



**CITY OF LAREDO, TEXAS  
INTERNAL AUDIT DIVISION**

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To: Honorable Mayor & Members of the City Council

CC: Rosario C. Cabello, Co - Interim City Manager  
Robert A. Eads, Co – Interim City Manager  
Kristina L. Hale, City Attorney

From: Veronica Urbano-Baeza, Internal Auditor

Date: April 12, 2019

Subject: Friday Packet: Internal Audit Items Update

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Enclosed we are providing the following notification(s) and / or report(s) for your review and approval:

1. Airport Department \ Airport Security Division – Grey Santa Toy Drive Program Audit Report; and
2. Compiled Weekly Check Register report with authorizations for the week ending April 5, 2019.

If you should have any questions regarding the enclosed notifications and / or reports submitted, please feel free to contact me at my office at (956) 790-1808. Thank you.

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City of Laredo, Texas

Internal Audit Division



Special Assignment: Airport Department \ Airport  
Security Division – Grey Santa Toy Drive Program  
Audit Report

April 10, 2019

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## EXECUTIVE SUMMARY

On February 25, 2019, we received a request from the City Manager's Office to conduct an audit at the Airport Department due to the discovery of unsecured monies in a sealed envelope that were brought forward by Airport Security staff to Airport Administration. Consequently, a cash audit was conducted of those monies, and it was determined, through preliminary interviews with Airport staff, that the monies belonged to a Christmas toy donation program referred to as "Grey Santa" within the Airport Security Division.

To provide some background, Airport Security staff indicated that the "Grey Santa" program began back in 2014 and continued through 2017 strictly as a voluntary toy donation program within the Airport. Back then, Airport Security staff would place decorated cardboard boxes at participating locations within the Airport community for the collection of toys that would then be distributed to one of the local charitable organizations at Christmas. In 2018, the process grew to include not only toy donations but also monetary contributions in the form of cash, checks and gift cards from local businesses, some of them Airport tenants, operators and contractors, as well as food donations from local restaurants. In previous years, the recipient of the Grey Santa toy donation program was Casa de Misericordia, and beginning in 2018, the charitable organization recipients grew to include Casa de Misericordia, Voz de Ninos, Sacred Heart Children's Home and Iglesia Cristiana Vision Vida located in Rio Bravo, Texas. In reviewing some of the documentation obtained for the Grey Santa Program, it appeared that each recipient submitted wish lists of gifts for the children from each of those organizations, and then a reception was held for each organization for the presentation of gifts. In speaking with Airport Administration and Security staff, it was confirmed that the former Airport Security Manager and one of the Airport Security Officer Supervisors were mainly responsible for organizing the Grey Santa event in 2018, with other Airport Security staff volunteering for other tasks such as toy drives, gift wrapping and the receptions for the presentation of gifts.

Initially, the scope of the audit focused on a cash audit to account for the unidentified monies found at the Airport. From our preliminary assessment of the results of the cash audit and in speaking with pertinent Airport staff, the audit was subsequently expanded into a verification for proper accountability of the contributions received and expenditures made as part of the Grey Santa Program. Additionally, a review for 501 ( C ) non-profit status was conducted since monetary contributions were accepted by the Grey Santa Program.

This report contains a total of four (4) findings along with recommendations pertinent to our review regarding verification for proper accountability of proceeds received and expenses made regarding the Grey Santa Toy Drive Program.

Based upon the documentation obtained, audit test work performed, and interviews conducted, we concluded the following with the findings and recommendations noted below.

1. Violations of the City's Cash Handling Policy were noted, specifically under the section titled "General Requirements", Item No. 9, which states that "Department / Division(s) are prohibited from handling cash receipts of non-City funds unless authorized by the City Manager." Non-City funds are typically deemed monies that the City has no authority (i.e.

code of ordinances authorization) to collect. Additionally, a violation of the City's Municipal Civil Service Rules and Regulations was noted, specifically under Section 6.4 (Misconduct in the Workplace), Item (X) Violations of the City's Cash Handling Policy. With the results of our preliminary cash audit, financial analysis of the accountability and internal controls and interviews conducted with Airport staff, it was determined that the contributions accepted for the Grey Santa Program are considered non-City funds as per the City's Cash Handling Policy. In our attempt to reconcile Grey Santa proceeds with expenses based off of the documentation received, there was still an amount of \$970.18 that could not be accounted for, mainly since there was no proper accountability in place to document the contributions received and expenses made.

