

Only You Can Prevent Fraud!

December 7, 2023

Clark County Audit Services



Today

8:30 Opening remarks by County Auditor Greg Kimsey

8:35 Control Failures

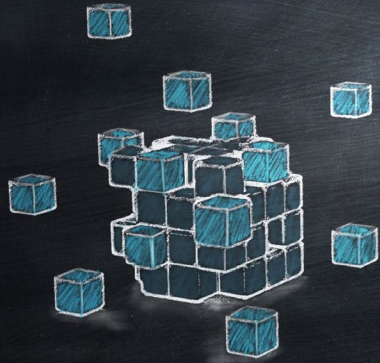
9:30 Break

9:40 Gotta Keep 'Em Separated

10:35 2023 Results and Emerging Topics

11:20 Closing remarks by Mark Gassaway





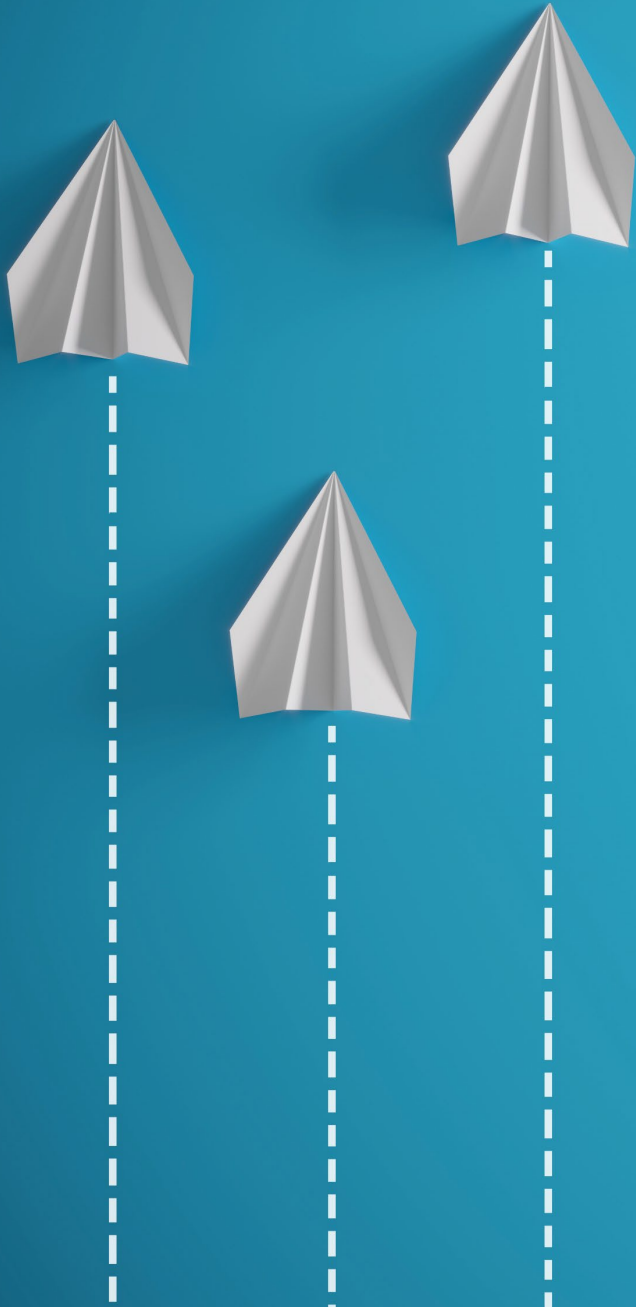
Lax Controls or Determined Individual?

Arnold Perez

December 7, 2023

What we will be discussing...

- Internal Controls
- Examples from the U.S.
Department of Defense Standards of Conduct “Encyclopedia of Ethical Failure” Rev. 2021



Control

- Control- to exercise restraining or directing influence over: regulate.

