

INVESTIGATIVE REPORT
OF
MISSING CASH
ANIMAL WELFARE DEPARTMENT
REPORT NO. 08-201



City of Albuquerque
Office of Internal Audit and Investigations

Animal Welfare Department - Investigation
Missing Cash
Report No. 08-201
Executive Summary

CONFIDENTIAL

Background: The Office of Internal Audit and Investigations (OIAI) has conducted an investigation concerning a possible misappropriation of assets of the City of Albuquerque Animal Welfare Department (AWD). In September 2007, the Animal Control Division of the Environmental Health Department (EHD) became the AWD as a result of a reorganization. This investigation was predicated upon a report from the AWD administrative services manager to the EHD fiscal officer of the disappearance of an opening cash bank at the AWD Eastside facility.

On January 24, 2007, a Clerk 1 in training was issued a daily opening bank of \$175. The following day when she reported to work, the money bag was missing. The OIAI initiated its own investigation after learning of the incident.

Objective: *Is there evidence to support the allegation of embezzlement?*

The AWD Eastside facility was missing a money bag containing \$175.

Clerk 1 was issued the money bag and was responsible for returning it to the safe at the end of the work shift on the evening of January 24, 2007.

Employees working with Clerk 1 on January 24th did not observe her putting her bag away in the safe but observed her walking out of the office where the safe is located. They did not observe her walking back to her work station or the supervisor's office where duplicate keys are kept, but to the door that leads to the time clock.

Recommendation: AWD should require Clerk 1 to reimburse the City the missing funds.

Objective: *Are there areas in which EHD can reduce the risk of fraud?*

- There was a lack of controls to protect City assets.
- Employee responsible for the money bag was never disciplined.
- Lack of security left City property and employees' personal belongings vulnerable to theft.

Recommendations: AWD should:

- Implement written policies and procedures to protect City assets.
- Install storage drawers for personal belongings and trash cans away from areas where cash is handled.
- Install surveillance cameras.
- Hold employees accountable through appropriate, meaningful and consistent disciplinary action.
- Install measures that protect City property and employee personal belongings.
- Restrict access to work area where is cash is handled.

Management responses are included in the audit report.



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

CONFIDENTIAL

November 19, 2008

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

Investigation: Missing Cash
 Animal Welfare Department
 08-201

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted an investigation concerning a possible misappropriation of assets of the City of Albuquerque Animal Welfare Department (AWD). In September 2007, the Animal Control Division of the Environmental Health Department (EHD) became the AWD as a result of a reorganization. This investigation was predicated upon a report from the AWD administrative services manager to the EHD fiscal officer of the disappearance of a money bag from the AWD Eastside facility.

On January 24, 2007, four clerks worked the customer service windows at the AWD Eastside facility. For purposes of this report, we have identified the clerk in training as Clerk 1, the clerk training Clerk 1 as Clerk 2, and the other two clerks as Clerk 3 and Clerk 4.

