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City tow system worries auditor

LONG BEACH: Report says current procedures raise chances for fraud, but no evidence of a crime is found.

By Paul Eakins Staff Writer

LONG BEACH — A lack of oversight and controls in Long Beach's Towing Operations creates "a high risk of fraud," according to an audit by City Auditor Laura Doud.

The audit will go to the City Council next week for discussion and was provided to the Press-Telegram on Monday.

"We don't have any hard factual evidence to prove that there was fraud," Doud said Monday.

However, the department is vulnerable, she said.

"An employee could collect cash, pocket the cash, erase the record and no one would ever know," Doud said.

The audit examined records from July 1, 2008, through Jan. 31 and was requested by Mike Conway, who had just taken over the Department of Public Works.

Doud outlines two main issues in her report — the ability of towing workers to alter or delete computer records without detection and a high number of employees having access to both these records and cash. The city implemented new software for towing records last year.

Towing Operations collects and deposits \$5 million to \$6 million in impound fees and other payments each year. Through August of the last fiscal year that ended Sept. 30, 62 percent of \$4.8 million that had been collected was in cash, Doud's report says.

The audit says that 21 employees have physical access to cash and "the ability to manipulate computerized tow records." Seven of those workers have access to the safe where the daily deposit is stored, the report says.

Nineteen employees, ranging from tow truck driver to superintendent, have the ability to perform three business functions that should be separated — access to cash or vehicle assets, recording transactions and authorizing transactions, the report says.

The audit also notes that Doud found multiple errors in the inventory system and discrepancies between the computer records, manual records and the vehicles that were physically on the lot.

Some vehicles that were listed in the computer inventory record weren't physically observed on the lot, the report says. Meanwhile, 220 observed vehicles had no manual inventory record, and 70 of those also had no computer inventory record.

The manual records of vehicles in inventory contained files of more than 1,000 vehicles that weren't in inventory.

In some cases, undeposited cash from standard tow transactions had been placed within the physical record files themselves, rather than placed in a safe.

The audit lists dozens of recommendations, many of which already are being implemented by city management, to correct the Towing Operations problems and prevent future fraud.

"They've represented to us that they're actively making changes," Doud said of city management.

City Manager Pat West said his office hasn't received evidence or tips that fraud has taken place in Towing Operations. Asked if declines in towing revenues over the last two years could be attributed to fraud, West said that is unlikely.

"I can't believe that that would happen," West said. "To affect our revenues, you're talking about major fraud."

No employees are going to be disciplined as a result of the audit, West said.