

**OFFICE OF INSPECTOR GENERAL
CITY OF ALBUQUERQUE**



**Investigative Report
Case # 12-210**



OFFICE OF INSPECTOR GENERAL
CITY OF ALBUQUERQUE

March 20, 2012

Jill Holbert
Acting Director
Solid Waste Management Department
City of Albuquerque

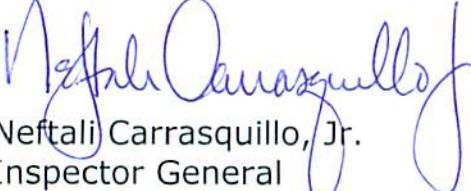
**Re: OIG 12-210: Allegation of a Deposit Discrepancy Collected at the
Solid Waste Management Department (SWMD)**

Dear Jill Holbert,

On March 8, 2012, the Office of Inspector General (OIG) was contacted by a City Treasury Supervisor regarding a discrepancy in a Water Utility Authority bill. A customer had come in to complain and stated that the bill only showed a credit in the amount of \$75, when she had made a payment of \$175. The customer had a written receipt, which was signed by a SWMD employee, for the amount of \$175. On March 9, 2012 the OIG began an investigation regarding the discrepancy in payment.

Enclosed please find a copy of the OIG's investigative report regarding this matter.

Respectfully,


Neftali Carrasquillo, Jr.
Inspector General

cc: Richard J. Berry, Mayor
City Council
Robert J. Perry, CAO
John Soladay, COO
Lou Hoffman, Director DFAS

Executive Summary

On March 8, 2012, the Office of Inspector General (OIG) was contacted by a City Treasury Supervisor regarding a discrepancy in a Water Utility Authority bill. A customer had come in to complain and stated that the bill only showed a credit in the amount of \$75, when she had made a payment of \$175. The customer had a written receipt, which was signed by a SWMD employee, for the amount of \$175. On March 9, 2012 the OIG began an investigation regarding the discrepancy in payment.

The OIG investigation included conducting interviews with Treasury and SWMD personnel, reviewing documents and information provided, and gathering evidence. Based on the investigation conducted, the OIG concludes the following:

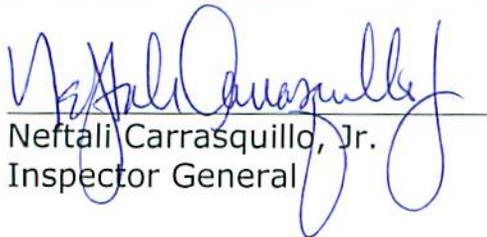
- 1. That on February 3, 2012, SWMD1 conducted a transaction regarding a WUA payment for the account of Customer3 that based on review of the original customer receipt showed that SWMD 1 had received and receipted payment in the amount of \$175.**
- 2. That on February 6, 2012, SWMD1 made a deposit of receipted transactions to Treasury which included the payment received for the WUA account of Customer3. The WUA payment coupon and the pink copy of the original receipt, for this transaction, had been changed from \$175 to \$75 and SWMD1 admitted doing so.**
- 3. That SWMD is not following the policies regarding dual verification of funds as the cashiers were verifying each other's deposits which could lead to collusion.**
- 4. That internal controls and appropriate supervision were not in place as they related to receiving payments and safeguarding them until they were deposited at Treasury.**
- 5. That on several occasions, at least one SWMD employee making deposits collected, would change the dollar amount on the pink slip receipt and payment coupon to reflect the amount remitted whenever a discrepancy was noted by Treasury.**

The OIG makes the following recommendations for consideration by the Solid Waste Management Department:

1. Management should ensure that funds be deposited before the close of the next succeeding business day in accordance with state statute (Section 6-10-3, NMSA1978), City Administrative Instruction 2-8 and the City's Cash Handling Manual.