#### Recommendation(s)

Since the collection of monetary donations, noted above, was never authorized by City Management and/or Airport Administration, and the Grey Santa Program was not an officially sponsored City event, we would recommend that Airport Administration, along with their Airport Security Division, obtain guidance from the Legal Department and document and transfer the \$655.16 in cash found and the toys stored at the Airport to the Police Department's Blue Santa Program. The Blue Santa Program is a non-profit organization that works at giving the children of less fortunate families gifts during the Christmas season.

2. Violations with Section 6.4 (Misconduct in the Workplace), Item ( R ) Use of City property, time, equipment, material or supplies for personal gain, for political purposes, or for other activities not related to City business of the City of Laredo's Municipal Civil Service Rules and Regulations were noted. From our review, we found email correspondence in the form of "solicitation" letters on City of Laredo, Laredo International Airport Police Department letterhead which was signed by the Airport Security Officer Supervisor in charge of the Grey Santa Program and initialed by the former Airport Security Manager requesting support in the form of donations for their 5<sup>th</sup> Annual Christmas Toy Drive. *The "solicitation" letter sent out was somewhat misleading since it represented that it was the City of Laredo Airport Police Department sponsoring the toy drive, and nowhere on the "solicitation" letter did it mention the Grey Santa Program.* From our review of the email correspondence pertaining to the Grey Santa Program, it appeared that the time period for requests for donations and contributions spanned from April 2018 through December 2018. Additionally, most of the solicitation letters that we found were emailed, using City of Laredo email, by the Airport Security Officer Supervisor in charge of the Grey Santa Program while clocked in on City time. Additionally, in reviewing the expense receipts for toy purchases, many of the totals indicated that no sales tax was paid, further confirming that the City's Sales and Use Tax Exemption Certification was being used for non-City related purchases.
3. Violations with Section 6.4 (Misconduct in the Workplace), Item (P) Accepting gifts from contractors, vendors, or other persons who are employed by persons /entities who are dealing with or attempting to deal with the City of the City of Laredo's Municipal Civil Service Rules and Regulations were noted. In reviewing any documentation on hand regarding monetary donations made, we noted two instances where donations were made by current Airport tenants. Additionally, in November 2018, another check donation was received from one of the contractors currently working on the Airport Cargo Apron Construction Project.

While this check was returned to the contractor and voided once Airport Administration was made aware of this monetary contribution, the contractor ended up donating a \$400.00 gift card instead.

4. Violations were noted under the City's Ethics Code, Division 2 (Present City Officials and Employees), Section 2.1 (Conflicts of Interest), Subsection (a) General Rule which states "to avoid the appearance and/or risk of impropriety, an official or employee shall not take any action that he or she knows is likely to affect the economic interests of: (1) the official or employee and (5) any outside employer of the official or employee or his or her parent, child, spouse, or member of the household." On another City email exchange with a contributor, we found additional correspondence that was concerning and frankly unethical. After the Airport Security Officer Supervisor in charge of the Grey Santa Program emailed the contributor a picture of the toys purchased and a copy of the receipt for the toy purchase, the contributor proceeded to request if he/she could send the Supervisor referral forms for her patients. While this is where the email correspondence ended, and the Airport Security Officer Supervisor did not respond on this email, we do know from our interviews with the Airport Security Officer Supervisor of current outside employment with a doctor's office.