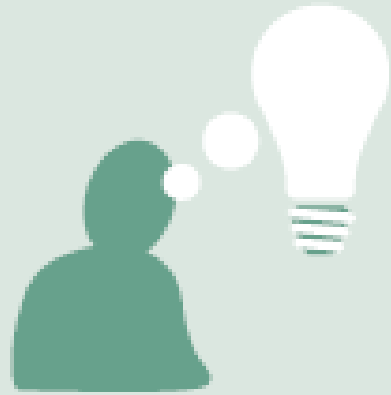




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Activities

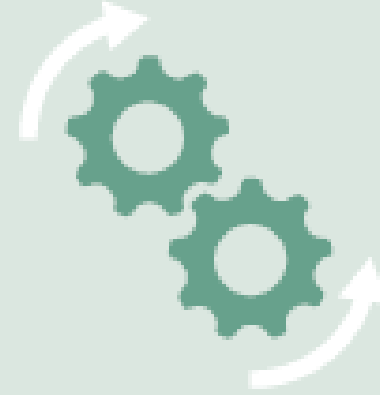
- Activity- an organizational unit for performing a specific function: its function or duties.



Objective identified



Controls designed

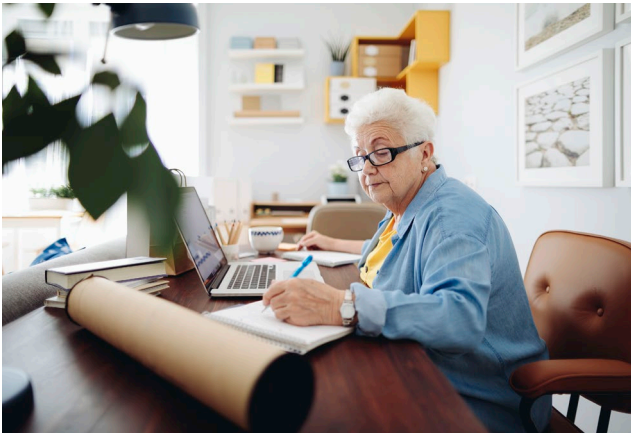


Controls in place



Objective achieved

- Control activities- are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. Government Accountability Office (GAO) Standards for Internal Control in the Federal Government (Green Book)
- Internal Controls- is a process used by management to help an entity achieve its objectives.
 - Helps run its operations efficiently and effectively
 - Report reliable information about its operations
 - Comply with applicable laws and regulations



- Control activities can be either preventive or detective. The main difference between preventive and detective control activities is the timing of a control activity within an entity's operations.
- If the control activity is for a significant purpose or the impact of a deficiency would be significant to achieving the entity's objectives, management may design both preventive and detective control activities. (Weapons, Meds)
- Control activities can be implemented in either an automated or a manual manner.

Stop it before it happens

- **Preventive Controls**- activities created by management that can prevent an unwanted process from happening
 - i.e.- authorization controls, segregation of duties, physical safeguards, proper hiring, training, preformatted inputs, information security system, policies and procedures



