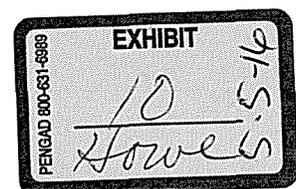


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POTENTIAL ISSUES LIST

- **Customer Service and CCSS Procedures and Policies** SPU Customer Service policies and procedures on CCSS transactions and protocols are not adequate.
 - At the time the work for this review was initiated, there was no documented policy within the CCSS policies and procedures manual that stated employees were not allowed to enter transactions on their own utility accounts. However, during based on prior audit interviews with Customer Service employees, we were told that this policy was verbally communicated to employees (**can we define what type of employee received this training?) during training. SPU senior management established a new policy covering this issue in detail was established by SPU and that was implemented and communicated to (**whom?) by SPU senior management in April 2011.
 - Although all SPU and SCL employees (and vendors) with access to customer utility accounts in CCSS must sign a Confidentiality Agreement form, the agreements but it currently doesn't prohibit address that employees may not from working on handle their own accounts, nor does it address employees' handling accounts of their friends or relatives. SCL and SPU are working on revising this form and incorporating these items into it. The revised form's estimated date of implementation of the new form is ~~XX~~ and pending ~~XX~~ (**?).
 - The Call Center has a policy (**is it really a policy if it hasn't been written down in a formal policy document? Isn't it more accurate to describe it as a practice?) to waive one \$10 delinquency fee for a customer over the life of their account, and while this policy has been communicated to employees verbally and in training (**I don't understand the difference between communicated "verbally" and "in training") it has not been documented.
 - (**Perhaps this should be listed first in this section as it makes a broad statement about the lack of written p&p) In general, there is a lack of documented policies and procedures for SPU Customer Service functions. SPU is conducting a comprehensive review of Customer Service internal controls and policies/procedures and this review will be the first step in addressing this problem in that needed control improvements will be identified. Then, new procedures will be developed, documented, and implemented.
- **Call Center Staff Training** There appears to be a need for improved and ongoing training for the staff of the SPU Combined Utility Call Center:
 - Our interviews with four separate SPU Customer Service employees indicate there is a need for more regular and ongoing training of Customer Service staff on policies. Notably, we were told that employees still have questions about ~~on~~ how to handle certain things, including low income rates, handling the accounts of people or businesses that the Utility Account Representative (UAR) knows, etc.



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One employee said ~~there is a need for clarification of policies~~ need to be clarified and a ~~greater improved~~ awareness by employees of where policies are located.

- **CCSS System Access Rights** There are staff ~~in (SPU, and SCL and other departments)~~ with update-level access rights to CCSS that are not necessary for them to perform their ~~job functions~~.
 - At the time of our fieldwork for this review, over 300 City employees had update-level access to CCSS. ~~SPU and SCL have started working on reviewing all employee access rights to CCSS. SPU and SCL are working on reviewing all CCSS access rights and removing or limiting access where appropriate. This should be completed by XX.~~
 - A SPU employee who worked in the Engineering ~~unit/department~~ had update-level access to CCSS and entered two false cash payments to his own utility accounts. These payments were identified by SPU through a daily reconciliation process and the employee in question was terminated. This individual required only read-only access to CCSS for his job duties.
- **Customer Adjustments** Controls over customer adjustments made by SPU Customer Service (and other staff~~??~~ ~~And why is this in parentheses?~~) are not adequate to prevent ~~or detect~~ unauthorized adjustments. About \$15 million per year in credit adjustments are entered in CCSS.
 - ~~Until~~ ~~Prior to recently~~ ~~(**could be more precise about when the more complete reviews started?)~~ ~~months~~, there was limited review of customer adjustments made by SPU employees. The Auditor in the SPU Residential Customer Audit unit only reviewed adjustments over \$500.
 - CCSS system controls do not prevent a UAR or non-~~s~~Supervisor/~~m~~Manager from making customer account adjustments over a certain dollar level. We recommend establishing dollar level limits for adjustments entered by non-supervisors ~~or management~~.
 - Reason codes and comments help to explain why adjustments are made and serve as a control to help ensure that adjustments are being made in accordance with appropriate and per policy. We found many instances of credit adjustments made without reason codes or comments ~~entered~~. For some employees, it appeared that they never enter this information. For example, one employee who entered 19% of the total credit adjustments for a month-long period (Ms. Theofelis) didn't enter reason codes or comments for any of the adjustments she made. It also appears that SPU Customer Service training may not properly train employees to enter reason codes or emphasize this procedure strongly enough.
 - Management reporting on customer adjustments is needed, both at the total and individual CCSS user-level. Without this information, management has no ~~efficient means~~ basis to help identify employees who might be ~~are~~ making