EVENTS

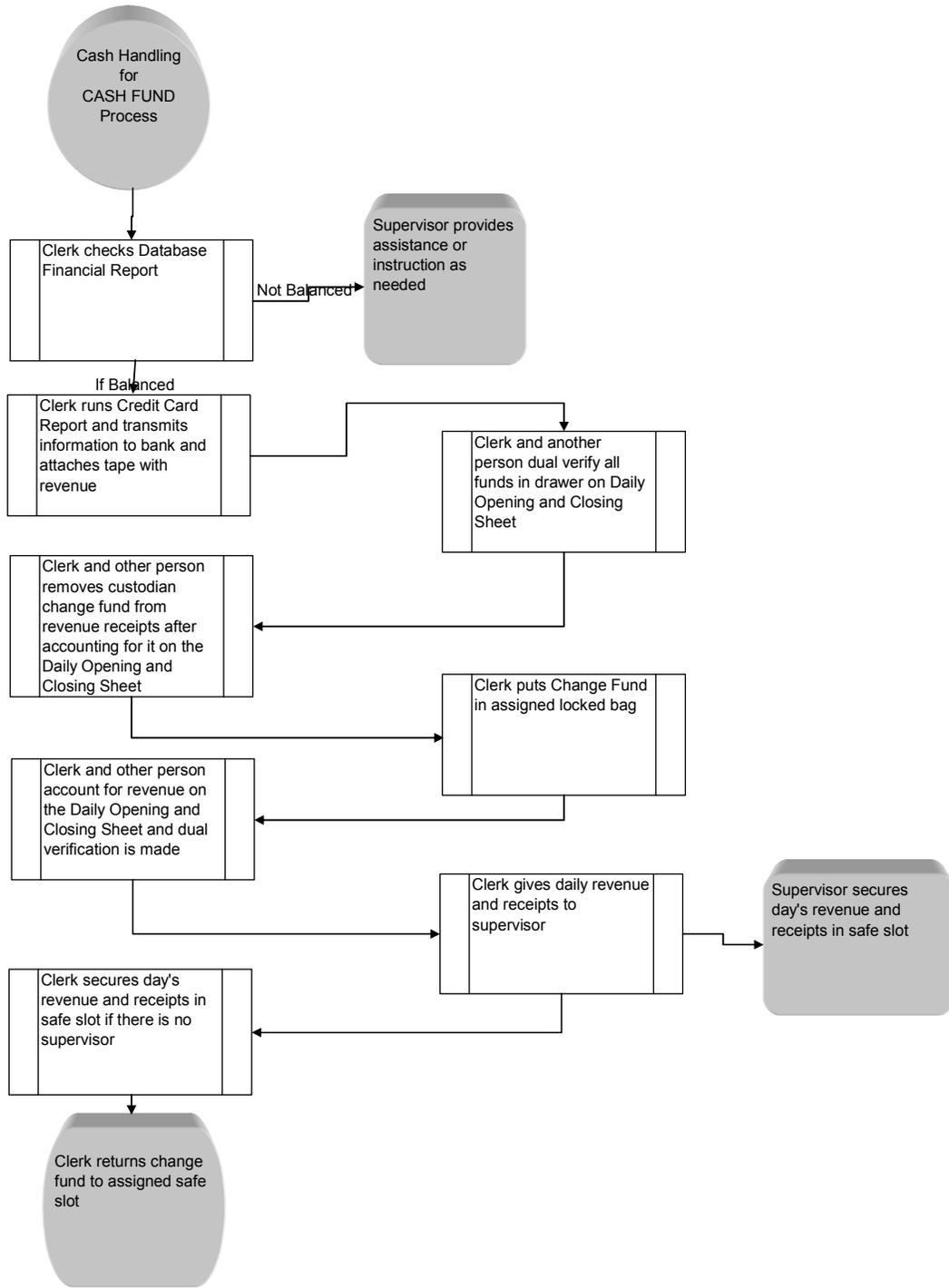
- The AWD supervisor issued Clerk 1 a daily opening bank of \$175 to work window three on that day;
- Clerk 1 was assigned to train with Clerk 2 who has been with AWD for many years;

- Window three is normally occupied by Clerk 2
- The \$175 money bag given to Clerk 1 is normally handled by Clerk 2 and is placed in the safe slot assigned to Clerk 2;
- Clerk 1 signed for the money bag and dual verified the amount on the Daily Opening and Closing Sheet;
- The supervisor handed Clerk 2 a money bag containing \$100 to work window four;
- There were two other clerks working the evening of January 24, 2007;
- The supervisor was not present at the end of the evening shift when the four clerks balanced their registers and money bags;
- The next day when Clerk 1 reported to work, the money bag was missing.

