



**OFFICE OF INSPECTOR GENERAL**  
*City of Albuquerque*



*OFFICE OF INSPECTOR GENERAL ADVISORY CONCERNING  
THE CITY'S TRANSIT DEPARTMENT*

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Peter Pacheco  
Acting Inspector General

# OFFICE OF INSPECTOR GENERAL

*City of Albuquerque*

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September 29, 2015

Richard J. Berry  
Mayor  
City of Albuquerque

Robert J. Perry  
Chief Administrative Officer  
City of Albuquerque

Dear Mayor Berry:

A recent City of Albuquerque, Office of Inspector General (OIG) investigation established that a City vendor hired to provide cash management and armored car services, which includes pick-up and deposit of the fares collected via City buses may have potentially defrauded the City for a significant loss of monies intended for deposit for the City of Albuquerque's Transit Department.

After City physical cash counts and review of deposit slips supplied by the vendor, there is ample evidence that the vendor did not deposit all City money and the City suffered a loss of funds. As of December 16, 2014, the vendor is no longer picking up Transit vaults. The vendor contract expired on January 2, 2015 and should not be renewed.

### **Investigative Findings**

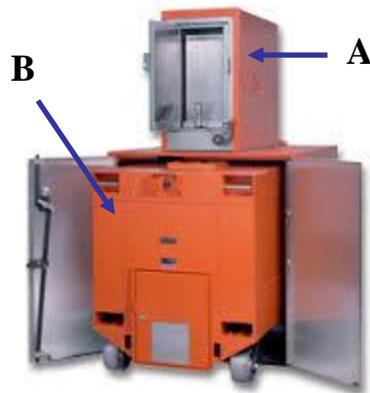
1. The eight physical cash counts conducted, two by Transit and six by the OIG, reveal that bus fares totaling \$11,153 were not deposited by the vendor and are unaccounted for.
2. From January 2014 through mid-December 2014, conservative estimates indicate an approximate difference of \$170,000 between Transits internal documentation and vendor deposits.
3. Vendor is not properly depositing monies within a 24-hour period as required by City Administrative Instruction 2-8 (September 1, 1992) and state statute (§ 6-10-2, NMSA 1978).
4. Vendor is in violation of contractual obligations.
5. Cash management controls were lacking at the vendor's place of business.

**I. Contractual Obligations**

Pick up from various Transit Department locations on days and at times specified and transport to a secured site for counting, transporting and depositing of funds to the City’s designated bank. Deposits to the City’s designated bank will be made within 24 hours of pickup, except on weekends or as mutually agreed. A verification of daily deposit needs to be faxed to Transit immediately and the hard copy to be delivered at the next pick up time.

**II. Background**

On a daily basis, City buses collect fares which consist of currency and coins from passengers. At the end of the shift, buses return to the Yale and Daytona facilities where the secured fare box on each bus is scanned by a fare tracking system (GFI) that captures the amount of cash collected for that day. Once scanned the fare box is removed and taken to the vault where it is inserted into a small box (A) on top of the vault and a crank is turned to empty the contents into the inner vault (B). Coin is released into one section and currency into another. The next morning the vendor unlocks the vault, pulls out the inner vault, loads the inner vault onto the vendor’s vehicle and places an empty inner vault to collect the current day’s fares. The vendor then takes the two inner vaults from Transit’s facilities to their business office where they count the fares and prepare cash and coin deposits that are then taken to a designated bank on the City’s behalf.



**A:** Fare box is inserted and emptied into inner vault.

**B:** Inner vault that is removed by vendor.

Due to irregularities, Transit conducted a physical count of cash inside the cash vaults at the Yale and Daytona Transit facilities. The physical counts were performed for November 21, 2014 and November 24, 2014. The results of those counts are as follows:

Table 1

Location	Date	Transit Count	Vendor Deposit	Variance To Transit Count
DAYTONA		\$ 3,062.00	\$ 3,747.00	\$ 685.00
DAYTONA	November 24, 2014	\$ 7,809.00	\$ 4,578.00	\$ (3,231.00)
YALE	November 21, 2014	\$ 4,216.00	\$ 1,996.00	\$ (2,220.00)
YALE	November 24, 2014	Vendor did not pick up due to tire blow out		
				<b>\$ (4,766.00)</b>

On December 2, 2014, the OIG was notified by the Office of Internal Audit (OIA) that they received information from Transit concerning the missing bus fares. OIA stated that Transit was

reviewing deposits made for bus fares and noticed significant irregularities between the bank deposits and GFI reports. From January 2014 to October 2014, conservative estimates from Transit indicate a difference of \$150,000 between the internal documentation and vendor deposits.