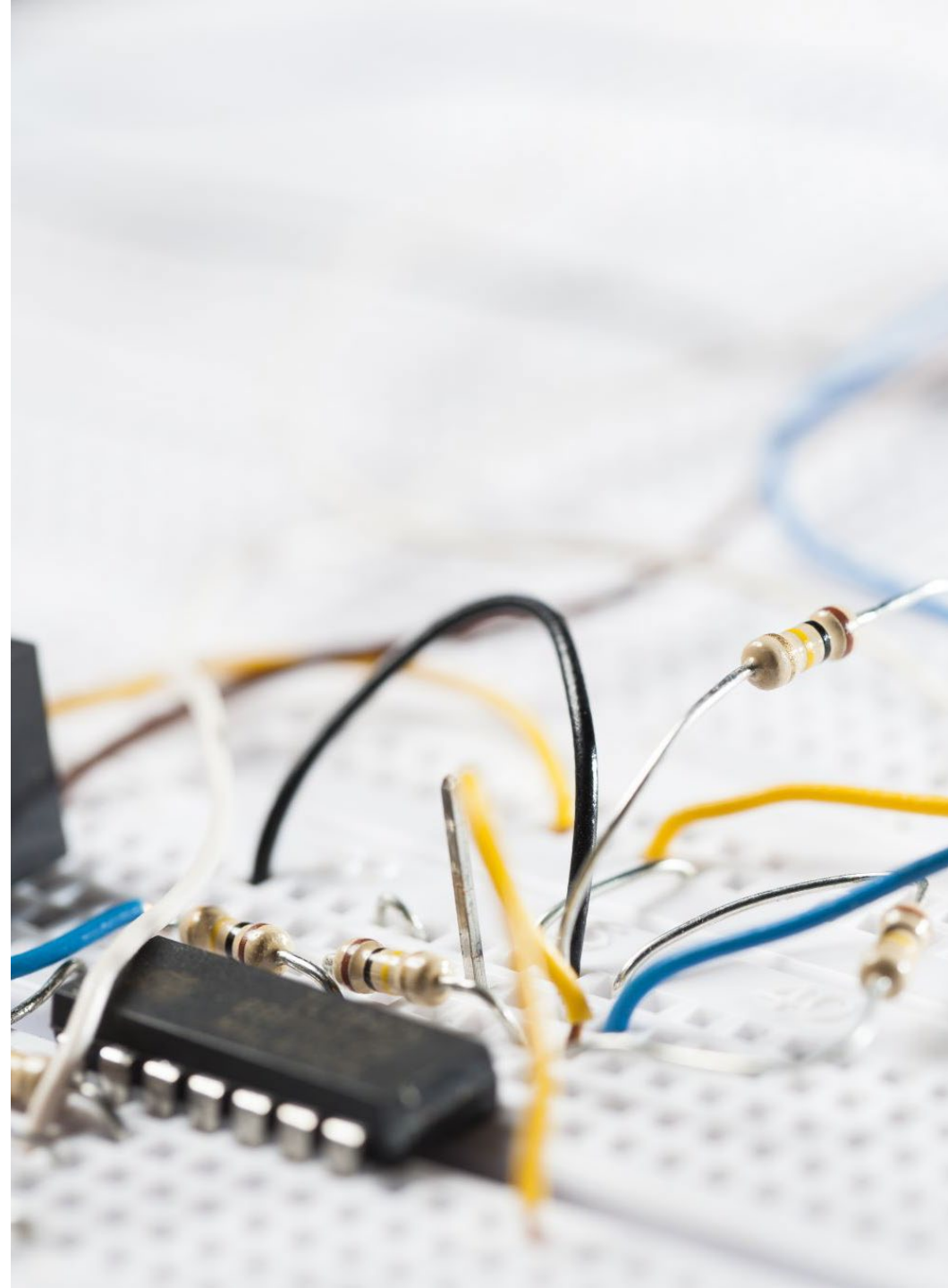
Discover it after it happens

- **Detective Controls**- activities created by management that can detect if an unwanted process has happened
 - Maintain records, performance review, reconciliations, IT controls



Compensating Controls

- Management can respond to increase risk when ideal segregation cannot be achieved by:
 - Adding additional levels of review for key operational processes
 - Reviewing randomly selected transactions and their supporting documentation
 - Taking periodic asset counts or
 - Checking supervisor reconciliations



Armchair Quarterback

- a person who is **not** a quarterback (or general, etc.), but offers opinions and criticism on the performance or decisions of those who are.
- By the powers invested to us by Clark County Code 2.14.010, we now deputize you all as temporary Armchair Quarterbacks!
- So, play ball!
- Oh wait, that's baseball,
- awkward... so..
- *whistle!!!** Let's get started!



Documenting Misconduct

- Archives Technician at National Archives and Records Administration (NARA) , a position in which he assisted the public with requests for court documents maintained by NARA.
- He also owned and operated a company that **charged its customers a fee** for obtaining records in addition to the fees charged by NARA



Documenting Misconduct

- For 13 months, he used his official position at NARA to retrieve court documents for his company's customers.
- He also **did not pay NARA the applicable fees** associated with the company's customer requests for court records in order to conceal from NARA his affiliation with his company and to increase his company's profits.
- Sentencing is pending but he faces the possibility of five years in prison and \$250,000 fine.
- It looks like his court records business has left him with a court record of his own.



