



Office of the Auditor General

**Investigation of Cash Theft Incident – Meridian
Theatres @ Centrepointe**

**Tabled at Audit Committee
July 4, 2019**



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Original signed by:

Auditor General

Executive summary

Purpose

On November 13, 2018, a report was filed through the Fraud and Waste Hotline (Incident Report) regarding a theft of cash from an office area at the Meridian Theatres @ Centrepoin (MT@C). In response to the Incident Report, the Office of the Auditor General (OAG) investigated the alleged theft of cash.

Background and rationale

The Incident Report alleged that \$2,360 was stolen from a safe that was located in the MT@C Theatre Administration Office sometime between 3:00 p.m. Tuesday November 6, 2018 and 8:00 a.m. Wednesday, November 7, 2018. The reported loss was amended on December 12, 2018 through an update to the Incident Report so that the theft of cash was \$1,360, not \$2,360 as originally reported.

MT@C is a City of Ottawa theatre and organizes events for the public, which includes, at times, collecting cash for ticket sales, bar sales, and merchandise sales. The Theatre Administration Office, where the theft occurred, is an office area that is restricted to staff only. The MT@C drop safe in the Theatre Administration Office is used by event staff to hold deposits until a bank deposit is prepared and transferred to the bank. The drop safe contains a change float, deposits, and may include cash received as a result of a coin order service. The amount of cash in the drop safe can vary depending on the timing of deposits, and if a coin order had recently been received. At the time of the theft, there was █████ in the drop safe, of which \$1,360 was stolen.

The objective of the investigation was to investigate the alleged cash theft incident. The scope of the investigation was to obtain facts surrounding the alleged cash theft and assess what evidence existed, if any, to determine who may have perpetrated the theft.

Findings

Finding #1 – Unable to identify the thief

We were unable to determine the perpetrator of the cash theft. At the time of the incident, the drop safe was located in an office area that was accessible to numerous staff and was not under camera surveillance. In addition, at the time of the incident, we

were advised that four staff had the combination to the drop safe. Staff at the time were not required to document or log their access to the safe.

Finding #2 – Inadequate controls over the safeguarding of cash / Location of drop safe was not in a location to mitigate risk of cash theft

At the time of the incident, the drop safe was in a location that was not under camera surveillance. In the absence of camera footage, management and the OAG were unable to identify who accessed the safe and exactly when the cash went missing. In the absence of such evidence, there is little to no recourse for disciplinary action and/or recovery of stolen assets.

A cash handling compliance review was conducted in June 2018 by the City’s Policy and Process Review Branch within the Corporate Services Department. Results and recommendations stemming from their review were provided to management on August 2, 2018 which included a recommendation to ensure all safes are kept in a restricted area. Management’s response to this recommendation stated that the drop safe would be moved to [REDACTED]. Following the November 2018 incident, management did move the drop safe to the [REDACTED], an area under camera surveillance. It would be prudent for management to test the camera footage to ensure that it would provide sufficient evidence in the event of another incident.

Finding #3 – Management’s response to the identified risks was not implemented on a timely basis

Based on the results and recommendations of the cash compliance review received by management in August 2018, we would have expected the drop safe to be moved on a more timely basis. At the time of the incident (sometime between November 6 and November 8, 2018), the location of the drop safe had not changed. It was only after the incident that the drop safe was moved. A more timely response would have reduced the probability of this theft occurring.

Finding #4 – Problems quantifying the loss

On Thursday, November 8, 2018, the deposit preparer accessed the drop safe as part of their regular duties. When this person opened the safe, they observed that the plastic container that normally held the change float appeared as though it had been thrown in to the safe and there was loose cash on top of the container. Following on-site management’s instructions, the staff member counted the loose cash in the safe alone and reported to management that \$2,360 in cash was missing. The amount was later

revised to \$1,360 on December 12, 2018. No second person reviewed the available records supporting the initial loss calculation.