On January 25, 2007, the administrative services manager provided a notice of investigation to the supervisor and the four clerks. The supervisor and clerks provided signed statements of their recollection of the activities and processes on the evening of January 24, 2007. An Albuquerque Police Department Officer (Officer) interviewed the four clerks. In his report, the Officer indicated he would not take any further action at that time. He indicated the administrative services manager planned to review the video camera tapes and if a suspect developed, would contact the Officer. The administrative services manager stated he had reviewed the tapes, but there was no one in the building who wasn't authorized to be there, therefore, he did not contact the Officer.

BACKGROUND

The AWD, Customer Service Daily Closing of Change Fund / Days Revenue Policy illustrate the process for closing daily cash as:



OBJECTIVES

The objectives of the investigation were to determine:

- Is there evidence to support allegations of embezzlement? Embezzlement is the wrongful appropriation of money by a person to whom it has been lawfully entrusted.
- Are there areas in which AWD can reduce the risk of fraud?

SCOPE

The scope of the investigation was limited to:

- Money bag given to Clerk 1 containing \$175
- The events from January 24 through January 25, 2007 involving cash
- The actions of four AWD clerks assigned to the customer service windows at the Eastside facility

METHODOLOGY

The methodologies used during our investigation consisted of:

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

Our investigation was conducted in accordance with fraud investigation techniques, which include but are not limited to examination of records, documents, interviews with appropriate personnel, and other evidence-gathering procedures as necessary under the circumstances.

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. AWD EASTSIDE FACILITY WAS MISSING CASH BELONGING TO THE CITY.

At end of the shift on January 24, 2007, Clerk 1 and Clerk 2 dual verified their cash funds and documented the amounts on the Daily Opening and Closing Sheet. Clerk 1 was responsible for a money bag containing \$175 and Clerk 2 was responsible for a money bag containing \$100. The following day when the clerks reported to work, the \$175 money bag was missing.

Clerk 3 and Clerk 4 were still working their windows when Clerk 1 and Clerk 2 left for the evening. Clerks 3 and 4 left the office after putting their bags in the safe and closing and locking the door containing the safe. There is a requirement that at least two people stay behind to dual verify the deposit.

The supervisor left the building at 6:10 p.m. the evening of January 24th. The four clerks clocked out as follows:

Clerk 2 clocked out at 6:26 p.m.
Clerk 1 clocked out at 6:30 p.m.
Clerk 3 clocked out at 6:40 p.m.
Clerk 4 clocked out at 6:44 p.m.

The Sub Custodian Statement of Responsibility form states, "If there is any shortage in the fund which, after investigation cannot be explained to the satisfaction of the City, I hereby authorize the City to deduct it from any wages or salary, which may be due to me and promise to pay the City any deficiency immediately."

Each clerk has her own key and opens only the safe slot assigned to her. Prior to the incident, duplicate keys were kept in a box in a desk drawer in the supervisor's office and it wasn't possible to identify which key opened which slot because they were not labeled. Only one key was labeled with a yellow dot and this key opened the top slot where the deposit and the \$100 money bag given to Clerk 2 on January 24 were placed at the end of the shift. The box was not a secure box and the desk drawer was not locked and anyone having access to the main area would have had access to it. The supervisor's office is closed but not locked at the end of the day. The clerks' bags are labeled and correspond to the window in each work station.

The AWD Operations Policies and Procedures manual states, the Custodian must provide safe storage, security, and safeguarding of the money assigned.

Based on initial statements provided by the supervisor and the four clerks after the money bag containing \$175 was discovered missing and subsequent interviews by OIAI, the following is an account of events as recalled by the four clerks, their supervisor and the administrative services manager:

CLERK 1

In her initial statement, which is not dated, but is attached to a notice of investigation form she signed January 25, 2007, Clerk 1 stated after she and Clerk 2 finished their deposits and paperwork, they counted their money and put the money in each bag, each verifying the other. Clerk 1 thought she took the \$100 bag thinking it didn't matter which bag she took. Clerk 2 had already left for the night. She went into the office where the safe is located and put the bag in the safe, came out, said good night and clocked out.