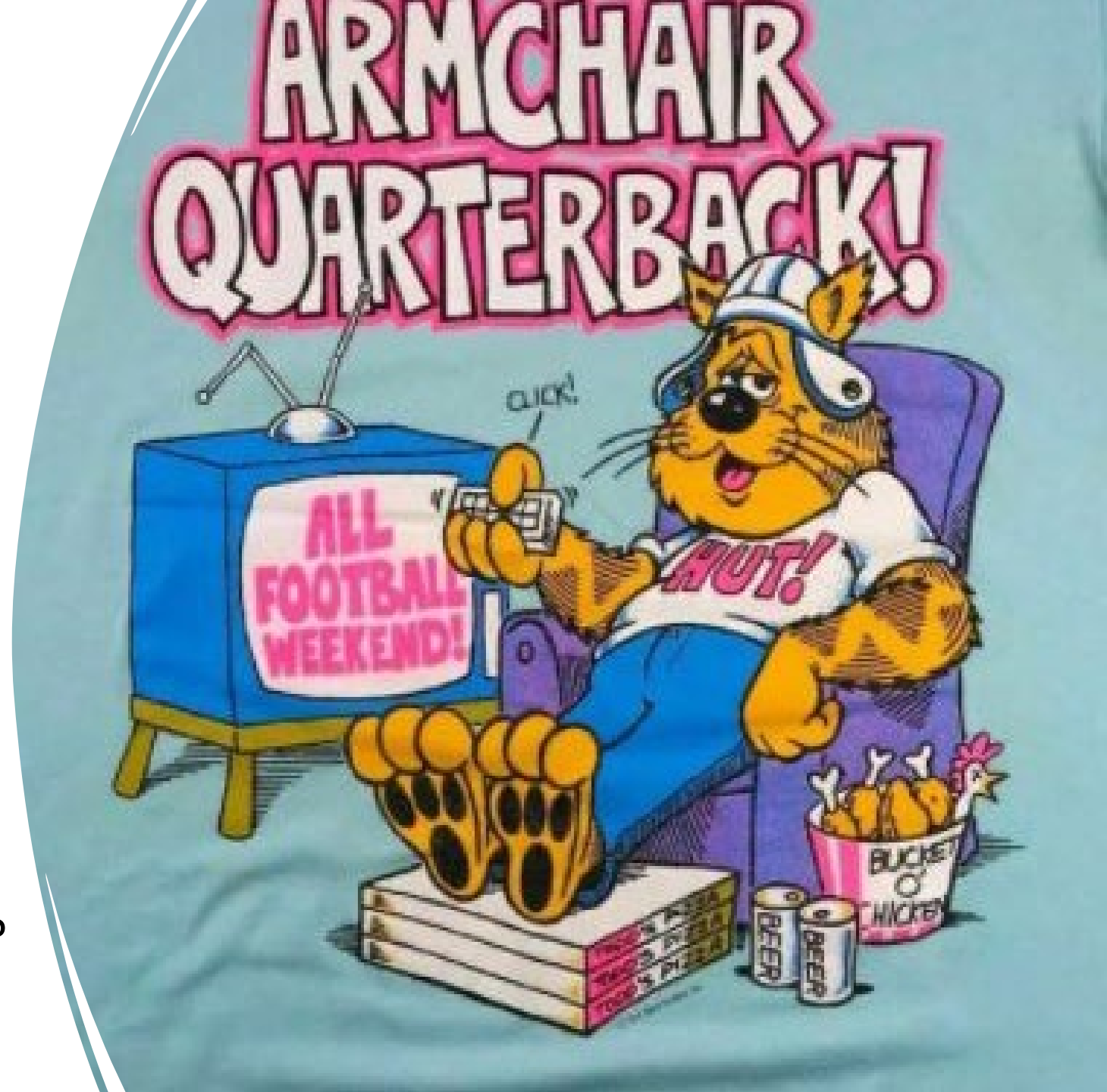
Preventive or Detective?