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- **Payment Plan Arrangement Policies** PThere is a need to tighten up payment plan procedures should be revised to make them more restrictive.
 - Current procedures appear to be excessively generousliberal to customers byand allowing themcustomers to repeatedly cancel and re-establish payment plans (i.e., called due date extensions). Cancelling and re-establishing payment plans allows customers to be essentially on a “rolling” or permanent payment plan. This was not the intention of the utilities’ payment plan policy; itand allows customers to skirt the requirements that a current payment plan must be paid off before they can have a new one and that a customer can only have two broken payment plans (i.e., customer failed to make the payment on time) within a year.
 - While some UARs will cancel and re-establish payment plans for customers, some will not. According to XXX. dDelinquent customers realizehave figured this out and will “shop” the Call Center by calling several times until they get a UAR who will accommodate their requests. Furthermore. sAnd some customers will are calling at the UAR’s direct phone line instead of calling versus the Call Center. line although this is a violation of Call Center policy (**This needs to be reword. How can a customer violate Call center policy? Isn’t employees who violate the policy? Also, how is an UAR going to know if a customer has already called another UAR?) and it reduces the likelihood of maintaining an “arms length” relationshiptransactions with the customers on transactions. (Auditor’s Note: The fact that some UARs will cancel payment plans and then set the customer up with a new payment plan whileand some UARs will not for customers who have had repeated payment plans could indicate that the UARs know that this type of transaction is not really appropriate, even though it may not violate any actual policy per se.) Payment plans are numbered consecutively in a customer account so the UARagent can easily see how many plans a customer has had. Also, UARsAgents are trained to review every account that they handle to see its status and history: what is going on with it and this requirement is documented in the Call Center training materials. In light of this, it would be obvious to agents if customers were on “rolling payment plans.”
 - Customer Service officials indicated there is no minimum balance threshold requirement for a delinquent customer to be eligible for a payment plan. We recommendbelieve that a requirement for a minimum outstanding balance should be established.
 - SPU and SCL have requirements for deposits of 50% or 75% for payment plans, depending on the status of situation with the customer’s delinquent account, but there are no controls built into CCSS to ensure such deposits are made along these lines. Call Center management indicated that UARsagents are not always requiring these payments and may sometimes reverse late fees. UARsAgents should get approval from their supervisors in these cases, but they aren’t always doing this and the supervisor approvals are not (**always?) documented.
 - SCL and SPU’s payment plan policy allows any past-due customer to have a payment plan, but not if they have broken two plans within one year. (**Let’s

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- discuss the following recommendation. How often does this happen?) This seems overly generous ~~to us~~ and we would recommend allowing either one broken payment plan per calendar year or two for the life of the account.
- There is no ~~maximum~~ payment plan maximum dollar limit ~~level~~ that requires a UAR to pass the decision to handle and requires a supervisor or manager to handle. There are certain “exceptions” that require supervisory approval but these are not based on the dollar level of the payment plan. We recommend establishing a dollar level limit for payment plans handled by non-supervisors.
 - There is a need for improved CCSS reporting on payment plans. Customer Response (**is this a unit within SPU?) has a need for some sort of system-driven email or notice to the employee who set up the plan to allow them (**it's not clear who “them” refers to. Is Customer Response or the employee who set up the plan?) to contact a customer if a payment is due or overdue. SPU management needs ~~management~~ reporting on payment plans with information on how many plans are active, the total dollars involved, how many have been broken, etc. The Call Center could also utilize their new quality assurance software to help with monitoring payment plan activity.
 - We noted several instances of utility employees with a high number of payment plans whose accounts fell into the situation of being on a “rolling” payment plan by through the use of due date extensions. This indicates a need for tighter controls over employee payment plans. We recommend that all payment plans for utility employees (and other City employees if it is known the customer is a City employee) be handled only by a supervisor/manager. (**I have concerns about the following sentence. I am concerned about not extending this to people solely because of their status as City employees. Some City employees don't make a lot of money and could through no fault of their own require a plan) Ideally, in our opinion, the best situation would be to not extend the option of a payment plan to a City employee.
- **Call Center Staff Handling Utility Transactions for Each Other** At the starttime of the initiation of this review, it appeared (**I prefer to avoid the use of this word because it basically states that we are speculating). Could we revise this sentence to get rid of it?) to be common practice for Customer Service employees to handle utility transactions for co-workers, including setting up payment plans, handling energy grant referrals, etc. SPU's ~~new~~ policy issued in April 2011 made it clear that it is not an acceptable practice for Customer Service employees to handle utility account transactions for co-workers; these transactions must now be handled by a supervisor or manager.
 - SPU's and our analysis of CCSS data indicated co-workers frequently handling utility account transactions for each other. We noted ~~that it appeared that an employee would have a certain individual repeatedly handle transactions for~~