In an interview on May 15, 2008 with the OIAI, Clerk 1 contradicted her original statement by stating she believes she left the money bag on the counter and did not remember picking it up from the counter, but assumes that whatever went wrong was her fault because she didn't know all the procedures and Clerk 2 did. She is willing to take the blame for it because she was being careless with money. She later stated the missing bag was Clerk 2's responsibility because the missing bag belonged to her. Clerk 1 stated the clerks go to the supervisor's office to get the keys to the safe and the keys have letters that correspond to the drawer on the safe. She puts the keys back in the supervisor's office once she is done with them.

In a subsequent interview on June 26, 2008, Clerk 1 was provided the differences in her initial statement and the interview of May 15, 2008. Clerk 1 stated the statement she gave the day after the incident is most accurate. During this interview she stated:

- She does not remember what she did with the key after she put her bag away. She knows she is not helping with the interview but cannot remember.
- She cannot remember who left first and who had which money bag and cannot remember where she got the key. She cannot remember what the keys looked like or how many keys she had to the safe on January 24th.
- She may have picked up the \$100 bag and gone into the supervisor's office to get the key to the top safe slot and then gone back to put the key back.

- She does not remember which safe slot was opened first the next day when she went to get her bag with the supervisor and did not tell the supervisor that she might have put her bag in a different slot until after the bag was found missing.
- She does not remember if after she clocked out she went out the door to leave or if she got her belongings after she clocked out.
- Asked why she and Clerk 2 didn't walk out together if they clocked out within minutes of each other, Clerk 1 stated it may have been because Clerk 2 may have been ready to leave and she was not. They normally walk out together and she doesn't know why they didn't the night of January 24th.
- She stated she did not take the money and would not risk taking a small amount like \$175.

CLERK 2

In her initial statement, which is not dated but is attached to a notice of investigation form she signed January 27, 2007, Clerk 2 stated on the evening of January 24th at 6:10 p.m. she helped Clerk 1 count her money. She put the \$175 back in bag #3. She had a \$100 bag, locked it and put it in the top drawer of the safe. She did not see Clerk 1 put her bag away; Clerks 3 and 4 were there and she assumed they saw Clerk 1. The following day she got her keys out of the top drawer of her desk so that Clerk 1 could open her window and they went to the safe but did not find the \$175 bag. The supervisor unlocked the rest of the safe to see if the bag had been placed elsewhere. She remembered seeing the \$175 bag #3 locked and on the counter when she walked away to put her money away.

In an interview on April 23, 2008 with the OIAI, Clerk 2 stated she cannot remember if she went with Clerk 1 to put her money bag in the safe, but it is a normal procedure to do so. She cannot remember who got to work first the following day but they both went to the safe to get the money bag. The keys to the safe are kept in her desk drawer. She does not lock her desk drawer.

In a subsequent interview on June 26, 2008, Clerk 2 stated what she said in her initial statement is more accurate because it was made right after the incident. During this interview she stated:

- She had already put her money bag away when she saw Clerk 1 coming out the office where the safe is located.
- Clerk 1 did not have a coat or purse when she came out of the office. Clerk 2 does not remember what she was doing when she saw Clerk 1 coming out of the office.
- Clerk 1 would have had to use Clerk 2's key to open the safe slot because Clerk 1 was not assigned any keys.
- Her key was in her desk drawer the following day in the exact place she left it in.
- She clocked out, left before Clerk 1 and did not see Clerk 1 clock out.
- She does not remember if someone saw her put her money bag in the top drawer of the safe. The standard procedure is to have someone watch you put your bag away, but she does not know why it did not happen that night.
- She used the key in the supervisor's office to open the top drawer of the safe where she put the \$100 bag and when she was done she put the key back in the supervisor's office and did it before she clocked out.
- She and Clerk 1 went to the safe the next morning and opened the safe slot where the \$175 money bag should have been placed. They did not check the top drawer of the safe until they discovered the bag missing and did not open any of the other drawers. It is not standard procedure for two people to go to the safe together to get the money bags out of the safe, but it is when someone is training.