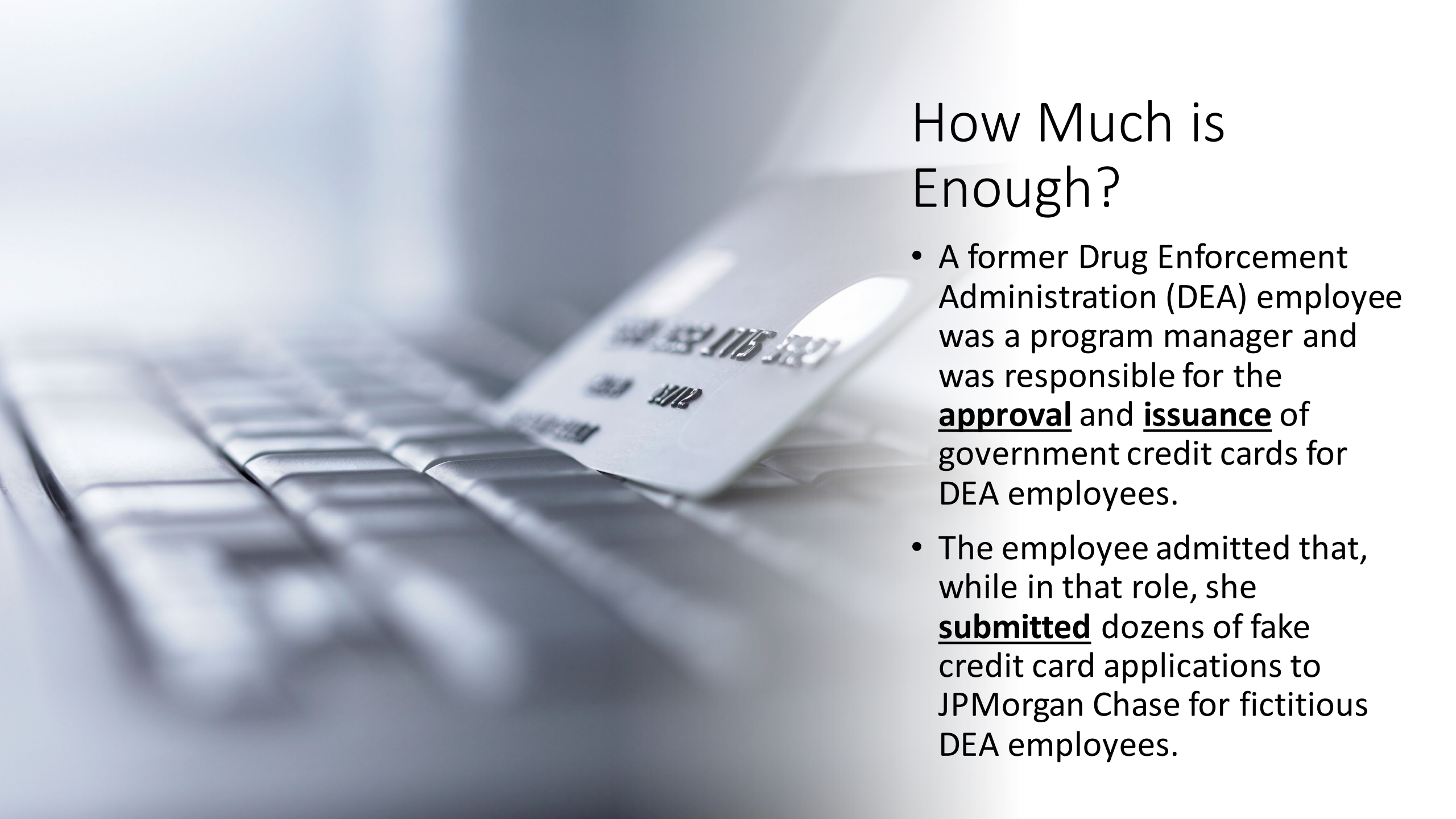
- Secondary Employment Reporting Requirement
 - Could it be effective if the job isn't reported?
 - Preventive or Detective?
- Software permissions and reviews
 - Fees Waiving Permission
 - Exceptions / Overrides Documentation
 - Preventive or Detective?
- What other controls could be used for this scenario?



