benefit the Sunport Santa Event. These letters were signed "City of Albuquerque, Aviation Division, Sunport Santa Committee."

On November 19, 2008 the AD held its silent auction and spaghetti luncheon. Both events were held on City property. The luncheon price was a donation of six dollars minimum. AD employee and Committee Member 1 ("CM1") collected the cash for the luncheon. In an interview with OIAI, the Subject stated that no documentation had been kept on how much revenue the luncheon had made. The Subject also stated that the proceeds received from the luncheon would later be used as a change fund for the silent auction.

OIAI analyzed documents for donated items received and items sold during the silent auction. OIAI found that some items donated were not on the auction sheets and some items sold at the auction were not on the spreadsheet of donated items. According to documentation given to OIAI, \$1,196.50 was received by the Committee for 110 auctioned items. According to a statement from the Subject, CM1 put the money collected into a lockbox at the Aviation parking structure. As monies were needed to purchase items for the Sunport Santa Event, CM1 made the distributions.

According to the Subject, auctioned items that were not immediately picked up were locked in the Associate Director's storage closet. The Subject or Committee Member 2 collected monies as individuals picked up and paid for the items. The money collected from the auction was given to CM1 who put the money in the lockbox.

In her interview, the Subject stated that the two events generated approximately \$1,800.00, but said there is no documentation to support the amount.

In an email string on October 31, 2008, prior to the fundraiser, Department of Finance and Administrative Services-Purchasing Manager suggested to the Associate Director

and the Rate Analyst in AD, that it would be in the City's "best interest" "to go through Legal for liability reasons." The Associate Director responded:

Similar giveaways are distributed at the People to People booths, Qjam, 4<sup>th</sup> July, [sic] and other city sponsored functions. For legality reasons, we assumed Sunport Santa fell under the same policies and procedures. Due to the budget constraints and slowing economy, the Sunport Santa Committee thought it would be a great idea and benefit the department to fund the toys with a fundraiser. Very similar to United Way fundraising. [sic]

OIAI inquired of AD legal counsel whether any consent had been given for this fundraising. Current and former counsel for AD reported that they could not find any consent for the Sunport Santa fundraising program and did not recall any such requests.

While no documentation was available regarding fundraising revenues, OIAI did obtain documentation of expenditures for both the spaghetti luncheon and the Sunport Santa Event. It is unknown whether this documentation represents all of the expenditures for these two events.

An analysis of the Subject's purchasing card shows the City paid \$1,328.52 for the Sunport Santa Event, which is over the \$250.00 limit that the Associate Director had authorized. Along with the City funds spent, an additional \$1,934.99 was spent from proceeds of the spaghetti luncheon and silent auction. The total amount spent on the spaghetti lunch and Sunport Santa totaled \$3,263.51 as shown below.

<b>Silent Auction and Spaghetti Lunch - November 19, 2008</b>			
<u>The Subject's P-Card Transactions</u>			
<u>Vendor</u>	<u>Invoice Date</u>	<u>Amount</u>	<u>Description</u>
Oriental Trading Company	11/24/2008	\$690.80	Stocking Stuffers
Family Dollar	12/12/2008	180.90	Toys
Wal-Mart	12/17/2008	99.30	Toys
Family Dollar	12/17/2008	266.00	Toys
Wal-Mart	12/19/2008	91.52	Decorations
		<b><u>\$1,328.52</u></b>	
<u>Cash Spent from Proceeds of Silent Auction and Spaghetti Lunch and Committee Donations.</u>			
<u>Vendor</u>	<u>Invoice Date</u>	<u>Amount</u>	<u>Description</u>
Sam's Club	11/18/2008	\$142.48	Spaghetti lunch supplies
Wal-Mart	11/19/2008	35.76	Spaghetti lunch supplies
The Gizmo Store	11/28/2008	1,500.00	150 Basket balls/150 Soccer Balls
Sam's Club	12/19/2008	196.75	Santa snacks for kids
Red Lobster	Unknown	60.00	Gift Card
		<b><u>\$1,934.99</u></b>	
	<b>TOTAL SPENT</b>	<b><u>\$3,263.51</u></b>	

No documentation was available to indicate how many employees' children and passengers' children received gifts during the event.