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them, including setting up payment plans, removing late fees, etc. This indicates to us that there may be collusion among SPU Customer Service employees to provide ~~do~~ "favors" for co-workers ~~within the form of~~ beneficial account transactions/adjustments [in exchange for receiving "favors" in return from co-workers ~~what's the evidence that favors were exchanged?].~~

- o Based on SPU's and our preliminary review of CCSS transaction data, it appears ~~(**see prior comment about this word)~~ that employees may be teaching ~~(**I'd be very careful about saying this: what's our evidence?)~~ other employees how to utilize CCSS transactions to benefit themselves and friends and family members. This conclusion is based on the fact that some newer employees have entered certain types of transactions to benefit their own account. ~~(**But can we prove they learned this from someone else versus did it on their own?)~~
- o We found several instances of employees crediting back late fees for other employees. The utilities' standard practice is to credit customers back for only one \$10 late fee but we saw several instances where employees were credited back for multiple \$10 late fees by other employees.
- o SPU's and our analysis of CCSS data indicated co-workers setting up payment plans for each other, as well as for their ~~own~~ supervisor. We recommend that all payment plans for utility employees (and other City employee if it is known they are a City employee) be handled only by a supervisor ~~or~~ manager.
- o We noted several examples of employees who ~~repeatedly had had one~~ payment plans ~~after another that were~~ set up for them ~~by~~ for their co-workers. For the data we looked at, most of these payment plans did not appear to comply with SPU/SCL policy in terms of the required deposits.
- o ~~(**Will need to remove the following references by name to City employees)~~ For example, Ms. Davis-Raines, who works in the SPU Call Center, had 77 payment plans set up for her by co-workers that do not appear to comply with SPU/SCL policy. Ms. Cordamon, who works for the SPU Call Center, had 146 transactions entered on her account by other employees and 31 adjustments to credit a total of \$180 to her account. She did not enter any transactions to her own account. Ms. Johnson, who works in the Utility Payment Center in the SMT building, entered ~~many "tons" of~~ payment plans for co-workers. Ms. Johnson also entered ~~significantly way~~ more payment plans for regular customers than is average for Customer Service staff. A frequency chart of payment plans identified that Ms. Johnson entered a very high number of plans to certain employees and certain customers. It is possible that Ms. Johnson may ~~have~~ set up ~~many more~~ employee payment plans because she works in the Payment Center ~~and it may be that~~ employees preferred to go to her to have payment plans set up ~~rather~~ than deal with the Call Center or Credit and Collections ~~units~~ over the phone. Ms. Johnson also had a high number of payment plans on her own utility account – 60 in total from 2001 through 2010 – and Ms. ~~Thompson~~ Thompson, who works in the Call Center, entered 32 of these payment plans. There was a question as to whether Ms. Johnson made the deposits required per policy for these payment plans, and

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this question applies to the payment plans for other employees, as well. (**Has anyone tried to verify this yet?)

- **Call Center Staff Accessing Their Own Utility Accounts** We heard from several Call Center staff, that ~~before~~ prior to April 2011, it was common practice (**by whom? UARs?) ~~to accept~~ that it was alright to access your own SCL and SPU accounts, as well as those of relatives and friends. This included entering notes on your own account, reviewing account history, entering service orders, changing garbage service levels, etc. SPU's new policy issued in April 2011 makes it clear that it is no longer an acceptable practice to access your own account or the account of a relative, friend, or close contact.