2. That internal controls regarding the duties of collecting payments, maintaining documentation, preparing deposits and reconciling records be separated among different individuals.
3. That Management should ensure that all monies be secured in a safe location with limited and documented access.
4. That Management ensures all payment coupons and receipts are verified and match the amount received and ensure that no changes have been made without supervisory knowledge and approval.
5. That instructions and training/re-training be provided to all employees and supervisors that deal with currency regarding cash-handling procedures, transactions and safeguarding of monetary instruments.
6. That Management should request the assistance of Treasury in providing training to SWMD employees, with cash handling responsibilities; on the correct way to collect payments, secure monies and how to properly account for and dual verify monies collected.
7. That SWMD implement a daily reconciliation sheet so that deposits amounts can be tracked and verified.
8. That deposits going to Treasury be secured in a locked bank bag, where each payment be in its own envelope along with a reconciliation sheet of all transactions that are being deposited.
9. That video surveillance be installed in areas where monies are collected and secured at SWMD.
10. That SWMD consider terminating the collection of payments of Water Utility Authority bills.

Details of the investigation are contained within the investigative report and are attached to this executive summary.


Neftali Carrasquillo, Jr.
Inspector General

OIG INVESTIGATIVE REPORT

On March 8, 2012, the Office of Inspector General (OIG) was contacted by a City Treasury Supervisor (TS1) regarding a discrepancy in a Water Utility Authority (WUA) bill. TS 1 stated that the WUA March statement showed a payment in the amount of \$75, when the customer stated they had actually made a payment of \$175. The customer had a written receipt signed by a SWMD employee for the amount of \$175. On March 9, 2012 the OIG began an investigation regarding the discrepancy in payment.

I. On March 14, 2012, the OIG interviewed a Treasury Department Finance Tech (FT1) regarding a deposit she took from SWMD1 on February 6, 2012. FT1 was advised of her obligation to cooperate, that she was being taped and that an oath would be administered to which she acknowledged.

FT1 was asked if she remembered receiving a deposit from SWMD1 on February 6, 2012 to which FT1 stated she did not. FT1 was then asked to explain how payments are received regarding Water Utility Authority (WUA) bills collected at SWMD and then brought to Treasury for deposit. FT1 stated that the correct way in which she has been trained is that there should always be a WUA payment coupon and a pink receipt slip (pink receipt slip is part of triplicate slip; white copy to customer, pink for deposit and yellow stays at SWMD) that is written from SWMD. The amounts on the pink slip and payment coupon should be the same. Each payment should be in a separate envelope, should be stapled and should come in a bank bag. FT1 stated that if the "due" amount is different than the actual payment there are usually initials verifying a different payment. When the deposit is done the pink copy and payment coupon are validated, the pink copy goes back to the depositor and the payment coupon stays with Treasury.

FT1 was asked if she remembered seeing the changed dollar amount on the payment coupon and pink slip of the deposit made on February 6, 2012 by SWMD1. FT1 stated she did not remember the deposit for that day, but that on other occasions SWMD1 and SWMD2 have brought in deposits that were not always in the proper condition. FT1 stated that there have been occasions when deposits were not stapled, money was not paper clipped to the pink copy and payment coupon and that there have been occasions when the actual deposit was less than what is noted on the payment coupon and pink slip. FT1 stated that when this has occurred, in the past, the SWMD employee would change the deposit amount on the payment coupon and pink slip to match the amount on hand.

II. On March 21 2012, the OIG interviewed Customer1 and Customer2. Prior to the interview, Customer1 and Customer2 were advised that the interview would be taped and that they would have an oath administered to which they acknowledged. Customer1 stated he was the person who presented himself at SWMD on Edith to make the \$175

payment. Customer2 is the one, along with her grandmother (Customer3) who spoke with Treasury regarding the discrepancy of the WUA bill.

Customer1 and Customer2 were asked to explain the circumstances regarding the payment made on February 3, 2012. Customer1 stated he made the payment at SWMD on Edith and that payment was made in the form of cash in the amount of \$175. Customer1 stated that the SWMD employee gave him a white receipt, which the OIG obtained, which showed receipt/payment of \$175.

Customer2 stated that when they received their March bill they noticed the amount credited for February reflected only a \$75 payment. Customer2 stated she called regarding the bill discrepancy and was told to come to the City Treasury Office. Customer2 stated that her and her grandmother, the account holder, went to the Treasury Office and explained to the cashier that they had made a \$175 payment and did not understand why it only reflected a payment of \$75. According to Customer2, TS1 was called by the cashier to assist in the matter. Customer2 stated she gave TS1 the receipt she had received from SWMD1 on February 3 showing they had made a payment in the amount of \$175. TS1 pulled the payment coupon, for that payment, which showed that the \$175 figure had been changed to \$75. TS1 told Customer2 to pay the current charges and that she would make a note on the account.