#### Recommendation(s)

First and foremost, it is recommended that Airport Administration work with the Financial Services, Human Resources and Legal Departments so that trainings may be provided to Airport staff covering all areas violated here: Cash Handling, Municipal Civil Service Rules & Regulations and most importantly, Ethics. In all our interviews with Airport Security staff that were either in charge of the Grey Santa Program or who volunteered, we never heard a response indicating that anyone reached out for guidance whether it was to Airport Administration or any other City Administrative Department such as Financial Services, Human Resources and/or Legal when encountering areas of concern or unfamiliarity. Additionally, it is recommended that if the Airport Security Division wants to organize a charity toy donation program in the future, that responsible staff obtain approval from City Management and Airport Administration and obtain guidance from the Legal Department in order to avoid any potential conflicts of interest.

Finally, the manner in which this Grey Santa Program was handled was very concerning and unethical. More so concerning was that the individuals responsible for operating this toy drive program were staff with law enforcement backgrounds and training. Additionally, it is recommended that Airport Administration, with guidance from the City Manager's Office, Human Resources and Legal Departments, review the specifics of this case and apply appropriate disciplinary action against the Airport Security Officer Supervisor (in charge of the Grey Santa Program) for violating the City's Ethics Code, the City's Municipal Civil Service Rules and Regulations and the City's Cash Handling Policy.

*Please keep in mind that the conclusions and recommendations noted above are only a summary, and more detailed results and recommendations can be found in the ensuing audit report.*

## **INTRODUCTION**

On February 25, 2019, we received a request from the City Manager's Office to conduct an audit at the Airport Department due to the discovery of unsecured monies in a sealed envelope that were brought forward by Airport Security staff to Airport Administration. Consequently, a cash audit was conducted of those monies, and it was determined, through preliminary interviews with Airport staff, that the monies belonged to a Christmas toy donation program referred to as "Grey Santa" within the Airport Security Division.

To provide some background, Airport Security staff indicated that the "Grey Santa" program began back in 2014 and continued through 2017 strictly as a voluntary toy donation program within the Airport. Back then, Airport Security staff would place decorated cardboard boxes at participating locations within the Airport community for the collection of toys that would then be distributed to one of the local charitable organizations at Christmas. In 2018, the process grew to include not only toy donations but also monetary contributions in the form of cash, checks and gift cards from local businesses, some of them Airport tenants, operators and contractors, as well as food donations from local restaurants. In previous years, the recipient of the Grey Santa toy donation program was Casa de Misericordia, and beginning in 2018, the charitable organization recipients grew to include Casa de Misericordia, Voz de Ninos, Sacred Heart Children's Home and Iglesia Cristiana Vision Vida located in Rio Bravo, Texas. In reviewing some of the documentation obtained for the Grey Santa Program, it appeared that each recipient submitted wish lists of gifts for the children from each of those organizations, and then a reception was held for each organization for the presentation of gifts. In speaking with Airport Administration and Security staff, it was confirmed that the former Airport Security Manager and one of the Airport Security Officer Supervisors were mainly responsible for organizing the Grey Santa event in 2018, with other Airport Security staff volunteering for other tasks such as toy drives, gift wrapping and the receptions for the presentation of gifts.

## **AUDIT SCOPE**

Initially, the scope of the audit focused on a cash audit to account for the unidentified monies found at the Airport. From our preliminary assessment of the results of the cash audit and in speaking with pertinent Airport staff, the audit was subsequently expanded into a verification for proper accountability of the contributions received and expenditures made as part of the Grey Santa Program. Additionally, a review for 501 ( C ) non-profit status was conducted since monetary contributions were accepted by the Grey Santa Program.

## **AUDIT METHODOLOGY**

The objective of this audit was to test for proper accountability of proceeds received and expenses made regarding the Grey Santa Toy Drive Program administered by the Airport Security Division. As part of our review, we requested and obtained the following documentation for reference and review:

- City of Laredo City Charter.
- City of Laredo Code of Ethics.