- **Call Center Staff Entering Transactions on Their Own Accounts and Relatives' Accounts** We found that some Call Center staff entered transactions in CCSS on their own accounts or the accounts of close relatives:
 1. Before SPU issued a policy forbidding employees entering transactions on their own utility accounts, some Call Center employees told us that it was acceptable ~~to enter transactions on your own utility account do this while prior to the implementation of SPU's new policy on this in April 2011 and some employees said that it was not.~~ After SPU released ~~their~~ new policy on handling accounts in April, a few employees stepped forward as whistleblowers and independently reported the names of ~~three~~ employees ~~who~~ that were making inappropriate adjustments to their own accounts. SPU and OCA are following up on these whistleblower reports.
 2. Ms. Matlock confirmed data indicating that she had removed late fees from her own account in 2002 and 2007. We noted that Ms. Matlock made 94 transactions on her own account (**between when and when?), including setting up 69 payment plans for herself. By putting herself on payment plans, Ms. Matlock avoided late fees, though her account was continually delinquent, and ~~she avoided~~ water and electric shut-off. Also, it does not appear that Ms. Matlock made the required 50% deposit for each payment plan, as is required by SPU/SCL policy.
 3. Ms. Theofelis confirmed data indicating that she had removed extra garbage and late fees from her parent's account on several occasions ~~in the past~~.
 4. Ms. Bradford confirmed data indicating that she has removed late fees from her own account ~~in the past~~.
 5. We noted that several employees set up payment plans on their own accounts, including Ms. Kaufman and Ms. Matlock (set up over 60 payment plans for herself) (**does "herself" refer to Ms. Kaufman or Ms. Matlock?).
 6. We noted that several employees, including Ms. Bradford, set up payment plans for close relatives, such as parents, ~~including Ms. Bradford~~.
 7. We noted that Ms. Bradford approved an EAP grant request for her daughter, who currently lives at the address listed in the ESS system as Ms. Bradford's home

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address. Ms. Bradford's income was not listed on the EAP application as part of household income.

8. Ms. Monroe, who works in the SPU Call Center, adjusted her own account 4 times, totaling about \$70, and set up 4 payment plans for herself (via her husband's account). Ms. Monroe is related to several other City employees (at least 4 sisters and 2 relatives) and SPU has found that she adjusted the accounts of her relatives, but they have not yet had time to look at the account history for all of the relatives.
9. SPU's analysis identified that Ms. Williamson, who works for the SPU Call Center, lives with her mother, sister, and daughter, and made ~~many~~ adjustments to ~~people~~ listed as her emergency contacts, and to a possible relation who works for the City's Parks Department. She set up 34 payment plans for that Parks employee.
10. Ms. Kaufman set up four payment plans for herself, and then paid them off later. Ms. Kaufman has not been employed with SPU for that long (~~that long~~ is pretty vague). SPU management and OCA suspects that other more senior Call Center staff taught Ms. Kaufman how to avoid late fees through the use of payment plan arrangements.
11. Mr. J. Phan entered 'Manual Cash Payments' on his utility account for a rental property via CCSS without actually making any payments. The employee denied that he did this, repaid one of the amounts later, and altered a copy of his bank statement to support his statement. SPU HR determined that the employee's bank statement was altered because it was visible as a poor job of cutting and pasting and use of white-out. In addition, while the payment transaction posted on 10/22/10 in CCSS, the altered bank statement indicated it was made on 10/29/10. Shortly before the employee entered the false cash payments, he went into his account and changed his Yardwaste/Recycle solid waste service on his rental property. This employee had broader access rights to CCSS than he should have, given his job in SPU Engineering.
12. Ms. S. Howard entered various transactions on her own utility accounts and for close relatives:
 1. She created her own payment plans, had many payment plans with no deposit paid (i.e., it is SPU's policy to require a deposit for payment plans) and payment plans in quick succession, and canceled water shut-off orders on her account.
 2. Ms. Howard handled energy grant transactions for her own SCL account. There were two energy assistance payments for \$1000 each applied to her SCL account. These energy grants are federally-funded but locally administered by CAMP (the Central Area Motivational Program). For the first grant that was applied there was a note on the account that indicated something like "Roommate dispute - applied to this account (i.e., Ms. Howard's) in error. Should be applied to account belonging to Paul Webb." The note indicated that Ms. Howard had made a payment on Paul Webb's account to correct the situation. It appears that these notes were

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entered by Ms. Howard, but weren't entered until late August 2010, which was a year or so after the grant was applied. There was no note on the account in relation to the second pledge of \$1,000.