Relying on one person to count the cash following the incident increased the risk of further cash theft and the risk of relying on inaccurate information. Having two people participate in the count of cash in the drop safe would have mitigated these risks. In addition, a second level review of the deposit and coin order records used to support the loss calculation may have flagged inconsistencies in the calculation.

Conclusion

Based on the location of the drop safe and the processes for accessing the safe at the time of the incident, the perpetrator of the cash theft cannot be determined. In the absence of camera footage, management and the OAG were unable to identify who accessed the safe and when the cash went missing. It is recommended that the camera footage for the drop safe's new location be reviewed to confirm that it would be adequate to provide sufficient evidence in the event of another incident.

Several observations and recommendations were provided to management in August 2018 as a result of a cash compliance review that was conducted in June 2018. This included a recommendation and management's response to move the safe to a more secure location. While the safe was moved after the incident, prompt action would have reduced the risk of cash theft.

Relying on one person to count the cash following the incident increased the risk of further cash theft and the risk of relying on inaccurate information. Having two people participate in the count of cash in the drop safe would have mitigated these risks.

Recommendations and responses

Recommendation #1

That the City review the camera footage for the drop safe's current location to assess whether the footage is adequate to provide sufficient evidence in the event of another incident.

Management response:

Management agrees with this recommendation and it has been implemented. Management reviewed the camera footage for the drop safe's current location and confirmed that the camera is pointing in the correct direction to ensure that sufficient evidence can be provided in the event of another incident.

Management has directed all recreation and cultural facilities with cash handling area cameras to perform camera tests on a regular basis and conduct footage review periodically. These practices are to ensure proper camera alignment and cleanliness so that sufficient evidence can be provided when needed. The camera tests and footage review will also be performed whenever there is a site layout change or furniture movement that may affect the camera on site.

Management has also included the camera testing as part of the onboarding checklist for new staff. The onboarding checklist document is available on Ozone to all Recreation, Cultural and Facility Services' staff.

Recommendation #2

That the City implement a review process so that two staff are present at cash counts when responding to possible cash theft incidents.

Management response:

Management agrees with this recommendation and it has been implemented.

A review process has been developed and implemented. This process ensures that at least two staff are present during cash reconciliation counts when responding to cash discrepancy incidents. Both staff members are required to initial the amount on the tracking log when the cash counts are completed.

Recommendation #3

That the City implement a review process that ensures loss calculations are reviewed by a second party on a timely basis following cash theft incidents.

Management response:

Management agrees with this recommendation and it has been implemented.

A review process has been developed and implemented. Staff are required to report cash discrepancies to their supervisor immediately. The supervisor will review, confirm and document the discrepancy calculation, notify the Program Manager and file the incident report on the same day. The Program Manager will provide Cash Operations Support with the Corporate Security incident report number and follow the requirements of the Fraud and Waste Policy. The process will also be included in the onboarding training document for new staff.

Detailed investigation report

Investigation of Cash Theft Incident – Meridian Theatres @ Centrepoin

Introduction

On November 13, 2018, a report was filed through the Fraud and Waste Hotline (Incident Report) regarding a theft of cash from an office area at the Meridian Theatres @ Centrepoin that was alleged to have occurred between 3:00 p.m. on Tuesday November 6, 2018 and 8:00 a.m. on Wednesday, November 7, 2018. Under the City's Fraud and Waste Policy (the "Policy"), the Auditor General, in consultation with the City Clerk and Solicitor as required, has the primary responsibility for the receipt of all allegations of fraud or waste as defined in the Policy and for investigating or referring the investigation of such allegations, as appropriate.

In response to the report filed through the Fraud and Waste Hotline, the Office of the Auditor General (OAG) investigated the alleged theft of cash.

Background and context

The Incident Report that was filed on November 13, 2018 alleged that \$2,360 was stolen from a safe that was located in the Theatre Administration Office of the Meridian Theatres @ Centrepoin (MT@C). The reported loss was amended on December 12, 2018 through an update to the Incident Report and reported that the theft of cash was \$1,360, not \$2,360 as originally reported. Management also notified Corporate Security and the police.