- City of Laredo Municipal Civil Service Rules and Regulations.
- City of Laredo Cash Handling Policy & Procedures.
- City of Laredo Code of Ordinances (Chapter 4 – Airport).
- Any Grey Santa Program related documentation (i.e. copies of checks, receipts for purchases made, toy inventory and flash drives) obtained from the Airport Security Division.
- City of Laredo Email Correspondence Related to the Grey Santa Program.
- City of Laredo (City) ExecuTime Payroll Timesheets for Airport Security Officer Supervisor in charge of the Grey Santa Program.
- Documentation obtained from the Texas Secretary of State on Formation of Nonprofit Corporation for the Grey Santa Program.
- Interviews with Airport Administration staff and Airport Security staff.

The audit process utilized began by conducting a cash audit of the monies brought forward by Airport Security staff for possible reconciliation. Interviews with pertinent Airport Administration and Security staff were conducted in an effort to learn about the historical background of and accountability for the Grey Santa Program. With the results of the cash audit and interviews with Airport staff, an inspection of the Airport Security Division was conducted for any additional monies not included in the original monies brought forward to Airport Administration; as well as, a review for any documentation pertinent to the Grey Santa Program referenced by Airport staff. Once any applicable documentation was secured, a reconciliation of proceeds with expenses was attempted in an effort to verify some form of accountability and internal controls for said proceeds. Additionally, a request for any and all “Grey Santa” referenced City email correspondence was submitted to the City’s IST Department, and a review of said email correspondence was conducted in an effort to secure additional supporting documentation for reconciliation; as well as, to further test any applicable accountability and internal controls. A review of applicable City payroll documentation with email correspondence was conducted in order to determine if any work related to the Grey Santa Program, which is a non-City sponsored event, was done during the authorized City work schedule.

## **AUDIT RESULTS & RECOMMENDATIONS**

What follows below are any findings and/or observations noted and the pertinent recommendations made for each item noted.

As part of our audit, we encountered instances noted below which we believe to be violations as noted under the City of Laredo’s Municipal Civil Service Rules and Regulations; specifically under Section 6.4 (Misconduct in the Workplace), items(s): (P) Accepting gifts from contractors, vendors, or other persons who are employed by persons /entities who are dealing with or attempting to deal with the City; ( R ) Use of City property, time, equipment, material or supplies for personal gain, for political purposes, or for other activities not related to City business; and (X) Violations of the City’s Cash Handling Policy. Additionally, we noted an instance which we believe to be a violation of the City’s Ethics Code; specifically, under Division 2 (Present City Officials and Employees), Section 2.1 (Conflicts of Interest), Subsection (a) General Rule which states “to avoid the appearance and/or risk of impropriety, an official or employee shall not take any action that he or she knows is likely to affect the economic interests

of: (1) the official or employee and (5) any outside employer of the official or employee or his or her parent, child, spouse, or member of the household.”

### **Finding #1**

As mentioned previously in the introduction, the catalyst for this audit was the discovery of unsecured monies in a sealed envelope that were brought forward by Airport Security staff to Airport Administration. A cash audit was conducted of these monies in order to verify the amount found and to reconcile with any applicable documentation. The results of Cash Audit No. 6871 reflected a total of \$655.16 in cash found, but with no accompanying documentation to reconcile the cash amount. The audited cash was sealed in a deposit bag and vaulted in the Airport safe until further (instructions) recommendations could be provided to Airport Administration. Preliminary interviews with Airport Administration staff and Airport Security staff were conducted, and it was learned that the monies found pertained to a Grey Santa Toy Drive Program within the Airport Security Division. Additionally, we learned that the former Airport Security Manager and an Airport Security Officer Supervisor were in charge of the Grey Santa Program. Subsequently, an inspection of the work areas of the former Airport Security Manager and the Airport Security Officer Supervisor were conducted by Internal Audit for any and all documentation pertaining to the Grey Santa Program. All pertinent documentation (i.e. copies of checks, copies of gift cards, copies of receipts, etc.) and flash drives obtained from the Airport Security Division were reviewed, copied and secured in the safe at the Airport Department pending further instruction.