During the course of OIAI's investigation, OIAI's Internal Audit Division conducted a surprise cash count on the Department's Finance Division. During the cash count, the Subject's petty cash fund was counted and found to be short \$61.99. The next day when the auditors were counting another AD employee's petty cash fund, the Subject came up to the auditors and told them she had located the missing money. The Subject stated she had found \$60.00 paper-clipped to a voucher. The Subject stated she had set it aside because someone had requested petty cash funds. According to the Subject, she had taken the \$60.00 out of the secured lock box and had placed it inside a drawer. When asked by the auditors who had requested the money, the Subject stated that she could not remember. The Associate Director believed that because the Subject provided the \$60.00 after the fact, the Subject's fund was only short \$1.99 and documented it as only \$1.99 short.

On August 11, 2009, the Subject was placed on physical layoff; according to the PeopleSoft HR system and she has an expected return date of August 10, 2010. Please also see OIAI report numbered 09-201, which concerns the Subject's inappropriate use of timecards. Should the Subject be released to return to work, it is OIAI's recommendation that she not be rehired.

### OBJECTIVES

The objectives of the investigation were to determine:

- Is there evidence to support the allegation of solicitation of donations and/or misappropriation of cash assets from the Sunport Santa Event?
- Are there areas in which AD could reduce the risk of theft?

### SCOPE

The scope of the investigation was limited to:

- Employees of the AD
- Spaghetti luncheon, silent auction and Sunport Santa Event
- Surprise cash count of petty cash funds

### METHODOLOGY

The methodologies used during our investigation consisted of:

- Analysis of available documents and
- Interviews of City personnel.

## **GENERAL RESPONSE FROM THE AVIATION DEPARTMENT**

*“The Aviation Department (AD) appreciates the work of OIAI in this matter. This investigation and guidance flowing from it have resulted in the AD’s adoption of better procedures for handling non-public funds, and have fostered better awareness and accountability.”*

### **FINDINGS**

OIAI makes recommendations 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 fraud and provide controls that would detect fraud.

#### 1. **FAILURE TO GET PRIOR APPROVAL FOR DONATION ACTIVITIES.**

Cash Handling Policies and Procedures Manual (Section VII “Non-Government” Money) states:

Donations solicited by City of Albuquerque Department or employees. [*sic*] Prior approval on any type or category of donations solicited regardless of the activity must be approved by the CAO. Department Director must approve the donation activity in writing. Staff must included [*sic*] and submit summary report of activity and summary financial report to Department Fiscal Manager and Department Director after end of the donation activity.

On November 19, 2008, AD’s Sunport Santa Committee held a spaghetti luncheon and silent auction to collect donations to fund the Sunport Santa Event. The Committee did not follow Cash Handling Policies and Procedures regarding the solicitation of donations. Specifically, the Committee did not obtain CAO approval or department director approval in writing. The Committee also failed to prepare the required summary of activities financial report.

Because the fundraising spaghetti luncheon was held on City property and the solicitation letter to each vendor ended with, “City of Albuquerque, Aviation Department Sunport Santa Committee”, this appears to be an event sponsored by the City. By using the City’s signature line to acquire donations, prior approval should have been received from the CAO and money collected should have been deposited into the City’s general fund.

RECOMMENDATION

As required by the Cash Handling Policies and Procedure manual, AD management should get prior written approval from the CAO and department director for any future events where donations are solicited.

RESPONSE FROM AD MANAGEMENT

***“AD agrees with the above recommendation, and will obtain written approvals, make required reports, and otherwise comply with the outlined Cash Handling Policies for the upcoming Sunport Santa event, and other events involving fundraising or donations.”***

2. FAILURE TO DEPOSIT CASH IN 24-HOUR PERIOD.

Cash Handling Policies and Procedures Manual (Section IV Legal Background for Treasury Functions) states:

All cash received by the City must be deposited with the City Treasurer or with the City’s fiscal agent within 24 hours of receipt, unless otherwise directed and approved by the Treasurer. Any employee who does not deposit City money in a timely manner may be subject to disciplinary action.