3. Ms. Howard entered a note on her account "OK to turn power on" at one point when her SCL account was significantly delinquent and was scheduled to have the power shut-off per SCL policy.
 4. Ms. Howard canceled a SPU Water Shut-Off Notice on her own account.
 5. Ms. Howard waived late fees on her own account and we also noted that there were many late fees waived for her by other SPU employees.
 6. Ms. Howard entered her own meter readings when she opened a new account and moved to a new residence several times.
 7. She credited back late fees for her father's account.
 8. Ms. Howard referred her father's account for several energy grants.
13. SPU's transaction analysis indicates some SPU employees are adjusting the utility accounts of their family members, including those that work in another area of the City. For example, analysis conducted to date indicates that there are two sisters ~~who~~ work in Customer Service that are frequently adjusting the accounts of family members and friends, a husband's rental property, and referring family members for energy grants, etc. We are concerned that some of these transactions may be inappropriate.

- **Energy Grants and Reduced Rates for Employees** Controls do not appear (Why do we say "appear"?) to be adequate over the determination of qualifying SPU/SCL employees' eligibility for the various energy grant programs available and the SPU/SCL reduced rates program (i.e., rates are reduced to 50%). We are concerned that some utility employees may be reaping the financial benefits of these programs when they do not actually qualify for them based on program income guidelines. It should also be noted that certain energy grant programs are federally funded (i.e., LIHEAP) and any abuse of this program represents an abuse of federal funds.

- o There were two \$1,000 Energy Assistance Grants from CAMP (for the federally funded LIHEAP [low income heating energy assistance program]) applied to Ms. Howard's SCL account. Ms. Howard's income was not listed on either grant application, though that is a program requirement of the program. Given the level of her salary as a Supervisor for SPU Customer Service supervisor, it would be appropriate to verify whether this account would have been eligible for a grant had Ms. Howard's income been properly included as part of the household income listed on the application. In addition, for the grant that posted to Ms. Howard's account in April, 2009, there was a note (on what?) that the grant was supposed to be given to Paul Webb but somehow was applied erroneously to Ms. Howard's account. Ms. Howard herself entered this note in August, 2010 and stated that she had made a direct payment to this man's account to correct the situation. For the grant posted on 9/2/10, there was no

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explanatory note on the account. A Mr. James Bruce applied for this latter grant that posted to Ms. Howard's account and there was no Energy Form completed as is to be done per procedure.

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- o Ms. Howard received a WCEF energy grant for \$674 on 8/9/05 and \$500 on 12/11/06. This payment is for a federally-funded energy grant program utilizing Enron monies. This program is similar to Project Share in that it is for energy payment assistance for low income individuals and is administered by HSD for SCL. Ms. Theofelis entered the referral for the first grant and it was actually applied to the account by Ms. Woods in HSD. (Note: Ms. Woods has since been terminated for giving energy grants to friends/relatives who did not qualify for them.) The 12/11/06 grant was applied to the account by Ms. S. Scott in SCL Credit & Collections and a note was entered on the account by Ms. L. Beck in HSD about the grant and a payment arrangement. (Auditor's Note: It is unlikely that Ms. Howard would have been qualified for this grant program based on her salary as a supervisor.

- o The husband of an SPU manager, Ms. Scott, applied for and received a CAMP energy grant for their utility account. He (Mr. Frank) did not properly include his wife's income on the application and it is unlikely that the account would have qualified for the grant if he had based on his wife's salary as a manager. Mr. Frank's energy assistance applications also note that he receives Food Stamps and SSI. Mr. Frank is listed as the spouse of Ms. Scott in the City's HRIS system and he receives City medical benefits. The name on Ms. Scott's accounts was switched several times to make it look like she was moving when in fact the address never changed and it appears this may have been done to enable setting up the account up on reduced rates (i.e., 50% rates). SPU found a fake rental agreement to make it look like the manager's spouse was renting the house from the manager.