An interview with the Airport Security Officer Supervisor in charge of the Grey Santa Program was conducted in order to determine if the program was a 501 ( c ) non-profit organization, if it had a corresponding bank account, to inquire as to the type of accountability software (system) used to track the receipts and issuances of money received as contributions and to inquire as to what companies or organizations were approached for assistance. The Airport Security Officer Supervisor responded that the Grey Santa Program had been registered as a non-profit with the Secretary of State back in November 2018, but had no corresponding bank account, and that any monetary contributions in the form of checks were made out to her, and she would cash the checks and immediately make any toy purchases. During our interviews, we asked the Airport Security Officer Supervisor if either her immediate Supervisor or Airport Administration had given authorization to collect monetary contributions or if she had brought it to Airport Management’s attention and she responded no. In interviews with other Airport Security staff that had been involved with the Grey Santa Program, it was confirmed that both the former Airport Security Manager and the Airport Security Officer Supervisor in charge of the program were made aware that collecting monetary contributions in this capacity was a violation of the City’s Cash Handling Policy back in September 2018. Specifically, another Airport Security Officer Supervisor interviewed was tasked with maintaining an inventory of the toys donated and/or purchased. When this other Supervisor became aware of the monetary contributions received, she brought the Cash Handling Policy violation to the attention of both the former Airport Security Officer and the Airport Security Officer Supervisor in charge of the Grey Santa Program. Consequently, this other Supervisor was removed from any further work pertaining to the Grey Santa Program, and any pertinent documentation (i.e. toy inventory) was taken away as well. This method of cash handling was concerning and further confirmed when we reviewed any and all City email correspondence pertaining to Grey Santa. In one email exchange dated

July 5, 2018, a contributor notified the Airport Security Officer Supervisor in charge of the Grey Santa Program that they would provide a check contribution. In response the Airport Security Officer Supervisor responded, “*the way it works is the check has to be under my name, I will then cash the check buy the toys then I will email you the receipt of what I bought with your donation.*” On another email exchange dated November 15, 2018, a contributor responded by asking what name to make the check out to, and the Airport Security Officer Supervisor responded with “*the check payable to the [name of the Airport Security Officer Supervisor]. Once we cash your check we will send you a picture of the toys we bought with your check and a receipt.*” Additionally, in our review of documentation found on proceeds received and expenses made, a gift card contribution was used to pay for the non-profit application fee with the Texas Secretary of State.

During our interview, the Airport Security Officer Supervisor indicated that any proceeds from checks cashed and other cash contributions were kept in a locked box and that only she and the former Airport Security Manager had access to the locked box. In terms of properly accounting for the receipts and issuances of monetary contributions, the Airport Security Officer Supervisor mentioned that all receipts had been in the custody of the former Airport Security Manager, and any documentation that she had regarding Grey Santa had been taken from her workstation, and she did not have anything to provide us at that time. It should be noted that after our initial interview with the Airport Security Officer Supervisor, she did email some supporting documentation in the form of copies of checks received, expense receipts, etc. Additionally, we learned from the Airport Security Officer Supervisor that the majority of potential contributors approached for assistance were from the medical field and a few were from the Airport community. When we inquired as to why the majority were from the medical field, the response we received was because the Airport Security Officer Supervisor worked for a doctor.

In analyzing the documentation obtained on the Grey Santa Program, we attempted to reconcile the monetary contributions documented with receipts for purchases filed; however, we were not able to reconcile the documented revenues and expenses as reflected in the table below.

<b>Summary Analysis of Grey Santa Revenues &amp; Expenses</b>	
<b>Proceeds (Revenues) Noted</b>	
Total Cash Found (Unannounced Cash Audit No. 6871)	\$655.16
Additional Cash Referenced in Copies of Receipts Issued	\$380.00
Copies of Checks Received	\$2,725.00
Copies of Gift Cards Received	\$875.00
<b>Total Proceeds Documented</b>	<b>\$4,635.16</b>
<b>Expenses Noted</b>	
<b>Total Expenses from Copies of Receipts Obtained</b>	<b>\$3,009.82</b>
<b>Net Profit / Loss</b>	<b>\$1,625.34</b>
<b>Subtract Total Cash Found (Documented in Cash Audit No. 6871)</b>	<b>(\$655.16)</b>
<b>Net Profit / (Loss): No Additional Documentation Available to Account (Support) for this Amount.</b>	<b>\$970.18</b>