After reviewing the information provided by Transit, the OIG immediately opened an investigation into the matter.

A collaborative decision was made that the OIG, along with the OIA and Transit personnel would begin a physical cash count of the cash vaults located at the Yale and Daytona Transit facilities. Additionally, the OIG installed surveillance equipment to determine if there was any tampering with the vaults between the time of the cash counts and vendor pickup of vaults.

On Monday, December 8, 2014 the OIG, along with personnel from the OIA and Transit began what would end up being seven early morning physical cash counts of the vaults at the Yale and Daytona Transit facilities. On Monday, December 8, 2014, \$10,716 was physically counted and the deposit slip received from the vendor showed that only \$7,797 was deposited. This left \$2,919 that was unaccounted for. **(See Table 2 for results of all cash physically counted by City personnel)** Tuesday's deposit slip from the vendor was \$650 short of the physical count. Surveillance video was also reviewed which did not reveal any tampering of the vaults. The OIG contacted the Albuquerque Police Department (APD) having determined it had enough evidence to show that the vendor was the potential source of the larceny. A meeting was held on Thursday, December 11, 2014 to turn over the information gathered. APD's White Collar Crime division agreed that there was sufficient evidence. APD requested the OIG, along with the OIA and Transit to continue physically counting the vaults and taking surveillance video while APD began investigating. On Monday, December 15, detectives from APD went to observe the physical cash counts.

There were currency variances for all seven cash counts performed. The vendor did not deposit a total of \$6,387 **(Table 2)** for the first six of seven cash counts. (No deposit was made by vendor for seventh cash count due to execution of warrant.)

On December 16, 2014, APD executed a search warrant at the vendor's business address. Once secured, the OIG, OIA, and Transit entered the building to assist APD by counting and depositing all funds identified by vendor personnel as Transit bus fare funds which were taken into custody by APD.

Upon entering the room where the cash was located, it was evident that there were poor cash management controls in place. Transit bus fare money was scattered on multiple desk tops, bags and on top of the vault. Only one employee was present at the facility and was individually responsible for counting the money.

The vendor employee stated that the currency belonged to Transit for current and prior business days. However, the vendor could not provide an accurate account or documentation for Transit's fare money. Four currency counts were performed. Two counts for Yale and Daytona's December 16, 2014 deposits, a third for miscellaneous banded currency and a fourth for a miscellaneous yellow bag of currency that the employee stated was previous days Transit bus

fare currency that had not been deposited. The vendor was unable to provide an accurate account or documentation for the miscellaneous currency totaling \$7860.

Table 2

Location	Date	OIG Physical Count	Vendor Deposit	Variance To OIG Count
DAYTONA	December 8, 2014	\$ 8,606.00	\$ 6,854.00	(\$1,752.00)
YALE		\$ 2,110.00	\$ 943.00	(\$1,167.00)
Total		\$ 10,716.00	\$ 7,797.00	(\$2,919.00)
DAYTONA	December 9, 2014	\$ 3,439.00	\$ 2,789.00	(\$650.00)
YALE		Vendor did not pick up due to vault malfunction		
		\$ 3,439.00	\$ 2,789.00	(\$650.00)
DAYTONA	December 10, 2014	\$ 3,043.00	\$ 3,123.00	\$80.00
YALE		\$ 3,892.00	\$ 1,446.00	(\$2,446.00)
		\$ 6,935.00	\$ 4,569.00	(\$2,366.00)
DAYTONA	December 11, 2014	\$ 3,011.00	\$ 4,064.00	\$1,053.00
YALE		\$ 1,976.00	\$ 1,046.00	(\$930.00)
		\$ 4,987.00	\$ 5,110.00	\$123.00
DAYTONA	December 12, 2014	\$ 4,004.00	\$ 4,478.00	\$474.00
YALE		\$ 1,888.00	\$ 2,144.00	\$256.00
		\$ 5,892.00	\$ 6,622.00	\$730.00
DAYTONA	December 15, 2014	\$ 7,741.00	\$ 7,392.00	(\$349.00)
YALE		\$ 2,114.00	\$ 1,158.00	(\$956.00)
		\$ 9,855.00	\$ 8,550.00	(\$1,305.00)
DAYTONA	December 16, 2014	\$ 2,393.00		
YALE		\$ 2,048.00		
Excluding December 16, 2014 because of APD search warrant and subsequent City Cash Count				
<b>DOLLAR AMOUNT UNACCOUNTED FOR:</b>				<b>(\$6,387.00)</b>
<b>OIG Physical Count (December 8,9,10,11,12,15)</b>				<b>(\$6,387.00)</b>
<b>Transit Physical Count (November 21,24)</b>				<b>(\$4,766.00)</b>
<b>TOTAL DOLLAR AMOUNT UNACCOUNTED FOR:</b>				<b>(\$11,153.00)</b>

The amount physically counted by OIG, OIA, and Transit should match exactly to the daily deposited amount. There is no legitimate reason for the variances between the physical cash count totals and the deposit slips provided by the vendor.