The Committee used the City’s name and held an event on City property to collect cash donations from a spaghetti luncheon and silent auction; therefore, the cash should have been deposited with the City Treasurer or with the City’s fiscal agent.

The proceeds from the luncheon were not documented and were co-mingled with the silent auction monies. No dual verification of funds was noted.

OIAI reconstructed a financial summary as follows:

<b>Total Revenue</b>	
(Source: Bid sheets and hand written cash donation sheet given to OIAI by the Subject)	
Auction proceeds (110 items sold)	\$1,196.50
Spaghetti luncheon, see calculation below	513.49
Donations received	<u>225.00</u>
	<u><u>\$1,934.99</u></u>
OIAI estimated possible luncheon proceeds as:	
Expenditures	\$1,934.99
Less monies with documentation:	
Auction proceeds	(1,196.50)
Donations received	<u>(225.00)</u>
Estimated luncheon proceeds	<u><u>\$513.49</u></u>

### RECOMMENDATION

AD management should ensure that money received from any fundraising event is properly accounted for, deposited in a timely manner and the City's Cash Handling Policies and Procedures are followed.

### RESPONSE FROM AD MANAGEMENT

*“AD agrees with the above recommendation, and will take responsibility to properly account for and deposit donations. Pursuant to the City Cash Handling Policy and Procedures Manual and Administrative Instruction 2-8, AD will formally designate and advise Treasury of persons who will handle donated funds, require that receipts or other approved documents acknowledging receipt of money be provided and recorded for all donations collected, and has initiated discussions with Treasury to properly designate an appropriate deposit location for the prompt deposit of donations.”*

3. PETTY CASH FUNDS WERE NOT RECONCILED TIMELY AND ACCOUNTED FOR PROPERLY.

Personnel Rules and Regulations (Section 301.11) states, “Employees are personally accountable for City money over which they have possession or control.”

During a surprise cash count on April 6, 2009, the Subject's petty cash fund was short \$61.99. During an interview with the Subject, she was asked if she reconciled her petty cash weekly as required by the Cash Handling Manual. She stated that she did not reconcile the petty cash weekly, but rather every couple of months.

Cash Handling Policies and Procedures Manual (Section IX Safekeeping) states, "Weekly reconciliation of the fund is required, including an actual cash count."

Petty cash funds should be reconciled and fully accounted for on a weekly basis.

#### RECOMMENDATION

AD management should ensure:

- Petty cash funds are reconciled timely and accounted for properly.
- Petty cash funds are in compliance with the Cash Handling Policies and Procedures Manual regarding the timely reconciliation of funds.
- Custodians are aware of their duties and responsibilities.

#### RESPONSE FROM AD MANAGEMENT

***"AD agrees with the above recommendations, and has taken the following actions in response to this matter:***

***"On April 24, 2009, in response to the non-audit service giving rise to this finding, AD amended its policy for imprest funds to better correspond with the City Cash Handling Manual. AD petty cash custodians were provided with AD imprest fund policy and a memo outlining petty cash custodian responsibilities.***

***"The custodian involved in this finding has not worked at AD since June 1, 2009. A new custodian was sent to City Hall for training, and was also provided with the AD imprest fund policy and memo upon assuming petty cash custodian responsibilities on June 11, 2009.***

***"AD conducts surprise petty cash counts twice per year. The most recent count was conducted on April 26-27, 2010. All funds were accounted for, and instruction was again provided."***

### CONCLUSION

OIAI could not determine if there was any theft of funds. This was due to the lack of cash handling documentation. Monies collected should have been dual verified and deposited timely with the City Treasurer or Fiscal Agent in accordance with the City's Cash Handling Policies and Procedures.

The AD should consider other options for the Sunport Santa Event; City funds should not be used to purchase gifts for children of AD employees. The AD should obtain the required approval before soliciting funds.

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Principal Auditor/Investigator

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Inspector General

REVIEWED AND APPROVED

APPROVED FOR PUBLICATION:

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

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Chairperson, Accountability in Government  
Oversight Committee