CLERK 3

In her initial statement dated January 28, 2007, Clerk 3 stated she observed Clerk 1 and Clerk 2 balance their cash drawers. Clerk 2 said good night for the evening and left. Shortly thereafter, Clerk 1 came out of the office where the safe is located and said good night and left. Clerks 3 and 4 went into the office and they locked their bags in the safe, including the deposit. She did not notice any bag on top of the safe.

During an interview on April 23, 2008 with the OIAI, Clerk 3 stated that someone watches you put your bag away but does not go with you to the safe to put it away. Clerk

3 stated she did not see Clerk 1 go into the office or observe her putting her money away, but she observed Clerk 1 coming out of the office where the safe is located without a purse, coat or the money bag. Clerk 3 did not see the money bag on top of the desk at Clerk 1's work station.

In a subsequent interview on June 26, 2008, Clerk 3 stated:

- Clerk 2 left first and Clerk 1 was at her work station at this time.
- Clerk 3 later walked over to Clerk 4's work station and that is when she saw Clerk 1 walking out of the office.
- Clerk 4's work station is closest to the office. When Clerk 1 walked out of the office, Clerk 2 had already said good night and was no longer in the office.
- Clerk 1 said good night and walked out of the office in the direction of the time clock where the camera is positioned. Again, she did not recall Clerk 1 having a coat or purse on her. Even though it was the middle of winter, it was not rare for the clerks to not bring in a coat.
- Clerk 1 did not walk back to her work station or the supervisor's office where the duplicate keys are kept after coming out of the office.
- The time clock cannot be seen from the clerks' work area. Clerks have to walk out the door that is next to the office with the safe to clock out.

CLERK 4

In her initial statement dated January 28, 2007, Clerk 4 stated she could hear Clerk 1 and Clerk 2 dual verifying their money. She remembered Clerk 1 saying good night and then she left. She and Clerk 3 locked up the deposit in the top drawer at the same time she locked her bag in her safe slot. They closed the door to the office and left the facility together.

In an interview on April 23, 2008 with the OIAI, Clerk 4 stated two people go to the safe when making the deposit. When locking your own bag, either someone goes with you or you yell out, "someone watch me". She did not see Clerk 1 leave and did not see her put her bag away because she was helping a customer when Clerks 1 and 2 left for the night.

She did not notice if there was a bag on the counter at work station #3 because she did not go over to that window.

SUPERVISOR

In her initial statement in January 2007, the supervisor stated that:

- Clerk 1 stated that she remembered putting the bag in the safe but might have put it in a different slot than the assigned slot for Clerk 2.
- Clerk 2 had access to the key that had the yellow tag in the box in her office and Clerk 1 only had access to Clerk 2's key that opened Clerk 2's slot. Clerk 1 would have had to try all keys to open the other slots.
- The next day they looked throughout the office, trash cans, personal vehicles, but did not locate the \$175 money bag.

In a subsequent interview on June 26, 2008, the supervisor stated that she found the money bag containing the \$100 in the slot safe where it belonged.

ADMINISTRATIVE SERVICES MANAGER

In an interview on July 2, 2008, the administrative services manager stated that:

- In 2007 duplicate keys were not numbered or coded.
- He reviewed the camera tape of January 24, 2007 that shows the clerks clocking out and there were no unauthorized personnel on the tape. Clerk 1 had her coat and purse with her when she clocked out. After she clocked out she left the building and did not come back in.
- He did not contact the Officer any time after the initial report.

RECOMMENDATIONS

AWD should require Clerk 1 to reimburse the City the missing funds entrusted to her in accordance with the Sub Custodian Statement of Responsibility.