MT@C falls under the Cultural and Heritage Program and Spaces Branch within the Community Recreation and Cultural Programs Service portfolio of the City. MT@C is a theatre and organizes events for the public, which includes, at times, collecting cash for ticket sales, bar sales, and merchandise sales.

The Theatre Administration Office, where the theft of cash occurred, is an office area that is restricted to staff only. Staff must swipe their access card to enter the area. Refer to Appendix A for pictures of the front and rear entry doors to the Theatre Administration Office area where the drop safe was located. At the time of the incident, the drop safe was located in a cubicle within the Theatre Administration Office (refer to Appendix B for

a picture of the location of drop safe). There is no camera surveillance in the office area where the drop safe was located.

The drop safe contains the change float, deposits (which may include cash sales), and may include cash received as a result of a coin order (coin order service described below). Accordingly, the amount of cash in the drop safe can vary depending on the timing of deposits, and if a coin order had recently been received. At the time of the theft, there was [REDACTED] in the drop safe. This was a combination of a [REDACTED] change float, recent cash sales of [REDACTED] and [REDACTED] in a deposit bag ready for courier pickup.

Change float

The change float in drop safe is [REDACTED] and is used to make change for the other floats on site. The change float is kept in a clear plastic container on the floor of the drop safe.

Recent cash sales

Depending on the timing of events, the drop safe can also include deposits from box office, merchandise and bar sales (typically a combination of cash, cheques, and credit card receipts). The amount of cash from sales varies depending on the timing of theatre events. At the time of the incident, the drop safe contained [REDACTED] in cash from sales that had been dropped in the safe during the period from November 5 to November 7, 2018.

Deposit bag

At time of the incident, there was a deposit bag that had been prepared and was awaiting courier pickup. It contained [REDACTED] cash. This amount included \$1,000 for the coin order service (described below).

Coin order service

There is a process within the City whereby coin is ordered from OC Transpo through the OC Transpo Coin Service so that change in coins and small bills can be provided to theatre clients. The nature of the operations at MT@C is such that small change is needed particularly for bar tills during theatre events. At the time of the incident, there was \$1,000 in bills to pay for a coin order that was in the deposit bag in the drop safe awaiting courier pickup.

Drop safe features

The drop safe has a feature that allows cash or envelopes to be dropped in the safe without opening it (refer to Appendix C). After the item is placed in the slot in the top of the safe, staff must turn the wheel to drop the item to the floor of the drop safe. Once an item is dropped in the safe, it is not possible to remove the item through the slot.

Therefore, anyone with access to the safe can drop a deposit into the safe but only staff with the combination can open the safe when it is locked to then access the contents.

The MT@C drop safe is used by event staff to drop deposits. The business process at MT@C requires one staff and one witness to sign a log sheet when making a drop. If the drop safe is locked, staff have to enter the combination to access the contents. At the time of the incident, we were advised that four staff knew the combination to the drop safe.

Objective and scope of the investigation

The objective of the investigation was to investigate the alleged cash theft incident. The scope of the investigation was to obtain facts surrounding the alleged cash theft and assess what evidence existed, if any, to determine who may have perpetrated the theft.

The investigation did not review compliance with City policies and procedures or assess internal controls over cash handling. A cash handling compliance review of the Centrepoin Theatre was conducted by the City's compliance unit in June 2018.

Approach and methodology

The approach to the investigation was to obtain the facts surrounding the alleged theft of cash from the safe through the conduct of specified procedures to determine, to the extent possible, the perpetrator of the theft. The investigation included the following activities:

- Interviews with staff who may have knowledge of the facts surrounding the incident;
- A walkthrough of the premises where the drop safe was located at the time of incident as well as the safe's location at the time of our site visit;
- Meetings with Corporate Security to understand the available camera footage and relevant security/access reports on and around the timing of the incident; and
- Review of available records including door and access reports, deposit records, drop safe log sheets, and relevant cash handling policies and procedures.