Customer1 and Customer2 were shown the pink copy and the payment coupon which showed that the "1" on the \$175 that had been originally written, had been changed and written over in different ink, to reflect a \$ symbol changing the amount from \$175 to \$75. Customer1 was very adamant and stated that he had given the SWMD employee \$175 in cash and that the receipt he was given reflecting receipt of \$175 was proof of that transaction. Customer1 was asked if he was sure that he had given \$175 and not \$75 and was now taking advantage of the employee's mistake and he said that was not the case.

III. On March 27, 2012, SWMD1 was interviewed by the OIG regarding a discrepancy with a receipt regarding a transaction she conducted on February 3, at SWMD related to a WUA bill. SWMD1 was advised of her obligation to cooperate and that she was being taped and would be placed under oath to which she acknowledged. SWMD1 was advised that she had the right to consult with a union or legal representative and she had union representation present for this interview.

SWMD1 was asked to explain her recollection of the transaction that occurred on February 3 regarding a water bill payment made on the account of Customer3. SWMD1 stated that close to 5pm, that day, a lady came in and wanted to make a payment. SWMD1 stated that this lady always comes in and wants to make partial payments. SWMD1 stated that the SWMD office only accepts full payments but that the lady said she had spoken with someone at the WUA and was told she could make the \$75 payment at the SWMD office. SWMD1 stated that she took the \$75 payment and

informed the customer that SWMD would not be responsible if there was a disconnection or if late fees were charged due to not making a full payment.

SWMD1 was asked if she recalled who came in and made the payment on Customer3's bill, as to whether it was a man or woman. SWMD1 stated that she did not remember if it was a man or a woman because there are so many people that come in and out. She did recall that they were trying to pay less than the amount due. Her recollection of a man or woman coming in to make payment is important because in the interview of Customer1, he stated that he was the one that made the payment. SWMD1, in recalling the transaction, stated she remembered a lady coming in wanting only to make a partial payment okayed by the WUA and she remembered telling this lady that SWMD would not be responsible for late fees or a disconnection but when directly asked if she recalled if it was a lady or man that made payment she stated she was unsure and did not recall.

SWMD1 stated that according to the cash handling policies, payments are to be put in a safe and a supervisor is supposed to dual verify the cash count. At the end of the day the cash count was done but that there was no safe to put the deposit in. SWMD1 stated that the dual verification has not been done to date by any supervisor. SWMD1 was asked how many drawers there are used to accept payments and she stated that there was only 1 drawer and that at least four different people had access to it, and that all payments were commingled in that same drawer. SWMD1 stated she has complained about only having one drawer, but not until this incident occurred did a second register get purchased, along with a safe.

SWMD1 was asked if a drawer was short money how would anyone know who is responsible for the shortage when there is no accountability or separation of accountability. SWMD1 stated there is no process in place to track it so you could not place responsibility when a shortage did occur. SWMD1 was asked if supervisors were aware of this deficiency and she stated yes. SWMD1 stated that on several occasions when she has gone to Treasury to make a deposit the receipts do not match the actual payment and she has had to change the receipt to match the dollar amount. SWMD1 was asked if this was proper procedure and she stated, this is the way she was trained. She also stated that her supervisors knew she was doing this.

SWMD1 was advised that the OIG was called because a customer complained about a discrepancy regarding what was credited in relation to this particular transaction which she had conducted. SWMD1 was told that the customer stated that they were only credited \$75 when they had made a payment of \$175 and provided a receipt which reflected this transaction. SWMD1 was then shown: the customers white copy which reflected receipt of \$175; the pink copy receipt which reflected the same receipt number but showed that the amount had been changed to \$75 in a differently colored ink; and, the water bill statement which had been attached to the deposit made at Treasury which showed the amount paid as \$75 utilizing the same colored ink and handwriting. SWMD1

was asked if she recognized the handwriting, signature on the receipt and the colored ink. SWMD1 acknowledged that the signature on the receipt was hers, that the handwriting was hers, and that she was the one that had made the changes.