Additionally, it should be noted that in our interviews with Airport Security staff, we learned that the Airport is currently storing about 150 + additional toys received that were not given out, and no inventory of those toys was found. With the results from our preliminary cash audit, financial analysis of the accountability and internal controls and interviews conducted with Airport staff, it was determined that these monies are considered non-City funds as per the City's Cash Handling Policy. Accordingly, this is in violation of the City's Cash Handling Policy, under the section titled "General Requirements", Item No. 9, which states that "Department / Division(s) are prohibited from handling cash receipts of non-City funds unless authorized by the City Manager." Non-City funds are typically deemed monies that the City has no authority (i.e. code of ordinances authorization) to collect. Additionally, this is also a violation of the City's Municipal Civil Service Rules and Regulations, under Section 6.4 (Misconduct in the Workplace), Item (X) Violations of the City's Cash Handling Policy.

### **Recommendation(s) to Finding #1**

Since the collection of monetary donations, noted above, was never authorized by City Management and/or Airport Administration, and the Grey Santa Program was not an officially sponsored City event, we would recommend that Airport Administration, along with their Airport Security Division, obtain guidance from the Legal Department and document and transfer the \$655.16 in cash found and the toys stored at the Airport to the Police Department's Blue Santa Program. The Blue Santa Program is a non-profit organization that works at giving the children of less fortunate families gifts during the Christmas season.

Additionally, while we learned that the Airport Security Officer Supervisor in charge of the Grey Santa Program began the process of applying for non-profit status with the Texas Secretary of State, we would recommend that the process not proceed any further. Currently, the financial accountability of the Grey Santa Program is non-existent and would require the implementation of accounting and internal controls to record monetary contributions and expenses made so that subsequently all revenues and expenses could be correctly and properly reported to the Secretary of State as part of their non-profit reporting requirements. In our inquiries into the Grey Santa Program, through the Texas Secretary of State, we learned that the former Airport Security Manager, the Airport Security Officer Supervisor in charge of Grey Santa and an Airport Security Officer were listed as the Board of Directors on Grey Santa's Certificate of Formation. We would recommend that the Airport Security Officer listed as a Director request to withdraw the certificate of filing for Grey Santa from the Texas Secretary of State.

### **Finding #2**

As part of our audit, we obtained any and all documentation pertaining to the Grey Santa Program from the Airport Security Division, including any and all City email correspondence mentioning the Grey Santa Program. Additionally, we obtained and reviewed corresponding timesheets from ExecuTime, the City's Payroll Timekeeping System, for the Airport Security Officer Supervisor in charge of the Grey Santa Program. From our review, we found email correspondence in the form of "solicitation" letters on City of Laredo, Laredo International Airport Police Department letterhead which was signed by the Airport Security Officer Supervisor in charge of the Grey Santa Program and initialed by the former Airport Security Manager requesting support in the form of donations for their 5<sup>th</sup> Annual Christmas Toy Drive. The "solicitation" letter sent out was somewhat misleading since it represented that it was the

City of Laredo Airport Police Department sponsoring the toy drive, and nowhere on the “solicitation” letter did it mention the Grey Santa Program. From our review of the email correspondence pertaining to the Grey Santa Program, it appeared that the time period for requests for donations and contributions spanned from April 2018 through December 2018. Additionally, most of the solicitation letters that we found were emailed, using City of Laredo email, by the Airport Security Officer Supervisor in charge of the Grey Santa Program while clocked in on City time.