Our initial walkthrough of the premises occurred on November 15, 2018, two days following the reporting of the incident through the Fraud and Waste Hotline. We completed our investigative procedures in January 2019.

Findings and recommendations

Finding #1 – Unable to determine the perpetrator of the cash theft

Upon completing our investigative procedures, we were unable to determine the perpetrator of the cash theft. At the time of the incident, the drop safe was located in an office area that was accessible to numerous staff and was not under camera surveillance. In addition, at the time of the incident, we were advised that four staff had the combination to the drop safe. Staff at the time were not required to document or log their access to the safe.

We expected to find that the drop safe would be under camera surveillance which could provide evidence of access to the drop safe. Camera footage, in conjunction with the review of available records, would help to determine who may have perpetrated the theft. Without this footage, it is not possible to determine with certainty everyone who accessed the safe and whether the drop safe had been left unlocked, thereby providing an opportunity for anyone with access to the Theatre Administration Office to access the contents of the drop safe and go unnoticed. Corporate Security and the police were notified of the incident and were also unable to identify the perpetrator.

Based on our review of available records, we determined that the theft of cash occurred sometime on November 6, 7 or 8, 2018.

Finding #2 – Inadequate controls over the safeguarding of cash / Location of drop safe was not in a location to mitigate risk of cash theft

The drop safe holds the change float, cash from sales and a coin order. Once a week, a designated staff member is responsible for preparing the weekly deposit. At the time of the incident, the drop safe was in a location that was not under camera surveillance. In the absence of camera footage, management was unable to identify who accessed the safe and when the cash went missing. In the absence of such evidence, there is little to no recourse for disciplinary action and/or recovery of stolen assets.

During the course of the investigation, we were made aware of a cash handling compliance review that was conducted in June 2018 by the City's Policy and Process Review Branch within the Corporate Services Department. This review identified several

observations and provided 25 recommendations. Management indicated that the results and recommendations of this compliance review were provided to them on August 2, 2018. One of the recommendations was “that the site supervisor ensure all safes are kept in a restricted area”. Management’s response to this recommendation stated that the drop safe would be moved to [REDACTED].

Following the November 2018 incident, management moved the drop safe to [REDACTED], which is an area that is under camera surveillance. With the drop safe now located in an area that is under camera surveillance, it is prudent for management to test the camera footage to ensure that the footage would provide sufficient evidence in the event of another incident.

Recommendation #1

That the City review the camera footage for the drop safe’s current location to assess whether the footage is adequate to provide sufficient evidence in the event of another incident.

Management response:

Management agrees with this recommendation and it has been implemented. Management reviewed the camera footage for the drop safe’s current location and confirmed that the camera is pointing in the correct direction to ensure that sufficient evidence can be provided in the event of another incident.

Management has directed all recreation and cultural facilities with cash handling area cameras to perform camera tests on a regular basis and conduct footage review periodically. These practices are to ensure proper camera alignment and cleanliness so that sufficient evidence can be provided when needed. The camera tests and footage review will also be performed whenever there is a site layout change or furniture movement that may affect the camera on site.

Management has also included the camera testing as part of the onboarding checklist for new staff. The onboarding checklist document is available on Ozone to all Recreation, Cultural and Facility Services’ staff.

Finding #3 – Management’s response to the identified risks was not implemented on a timely basis

As discussed above, in June 2018 a cash handling compliance review of MT@C was conducted and the results were shared with management in August 2018. The review noted several observations including the identification of risks associated with safes that

are used for the custody of cash. MT@C management's response to the recommendation stated that they would move the drop safe to [REDACTED] by the end of the fourth quarter of 2018.

The City's Cash Handling Procedures defines responsibilities in the cash handling processes including a requirement for the head of the operating unit or delegate ensure that safes are always kept in a secure location with limited access. Based on the results of the cash compliance review, we would have expected the drop safe to be moved on a more timely basis. At the time of the incident (sometime between November 6 and November 8, 2018), the location of the drop safe had not changed. It remained at the workstation in the Theatre Administration Office.

