

To: Guillemette Regan, SPU Risk and Quality Assurance Division

From: Office of City Auditor – Robin Howe

Date: February 4, 2011

Subject: Customer Account Adjustments – Employee Malfeasance

Per SPU's request, the Office of City Auditor reviewed data related to a suspected employee fraud situation. The employee in question, Joe Phan, works in the SPU Project Management and Engineering Division, and was suspected by SPU of making improper adjustments to his own SPU utility accounts.

SPU provided various reports from the CCSS system showing activity on Joe Phan's SPU utility accounts for the time period of February 2001 through December 2010. This data identified charges for utility services, payments, and adjustments. We reviewed these reports, discussed the data with SPU, and concluded the following:

- SPU identified that Joe Phan owns(owned) three properties in the City that receive utility services from SPU and his SPU Customer Number is 538371. The addresses are: 6557 29th Avenue South (premise #474561), 3901 14th Avenue South (premise #201449), and 1701 Martin Luther King Junior Way South (premise #247818). We reviewed the CCSS account history data SPU provided for these premises. In addition, note that the 6557 29th Avenue South property was rented by a tenant for the earlier part of 2010 and the tenant was responsible for paying the SPU bill. The tenant's name for this time period was Rogelio G. Mariano (SPU Customer #1267735).
- **6557 29th Avenue South (premise #474561)**
During the spring and summer of 2010, this property belonging to Joe Phan was rented by Rogelio G. Mariano. As of July 2, 2010, there was an outstanding balance of \$501.80 on the account. SPU applied a \$10 late fee on August 3, 2010, and another \$10 late fee on October 4, 2010, bringing the balance to \$521.80. It appears that the tenant moved out without paying his SPU bill and in this case, per SPU policy, the debt eventually reverts to the owner of the property. *On October 27, 2010, under Joe Phan's CCSS user ID, a 'Payment Cash' transaction posted to the account for the exact amount owing, or \$521.80. Per SPU's policy, employees should not be entering any transactions to their own accounts, and certainly not posting payments. It should also be noted that Joe's job in the SPU Project Management and Engineering department should never involve posting customer payments. The SPU Customer Accounting division reconciles daily all the payments posted to CCSS to the payments that posted to STORM, the City's cash receipting system. Payments are reconciled by payment type. SPU noted that the CCSS cash reconciliation for October 27, 2010 was out of balance by \$521.80 because the "cash payment" was not actually made or received by the City.*

In August, 2010, this premise was moved back to Joe Phan's name and all account activity appears to be reasonable and normal. However, we did note that the balance from the August 2010 bill was not paid until November 1, 2010, so it was paid late. As of November 1, 2010 the balance for both the August and October billings were paid in full. On December 31st, 2010, there was a current balance owing on the account of \$234.06 from the December 2010 billed charges.

Guillemette 2/4/2011 5:18 PM

Comment [1]: I don't believe we have an actual policy, I think it's really more of a practice. If there is a policy I would love to see it.

Guillemette 2/4/2011 5:19 PM

Comment [2]: I don't know what the balance would be once we have reversed the charges. We should check on that.

- **3901 14th Avenue South (premise #201449)**

At the time the October 2010 bill was issued, this account had a delinquent balance of \$280.40 since the August 2010 billed charges had not been paid. The total balance on the account as of October 19, 2010 was \$527.69. *On October 22, 2010, a transaction was entered to this account using Joe Phan's CCSS User ID that posted as a "Payment Cash" for the exact amount owing of \$527.69.* Again, per **SPU's policy**, employees should not be entering any transactions to their own accounts, and certainly not posting payments. *SPU Customer Accounting noted that the CCSS cash reconciliation for October 22, 2010 was out of balance by \$527.69 because the "cash payment" was not actually made or received by the City.*

On December 17th, 2010, another payment for \$527.69 was posted to this account. The transaction coding of 'WCRE' indicates this payment was an on-line credit card payment type (i.e., credit card payment through the City's web portal) and went through the City's automated payment processing system. *Since only \$3.90 was owed on the account (i.e., for 'Extra Yard Waste' charges) on this date, this resulted in a credit balance on the account of \$523.79. Given that there was no balance on the account, and given Joe's prior "cash payment" transaction, it could be that he was trying to "make good" on these funds and it resulted in a credit balance on this account.* As of December 31st, 2010 after the December billed charges posted, there was a credit balance of \$281.53 on this account.

- **1701 Martin Luther King Junior Way South (premise #247818)**

No unusual activity was noted on this account, just the normal utility account activity of charges and payments. However, we noted that the August 2010 billed charges were paid late, at the same time as the October billed charges were paid, on October 25th. This payment of \$488.55 posted as a 'Payment WACH' transaction, which is an on-line ACH transfer payment type (i.e., transfer from a bank account made through the City's web portal) and it went through the City's automated payment processing system. This payment brought the account balance to \$0. As of December 31st, 2010, the account had a current balance owing of \$245.27 from the December billed charges.

Conclusion

We conclude that Joe Phan made two false "cash payments" of \$521.80 and \$527.69 to SPU, totaling to \$1,049.49, and then later repaid the one false payment of \$527.69.

Please let us know if you have any further questions about this review work.

Cc: Melina Thung, SPU Finance and Administration Branch
David Jones, Office of City Auditor

Guillemette 2/4/2011 5:22 PM
Comment [3]: Could you also show the transactions and totals in a figure / table? Seems like it help an at a glance review.