In a separate email exchange, the Airport Security Officer Supervisor emailed a local retailer, back on November 26, 2018, an application for assistance for the Grey Santa Program; however, the “Organizational / Group Name” utilized was the Laredo International Airport Police Department, Grey Santa was only used as the “Program / Event”. Further troubling was that the City of Laredo’s Texas Sales and Use Tax Exemption Certification was provided to this local retailer along with the application for assistance. Additionally, in reviewing the expense receipts for toy purchases, many of the totals indicated that no sales tax was paid, further confirming that the City’s Sales and Use Tax Exemption Certificate was being used for non-City related purchases. The Texas Sales and Use Tax Exemption Certification is made out to the City of Laredo, not Grey Santa, and the description of items allowed to be purchased under this certification lists “various items as utilized by Municipality.” Finally, in an email request for a food donation from a local restaurant, back on November 1, 2018, the Airport Security Officer Supervisor submitted an application for a donation under the City of Laredo International Airport Police as the “Name of Organization” and listed the organization as a 501 ( c ) 3 entity.

Accordingly, the instances noted above are all violations of the City of Laredo’s Municipal Civil Service Rules and Regulations. Specifically, under Section 6.4 (Misconduct in the Workplace), Item ( R ) Use of City property, time, equipment, material or supplies for personal gain, for political purposes, or for other activities not related to City business.

### **Finding #3**

In reviewing any documentation on hand regarding monetary donations made, we noted two instances where donations were made by current Airport tenants. Each tenant made a check donation of \$200.00 made out in the name of the Airport Security Officer Supervisor in charge of the Grey Santa Program. Additionally, in November 2018, another check donation was received from one of the contractors currently working on the Airport Cargo Apron Construction Project. In this particular instance, the contractor approached Airport Administration requesting a receipt to document their donation. When Airport Administration learned that a monetary contribution had been accepted by the Airport Security Officer Supervisor in charge of Grey Santa, both the Supervisor and the former Airport Security Manager at the time were given a directive by the Airport Director to return the check donation because they were not allowed to collect non-City funds as per the City’s Cash Handling Policy. In speaking to Airport Administration staff regarding this incident, it was indicated that they had no knowledge of the collection of monetary contributions prior to this incident. We were able to confirm that the check contribution was returned to the contractor and voided; however, in reviewing the documentation available, the contractor ended up donating \$400.00 in gift cards to Grey Santa. In speaking to the Airport Security Officer Supervisor regarding this item, she confirmed that the check was returned to the contractor, and after that only gift cards and toy donations were

accepted. After this particular incident, the Airport Security Officer Supervisor began the process of applying for non-profit status with the Texas Secretary of State's Office in order to become a 501 ( c ) non-profit organization.

Accordingly, the instances noted above are all violations of the City of Laredo's Municipal Civil Service Rules and Regulations. Specifically, under Section 6.4 (Misconduct in the Workplace), Item (P) Accepting gifts from contractors, vendors, or other persons who are employed by persons /entities who are dealing with or attempting to deal with the City.

#### **Finding #4**

On another email exchange with a contributor, we found additional correspondence that was concerning and frankly unethical. On City of Laredo email correspondence dated August 2, 2018, the Airport Security Officer Supervisor in charge of the Grey Santa Program emailed pictures of toys and the receipt with the toy purchase to a contributor. In response, the contributor thanked the Airport Security Officer Supervisor and then proceeded with the following statement *"on a different note, can I send you a referral form for OA Knee braces for your patients? These knee braces are covered thru Medicare and private insurance. Patients need osteoarthritis on their diagnosis to be able to qualify. It will not cost them out of pocket if they qualify. We have stocked up with a whole bunch of different braces for OA...Back braces, wrist braces, ankle braces, etc."* While this is where the email correspondence ended, and the Airport Security Officer Supervisor did not respond on this email, we do know from our interviews with the Airport Security Officer Supervisor of current outside employment with a doctor's office.

Accordingly, the instance noted above is a violation of the City's Ethics Code. Specifically, under Division 2 (Present City Officials and Employees), Section 2.1 (Conflicts of Interest), Subsection (a) General Rule which states "to avoid the appearance and/or risk of impropriety, an official or employee shall not take any action that he or she knows is likely to affect the economic interests of: (1) the official or employee and (5) any outside employer of the official or employee or his or her parent, child, spouse, or member of the household."