At the time of the OAG's walkthrough of the premises on November 15, 2018, the drop safe was located in [REDACTED], which is under camera surveillance. It was only after the incident that the drop safe was moved. Based on interviews, the drop safe was relocated on or around November 8 or 9, 2018. Remedial action could have been implemented sooner to reduce the risk of cash theft.

Finding #4 – Management's action to quantify the loss was inadequate

On Wednesday, November 7, 2018, a staff member unlocked and opened the drop safe to return some deposit records. The staff member stated that upon opening the safe, they noticed that there were \$5 bills strewn in the safe. The staff member assumed that [REDACTED]. The staff member mentioned what they saw to other staff. The staff member did not touch the contents of the safe, closed and locked the safe as the deposit preparer was expected the following day.

On Thursday, November 8, 2018, the deposit preparer accessed the safe as part of their regular duties. When this person accessed the drop safe, they observed that the contents of the drop safe were not organized as usual. The plastic container that normally held the change float appeared as though it had been thrown in to the safe and there was loose cash on top of the container. The person notified the MT@C on-site manager and the manager instructed the individual to count the cash remaining in the safe and quantify the amount of the loss.

The staff member counted the loose cash in the safe alone and reported to management that \$2,360 in cash was missing. The staff member conducted the count on their own with no observer. This loss was reported by management through the Fraud and Waste Hotline on November 13, 2018. The amount was later revised to

\$1,360 on December 12, 2018. There was no second person review of the available records to support the initial loss calculation.

The discrepancy between the two reported losses was due to a Coin Service Order of \$1,000 that had been received through the OC Transpo coin service process. MT@C staff originally believed that \$1,000 in cash (bills) had been in the plastic container in the drop safe and therefore stolen with the rest of the cash. However, the \$1,000 had actually been in a sealed deposit bag (stored in the drop safe) ready for courier pickup. In early October 2018, MT@C began a new process to track coin orders requested, received and returned through OC Transpo using a coin order service tracking document. Management indicated that this process was implemented to improve controls around the receipt, custody and return of coin orders. While this process was not intended to support loss calculations, at the time of the incident, the information on the coin order tracking document contained relevant information to quantify the reported loss.

The discrepancy in the reported loss was flagged by the Analyst, Theatre Program who reported that a loss of \$2,360 did not reconcile following the review of deposit reports. This prompted further internal investigation by MT@C management, which determined the correct status of the \$1,000 at the time of the theft. There were no reported discrepancies from Finance in relation to the cash received for this deposit.

Relying on one person to count the cash following the incident increased the risk of further cash theft and the risk of relying on inaccurate information. Having two people participate in the count of cash in the drop safe would have mitigated these risks. In addition, a second level review of the deposit and coin order records to support the loss calculation may have flagged inconsistencies in the reporting of the loss.

Recommendation #2

That the City implement a review process so that two staff are present at cash counts when responding to possible cash theft incidents.

Management response:

Management agrees with this recommendation and it has been implemented.

A review process has been developed and implemented. This process ensures that at least two staff are present during cash reconciliation counts when responding to cash discrepancy incidents. Both staff members are required to initial the amount on the tracking log when the cash counts are completed.

Recommendation #3

That the City implement a review process that ensures loss calculations are reviewed by a second party on a timely basis following cash theft incidents.

Management response:

Management agrees with this recommendation and it has been implemented.

A review process has been developed and implemented. Staff are required to report cash discrepancies to their supervisor immediately. The supervisor will review, confirm and document the discrepancy calculation, notify the Program Manager and file the incident report on the same day. The Program Manager will provide Cash Operations Support with the Corporate Security incident report number and follow the requirements of the Fraud and Waste Policy. The process will also be included in the onboarding training document for new staff.

Appendix A – Front entry to Theatre Administration Office



Appendix A (cont'd) – Rear entry to Theatre Administration Office



Appendix B – Location of drop safe at time of incident



Appendix C – Top and front view of drop safe