### III. Timeline

- December 2, 2014: OIG is contacted by OIA regarding Transit vendor.
- December 3, 2014: OIG meets with OIA and Transit personnel to discuss plan of action.
- December 4, 2014: Transit gives OIG tour of Yale and Daytona facilities.
- December 8, 2014: OIG, OIA, and Transit begin physical cash counts at Yale and Daytona facilities. OIG installs surveillance equipment.

- December 9, 10, 11, 12, 2014: OIG, OIA, and Transit continue early morning physical cash counts.
- December 11, 2014: OIG, OIA, and Transit meet with APD to hand over evidence gathered thus far.
- December 15, 2014: OIG, OIA, Transit and APD continue early morning physical cash count.
- December 16, 2014: OIG, OIA and Transit final early morning cash count.
- December 16, 2014: APD executed a search warrant at the vendors business address. OIG, OIA and Transit assist APD by counting and depositing all Transit bus fare funds taken into custody by APD.

#### IV. Conclusion

There is ample evidence that the vendor did not deposit all City money and the City is at a loss. As of December 16, 2014, the vendor is no longer picking up Transit vaults. The vendor contract expired on January 2, 2015 and should not be renewed.

If a new contract is put out for bid, it is highly recommended that a tour of the facilities be done to ensure that proper controls are in place to safeguard City money before deposit.

The City's Purchasing Division should take appropriate action to either suspend or bar the Vendor from any further contracts with the City of Albuquerque.

Investigation into the vendor and its employees is ongoing.

OIG has forwarded all information to the City's Legal Department for the recovery of City funds from the vendor.

The OIG would like to thank the Office of Internal Audit, Albuquerque Police Department and the Transit Department for their cooperation and hard work in this investigation.

Respectfully,



Peter Pacheco  
Acting Inspector General  
City of Albuquerque

**UPDATE**

Law enforcement continues to work on the investigation. Transit is currently collecting the fare box revenue, once sorted and bundled, the currency along with coin are taken to the City’s bank where the revenue is counted and deposited by the bank on the City’s behalf.

Transit is currently filling two new positions. Their job, along with other duties, will be to sort and count the fare box revenue for deposit into the City’s bank account.

With data received from Transit, the OIG has also compiled data going back to when the vendor’s contract began in 2011. Below is a table beginning in the 2011 through 2015. Included in the table is the difference between the GFI and deposit currency in six-month increments.

The largest difference occurred in 2014. An important fact to note is that when the City took over the count, the net difference between the GFI report and deposit for the six-month period, January through June 2015 was a positive amount.

TABLE 1

<b>City of Albuquerque, Transit Deposit Slip compared to GFI Farebox Reports Six Month Period Amounts</b>			
	<b>Deposit Currency</b>	<b>GFI Currency</b>	<b>Difference</b>
<b>Vendor Count</b>			
<b>Jan-June 2011</b>	\$798,288.91	\$801,239.00	(\$2,950.09)
<b>Jul-Dec 2011</b>	\$861,539.00	\$866,636.00	(\$5,097.00)
<b>Jan-June 2012</b>	\$841,210.13	\$853,105.00	(\$11,894.87)
<b>Jul-Dec 2012</b>	\$862,095.42	\$874,086.00	(\$11,990.58)
<b>Jan-June 2013</b>	\$810,696.00	\$827,648.00	(\$16,952.00)
<b>Jul-Dec 2013</b>	\$869,209.00	\$890,552.00	(\$21,343.00)
<b>Jan-June 2014</b>	\$758,258.00	\$835,719.00	(\$77,461.00)
<b>Jul-Dec 2014</b>	\$688,594.00	\$794,823.00	(\$106,229.00)
<b>APD Recovery on December 16 and 19 2014</b>			\$7,860.00
			<b>(\$246,057.54)</b>
<b>City Count</b>			
<b>Dec 2014 *</b>	\$ 52,543.00	\$ 53,645.00	<b>(\$1,102.00)</b>
<b>Jan-June 2015</b>	\$ 770,332.00	\$ 763,411.00	<b>\$6,921.00</b>
			<b>\$5,819.00</b>
<b>Note (*): Vendors services ended Dec 16, 2014</b>			

The City’s Legal department will be seeking recovery of these funds through civil proceedings.