#### **Recommendation(s) to Finding #s 2, 3 and 4**

First and foremost, it is recommended that Airport Administration work with the Financial Services, Human Resources and Legal Departments so that trainings may be provided to Airport staff covering all areas violated here: Cash Handling, Municipal Civil Service Rules & Regulations and most importantly, Ethics. In all our interviews with Airport Security staff that were either in charge of the Grey Santa Program or who volunteered, we never heard a response indicating that anyone reached out for guidance whether it was to Airport Administration or any other City Administrative Department such as Financial Services, Human Resources and/or Legal when encountering areas of concern or unfamiliarity. Additionally, it is recommended that if the Airport Security Division wants to organize a charity toy donation program in the future, that responsible staff obtain approval from City Management and Airport Administration and obtain guidance from the Legal Department in order to avoid any potential conflicts of interest.

Finally, the manner in which this Grey Santa Program was handled was very concerning and unethical. More so concerning was that the individuals responsible for operating this toy drive

program were staff with law enforcement backgrounds and training. Additionally, it is recommended that Airport Administration, with guidance from the City Manager's Office, Human Resources and Legal Departments, review the specifics of this case and apply appropriate disciplinary action against the Airport Security Officer Supervisor (in charge of the Grey Santa Program) for violating the City's Ethics Code, the City's Municipal Civil Service Rules and Regulations and the City's Cash Handling Policy.

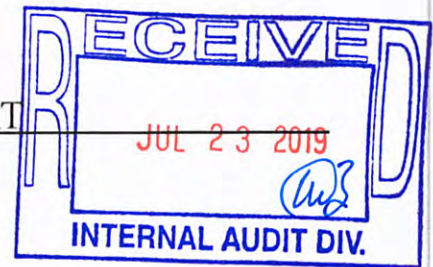
## **APPENDIX A – STAFF ACKNOWLEDGMENT**

Veronica Urbano-Baeza, Internal Auditor

Elia Y. Rodriguez, Auditor II



**CITY OF LAREDO**  
LAREDO INTERNATIONAL AIRPORT



**MEMO**

Date: July 19, 2019  
To: Veronica Urbano – Baeza, Internal Auditor  
CC: Rosario Cabello, Co-Interim City Manager and Robert Eads, Co-Interim City Manager  
From: Elsy D. Borgstedte, Assistant Airport Director *Elsy Borgstedte*  
Thru: Jeffrey Miller, Airport Director *JM*  
Re: Grey Santa Toy Drive Program Audit Report #6871

In response to Audit #6871 conducted on February 25, 2019 regarding Grey Santa toy drive program. Below are responses to the findings.

Finding #1

A total of \$655.16 in cash found with no accompanying documentation.

Funds in the total amount of \$655.16 along with toys have been transferred to Laredo Police Department Blue Santa Program. The Grey Santa Program at the airport is now closed. Former Airport Security Officer Supervisor informed Human Resources Department she would make arrangements with the help of Legal Department to dissolve the company with the State Comptroller's Office and IRS.

Findings #2

Violations of City of Laredo's Municipal Civil Service Rules and Regulations Specifically Section 6.4 Misconduct in the workplace, use of city property, time, equipment, materials or supplies for personal gain, for other activities not related to city business.

Airport Security Officer Supervisor was issued disciplinary action consistent with recommendation after PAC meeting. Employee was terminated on March 12, 2019. Case was later reviewed at Ethics Commission on May 8, 2019. The Commission upheld termination as disciplinary action by the City of Laredo. Subsequently, former Airport Security Officer Supervisor has dropped grievance against City of Laredo.

Findings #2, #3, #4

Acceptance of gifts from entities doing business with City and conflicts of interest

Following Internal Audit recommendation Airport will coordinate with Finance Department, Human Resources Department, and Legal Department to provide trainings on Cash Handling, Municipal Civil Services Rules & Regulations, and Ethics.