Lax Controls or Determined Individual?

- Employee owns and operates a company
 - The company's business is facilitating services similar to and directly to his current employment
- Employee current job responsibilities
 - held software permission to address fees
- Lax Controls or Determined Individual?
 - Both?





How Much is Enough?

- A former Drug Enforcement Administration (DEA) employee was a program manager and was responsible for the **approval** and **issuance** of government credit cards for DEA employees.
- The employee admitted that, while in that role, she **submitted** dozens of fake credit card applications to JPMorgan Chase for fictitious DEA employees.



How Much is Enough?

- A former Drug Enforcement Administration (DEA) employee, was sentenced to two years in prison for defrauding JPMorgan Chase & Co. out of more than \$113,000 using fraudulently issued government credit cards.
- Ultimately, she obtained **32 fraudulent** credit cards withdrawing **\$113,000** from **ATMs** in Maryland and Virginia. She agreed to forfeit the cash and pay full restitution.

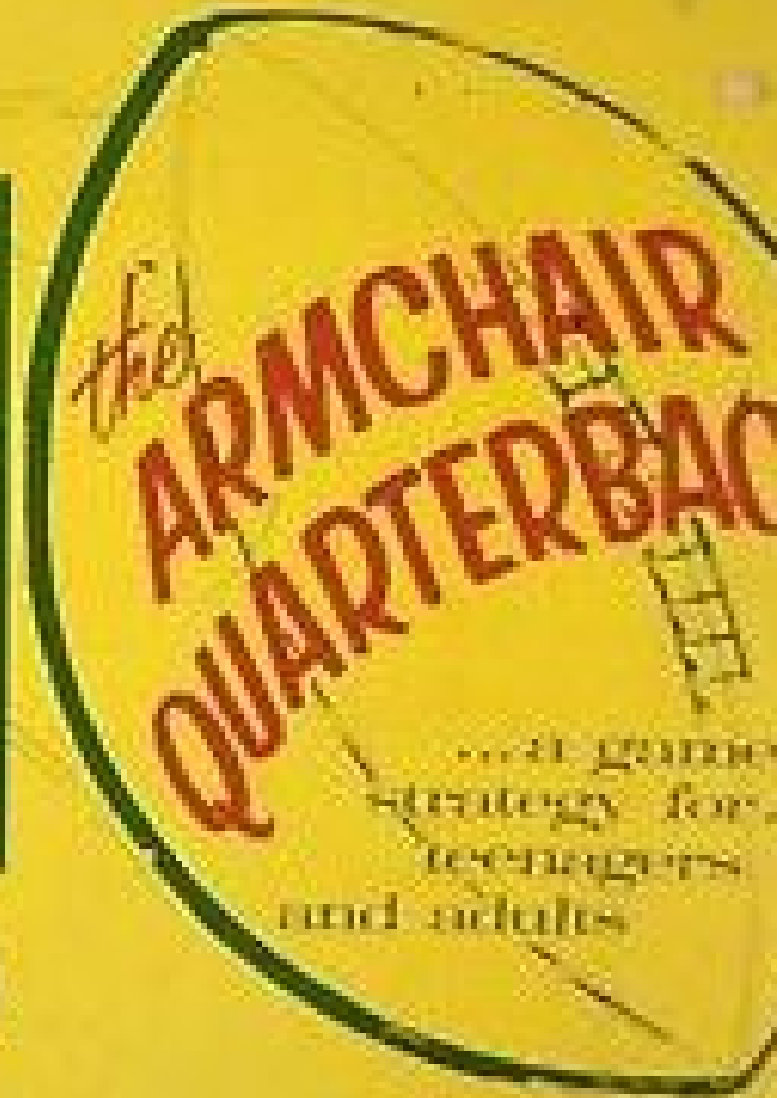


Preventive or Detective?