At this time, SWMD1 was asked why she had changed the amount from \$175 to \$75. SWMD1 stated that when she went to Treasury to make the deposit; the person at the counter told her there was a difference with the amount of the receipt and the cash provided so she (SWMD 1) fixed the difference by making the changes on the pink copy and payment coupon. SWMD1 stated that is what she has always done when this problem arose in the past and she showed us pink copy receipts with changes she had made in the past. SWMD1 was asked if she saw any problem with making changes to receipts, as she has done, and she stated that this was the way she was trained to do it. SWMD1 stated she simply made a mistake when she wrote \$175 instead of \$75 and remembers only receiving \$75 and went on to state that this customer has never been caught up on her WUA bill.

SWMD1 was asked why if she was sure she only received \$75 and distinctly remembers only receiving \$75, she had written the receipt for \$175 and she said she simply had made a mistake and that it was a clerical error. SWMD1 was asked if she took the \$100 and was trying to cover this up by changing the receipt and she stated she would never do that and felt the customer was trying to take advantage of her mistake.

IV. On March 29, 2012, SWMD4 was interviewed regarding this incident. SWMD4 was advised of her obligation to cooperate, that she was being taped and that she would have an oath administered to which she acknowledged.

SWMD4 was asked if SWMD has the capability to receive payments for the WUA and why. SWMD4 stated yes, and that was because a portion of the bill is from services provided by SWMD. SWMD4 was asked how many people are in the position to accept money/payments and what kind of training those people have received. SWMD4 stated that SWMD1 and SWMD2 are the only two employees, besides herself as a fill-in, who are designated as cashiers and can accept these transactions. SWMD4 stated that she has been a manager, for about a year and a half, and has not really paid attention and learned the process so that left SWMD1 to actually conduct training as needed. SWMD4 stated that another employee, SWMD3, would take care of everything, so she didn't really learn the steps. SWMD4 stated that SWMD1 and SWMD2, as well as she, have taken the City's Cash Handling class.

SWMD4 was asked what kind of evaluations SWMD1 has received and she stated she has never given her (SWMD1) one. The OIG asked SWMD4 if dual verification was conducted and if so, how. SWMD4 stated that SWMD1 and SWM 2 would verify each other's drawer at the end of the work day and that the next morning she (SWMD4) would make sure they were not over or short. SWMD4 was asked if having them

(SWMD1, SWMD2) conduct their own unsupervised undocumented verifications was a good idea and she stated no.

SWMD4 was told that SWMD1 had mentioned that there was only one cash drawer that was shared, at the time, of the February incident. SWMD4 stated the SWMD1 was correct; there was only one drawer that was shared, along with the code that allowed access to the cash drawer. SWMD4 was advised that this was not a good process of separation or access control because it allowed for possible collusion and no accountability in cases of missing monies. SWMD4 was asked what, if any, changes had been made as a result of this incident. SWMD4 stated that they now have separate cash registers for SWMD1 and SWMD2 with \$75.00 cash-on-hand for each and that they verify and sign each other's deposit slips. SWMD4 stated that in the morning she verifies the cash log book and verifies if they are over or short.

The OIG stated that a separate cash drawers for each was a good first step but still had concerns regarding the verification process as it did not eliminate the collusion possibilities. The OIG offered some suggestions which SWMD 4 stated she would look to implement right away. SWMD4 was then asked how monies were secured overnight if the deposits could not be made as was required. SWMD4 stated that until about a month ago monies were secured in the cash register and locked up. SWMD4 stated that they now have a safe were funds are secured but the individual drawers and safe are accessible by each other. The OIG expressed its concern over this security issue and made additional recommendations to SWMD4.

SWMD4 was asked if she knew that SWMD1 was in the habit of making changes to the pink deposit slips, at Treasury, if discrepancies had been found to which she stated this was the first time she was hearing this. SWMD4 was told that SWMD1 had stated that her supervisor (SWMD4) knew about this and she stated that SWMD1 was lying as she never knew or would have allowed that to happen. SWMD4 was told that there were numerous accountability and security concerns we had with the cash handling procedures being followed at SWMD and that we would be making a number of recommendations in our report to which SWMD4 stated she would welcome the recommendations.