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- o Ms. McClure, who works in the SPU Call Center, lives with her mother, who (**Ms. McClure or her mother?) filed for energy assistance and did not declare Ms. McClure's income as is required.

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- o SPU's analysis of CCSS data indicates some relatives of employees who are set up on Reduced Senior rates, and we have questions about whether all of these individuals are concerned meet that there may be abuse in this area. There are strict income guidelines to qualify for the Reduced Rates program income eligibility guidelines.

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- o Call Center agents should not be entering notes about energy pledges on customer accounts, since that would normally be something that the Credit and Collections unit does, not the Call Center. The SPU Investigation Team has identified instances in which where Call Center employees entered these types of notes on other employees' accounts.

- **Reduced Rates and Energy Grants for Other Customers** Controls may(**?) not be adequate to ensure recipients of the utilities' reduced rates program and the energy

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grant programs' grants really meet the qualify for them based on programs' income guidelines. There are new income thresholds that are more complex for some of the reduced rate and energy grant programs, including the utilities' Senior Reduced Rate program. ~~And~~ the Acting Director of MOSC (**spell out acronym) has concerns about this program and whether everyone on the reduced rates qualifies for them.

- o ~~SPU~~ (**The following sentence needs to be revised to make it easier to understand) customers who are apartment dwellers and that are on the reduced rate program receive a year end refund check from SPU at the end of the year refunding them for 50% of the estimated water/sewer they used but didn't actually pay for because the water SPU is paid by the landlord. (Auditor's note: This auditor does not see how this makes sense since these customers do not and would not ever pay for SPU water/sewer charges. -RH)

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- **Accuracy of Employee ESS Information** It appears (**can we get rid of this word? If can't, do we really have enough evidence to include this section?) that employee address information in the ESS (**spell out acronym) system may not always be accurate and updated:

- o The information in ESS for Ms. Theofelis indicates she lives in Seattle, at the address where her parents currently live, and she states that she has lived in Auburn for the last 9 years. She indicated that the ESS data was not accurate for either her home or mailing address.
- o The information in ESS for Ms. McClure indicates she lives in Seattle, at the address where her parents currently live, and she states that she has lived in Federal Way for the last 1 1/2 years. She indicated that the ESS data was not accurate for either her home or mailing address.
- o ~~Ms. Bradford's ESS~~ The information in ESS for Ms. Bradford indicates that she lives in Seattle, at an address where her daughter and family live currently in a house owned by her mother, Ms. Bradford, and she states that she has lived in Renton for the last 9 years; however, ~~But~~, she said that ESS is accurate for ~~her~~ the mailing address since all her mail goes to her old Seattle address.

- **Employee Utility Account Delinquency** (**Is this heading accurate? There's no mention of background checks) In reviewing CCSS data on employee utility accounts for this project, we noted many situations in which where the employee's accounts were basically continuously delinquent, often with a fairly significant delinquent balance. The ACFE (**spell out acronym) fraud triangle indicates that three things need to be present for someone to commit fraud – opportunity, motive or need, and rationalization. Employees currently have the opportunity to enter unauthorized transactions on their own utility accounts, since they enter CCSS transactions as part of

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their job, and we believe a delinquent account balance could serve as the motive to do so. The ACFE recommends conducting credit checks as part of employee background checks because fraud statistics indicate that it is more likely for individuals with poor credit history to commit theft, fraud, etc. We recommend that SCL ~~the utilities~~ and SPU add credit checks to the background ~~investigation~~ checks they conduct on new employees who will be entering CCSS transactions. The City's Personnel Department establishes the citywide policy on background checks and in the past it ~~has~~ve opted not to include credit checks on all employees (**aren't credit checks allowed on some employees?). Current City of Seattle background checkss include a criminal check and verification of work experience and education. The -Personnel Department may wish to reconsider ~~its policy~~this decision in light of the recent problems with employees making inappropriate utility customer account adjustments, employee abuse. Also, ~~or~~-SCL and SPU may opt to establish their own separate policy on employee background investigation checks. We also recommend that any employee transferring into a position where they will be entering CCSS transactions receive a background check (**including a credit check?), if they were not previously in a job that required one.