- Request for new card controls?
 - Preventive or Detective?
- Authorization for purchasing permission?
 - Preventive or Detective?
- What other controls could be used for this scenario?

Lax Controls or Determined Individual?

- The frequency of new cards
- Having both the ability to authorize and issue
- Allowable cash withdrawals
- Lax Controls or Determined Individual?
 - Both?





Pin-Heads Ignore Government Purchase Card Procedures

- The Manager of an Army Bowling Pro Shop received **factory rebates** for the bowling products he purchased for the shop using a Government credit card. Government Purchase Card **procedures** stipulate that cardholders **should** take **advantage of any rebates** offered, whether cash or merchandise, and that manufacturer and retailer rebates should be made payable to the appropriate Government agency.

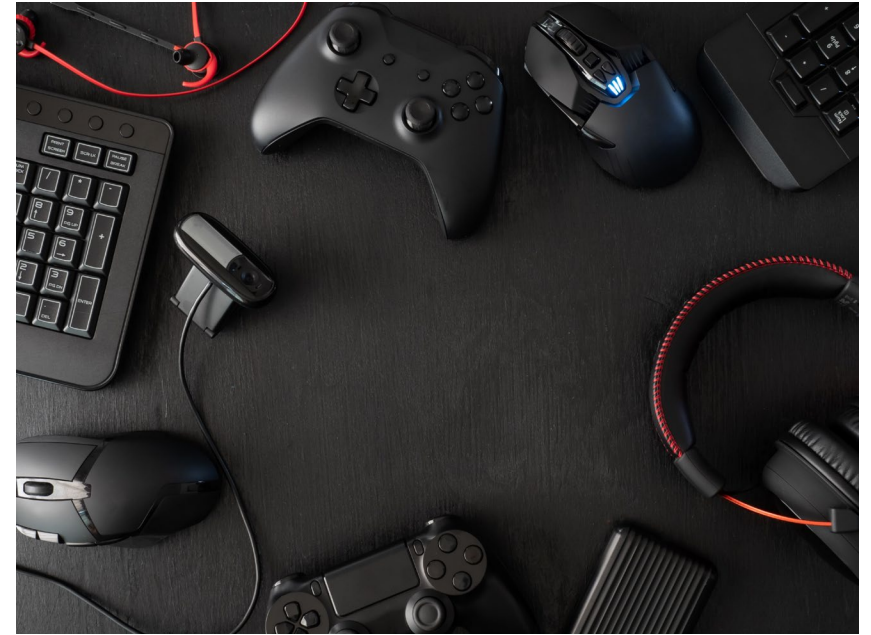


Pin-Heads Ignore Government Purchase Card Procedures

- The Manager purchased property for the shop, a MWR entity, on a Government contract; therefore, the rebates were the property of DoD and should have been turned in to the agency's financial officer.
- Instead, the Manager **kept the rebates**, which were in the form of Best Buy **gift card**, for his personal use. He was even heard **bragging** about all of the free stuff he would be able to buy.

Pin-Heads Ignore Government Purchase Card Procedures (cont.)

- Furthermore, he improperly lent his Government impact card to another civilian bowling facility employee in violation of Government Purchase Card standard operating procedure which requires that only the named individual on the card may use it for official purposes in compliance with agency accounts.
- This employee kept the cash and gift card rebates he received from using the Manager's card; failing to provide them to the MWR finance officer and resulting in \$230 cost loss for the Government. These actions constitute larceny and improper use of Government purchase card.



Preventive or Detective?

- Government impact card controls
 - Preventive or Detective?
- Purchasing process
 - Preventive or Detective?
- What other controls could be used for this scenario?



Lax Controls or Determined Individual?

- Manager assigned purchasing responsibilities
- Government impact card
- Lax Controls or Determined Individual?
 - Both?