RESPONSE FROM AWD

“AWD concurs with the findings. Changes have been made to the cash handling procedures at both the Eastside and Westside Facilities. AWD has written and implemented policies and procedures to prevent fraud or theft and established controls to ensure compliance and adherence to applicable rules and regulations.

“Based on discussions with the Human Resources Department and in accordance with the opinion of the Legal Department, we believe that restitution is an option that should be pursued at the time a loss is discovered and while the facts support that a particular individual is responsible for a loss. A police report was filed and the case as referred to the District Attorney would be reviewed to determine if further action is required.”

2. THERE IS A LACK OF CONTROLS TO PROTECT CITY ASSETS.

AWD did not have controls in place for returning money bags to the safe. Duplicate keys to the safe were not secured. Several clerks left the key that opened their safe slot in their desk drawer and did not lock the drawer. There was nothing in the written policies and procedures regarding securing funds at the end of the work shift.

Employee statements varied in their explanation for the procedures used to return money bags to the safe. During the course of this investigation, the administrative services manager and employees stated changes to secure the funds have taken place. For example, when a clerk returns the money bag to the safe, someone must observe them doing so. In addition, duplicate keys are locked in the safe and only the administrative services manager and supervisor have access. The administrative services manager suggested that clerks keep their keys with them at all times. These new procedures have not been documented in the policies and procedures manual.

Work stations where cash is handled have a drawer for the clerks' personal belongings and a waste paper basket for the deposit of their trash. There is no camera in the area where the clerks collect and count cash or the safe where money and keys are stored. The only video camera in this area of the facility is located in the hallway where the time clock is located.

The Department of Finance and Administrative Services, Treasury Division, recommends that in addition to the Cash Handling Policies and Procedures Manual, departments that manage a significant amount of cash, have its own specific procedures.

The City Cash Handling Policies and Procedures Manual (Manual) states, departments handling cash are responsible for safekeeping these assets.

RECOMMENDATIONS

AWD should:

- Implement written policies and procedures that include appropriate controls relating to the nature and environment present within AWD. The procedures should include documentation, approvals and supervisory review. Employees should be required to not only read the policy, but sign that they understand it. The policy should be signed, dated and outline specific ramifications for not following the policy.
- Require both the clerk returning the money bag to the safe and the person observing the return to sign off as having done so. The documentation should include the date and time.
- Install storage drawers for personal belongings and trash cans away from the area where cash is handled.
- Install cameras wherever cash is handled, counted or stored. Develop policies that require cash custodians and handlers to count, dual verify and store in full sight of the cameras.

RESPONSE FROM AWD

“AWD concurs with the finding and recommendations. AWD has implemented written policies and procedures that include appropriate controls relating to the nature and environment present within AWD. The procedures include documentation, approvals and review. Procedures have been established to include the handling of the money bags at the end of each shift. A new drop vault safe was purchased and procedures require that each cash handler sign a log indicating the date and time their money

bags are dropped into the safe with a counter signature from either the supervisor or another cashier as a witness of the event. The procedures for handling missing funds have also been clarified and as per the recommendation, the custodians and sub-custodians will be required to not only read the policies and procedures, but to sign and date that they understand the policies and the ramifications for not following them.

“The eastside facility is undergoing a major renovation and recommendations for installing cameras and for securing the cash handling areas are a major component in the design of the facility.”

3. THE EMPLOYEE RESPONSIBLE FOR THE MISSING MONEY BAG WAS NEVER DISCIPLINED.

Clerk 1 who was responsible for the \$175 money bag was not disciplined and not required to repay the City the missing cash.

AWD could not locate Clerk 1’s personnel file. Therefore, all personnel records pertaining to this matter are missing.

During the course of this investigation, the OIAI learned Clerk 1 was married to a City department director at the time of the incident. When the wife of a City director is treated differently than other City employees and the reason is not documented, it gives the appearance of favoritism and unequal treatment.

The Manual states that use of City funds is a privilege. Abuse and failure to comply with established procedures will result in the revocation of this privilege for the individual and/or department.

Personnel Rules and Regulations Code of Conduct §301.9 states, no employee shall willfully make any false statement in regard to an investigation, or in any manner commit any fraud, conceal any wrongdoing or knowingly withhold information about wrongdoing in connection with employment with the City.

RECOMMENDATION

AWD should consider disciplinary action that is appropriate and consistent as dictated by employee actions and behavior. Employees should be held accountable.

It is incumbent upon management to ensure that there is not the appearance of favoritism in disciplining employees. AWD should document the reasons when it decides that disciplinary action is not required and ensure personnel files are maintained and protected.

RESPONSE FROM AWD

“AWD concurs, further actions will be determined based on discussions with the Human Resources and the Legal Department.

“As a result of these audit findings, AWD has written and implemented policies and procedures that will assist the department in responding immediately and handling required disciplinary actions in a timely and efficient manner.”

4. LACK OF SECURITY PUTS CITY ASSETS AND EMPLOYEES’ PERSONAL BELONGINGS AT RISK.

Employees interviewed during the investigation expressed concern over the lack of security in the customer service work area. The former administrative services manager had windows in employee work stations removed which left them vulnerable to customers reaching over the counter and taking City property as well as the clerks’ personal belongings.

Employees working in customer service are also vulnerable to other AWD employees. AWD employees that do not work in customer service had the access code to the door to the customer service area. These employees used the door to the customer service area as a hallway to the adjacent office area, even though there is a door that leads directly to that area. The Manual states that anytime cash is handled in a public place, threatening situations can occur that put personal safety and City funds in danger, departments should:

- Keep customers back from the cashiers work space;
- Protect cashiers behind some protective barrier;
- Have cameras or other security devices visible and in good working condition; and
- Never allow unauthorized persons in the cashier area.

RECOMMENDATIONS

AWD should take measures to ensure that City assets and employee personal belongings are protected by providing a safe work environment. AWD should install glass windows at the work stations or station a security guard in the work area to keep City assets and employee personal belongings away from customers approaching the window. If this is not feasible, provide notice to the public that transactions are monitored by video camera, even when it is not the case, as a deterrent to criminal activity.

AWD should restrict access to the work area where cash is handled and should limit the code to employees who work in this area.

RESPONSE FROM AWD

“AWD concurs with finding and recommendations. The plans for renovating the area are being closely reviewed to ensure the work environment is safe. Cameras will be installed to provide security measures to city assets as well as security for employees and their personal belongings. Meantime, AWD is restricting access to the work area where cash is handled. The door access code has been changed and only employees working in the cash handling area are allowed to enter the area.”

CONCLUSION

Our investigation shows Clerk 1 was responsible for the money bag containing \$175.

- ✓ She was observed leaving the office where the safe is stored. The only reason for a clerk to enter this office at the end of a shift is to put away an assigned money bag.
- ✓ She only had access to the slot where she was supposed to store the money bag.
- ✓ She was not seen going into the supervisor’s office where the duplicate keys are stored after she exited the office containing the safe.
- ✓ Clerk 3 did not observe the missing money bag either at Clerk 1’s work station or outside the safe after Clerk 1 left the building.

The Accountability in Government Ordinance, §2-10-7 (ROA 1994) requires the OIAI director to notify the appropriate prosecuting authority of any irregularity that is criminal in nature.

Based on the results of our investigation, these actions, if proven in a court of law could constitute a violation of criminal and/or civil law. This matter was referred to the Second Judicial District Attorney's Office. The report also contains findings pertaining to conditions which allowed the misappropriation to take place.

Inspector General

REVIEWED AND APPROVED:

APPROVED FOR PUBLICATION:

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

Chairperson, Accountability in Government
Oversight Committee