Employee Receives Reprimand for His Side Business

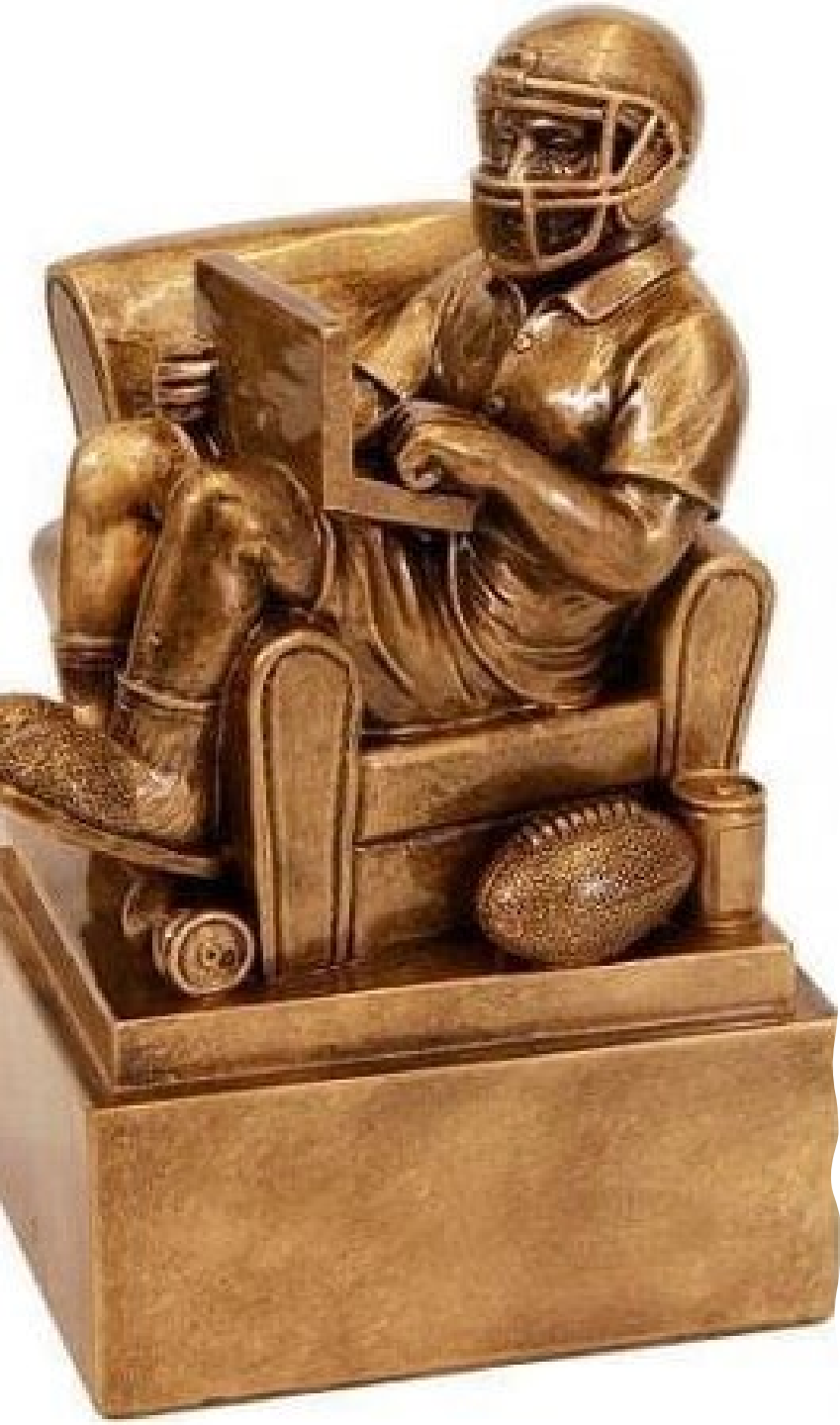
- A civilian employee was reported for running a **side business** through his office.
- It turns out that the employee had **developed** a computer program **during duty** hours and on Government **equipment**.
- He then marketed the program, and his consulting services, via the internet.



Employee Receives Reprimand for His Side Business

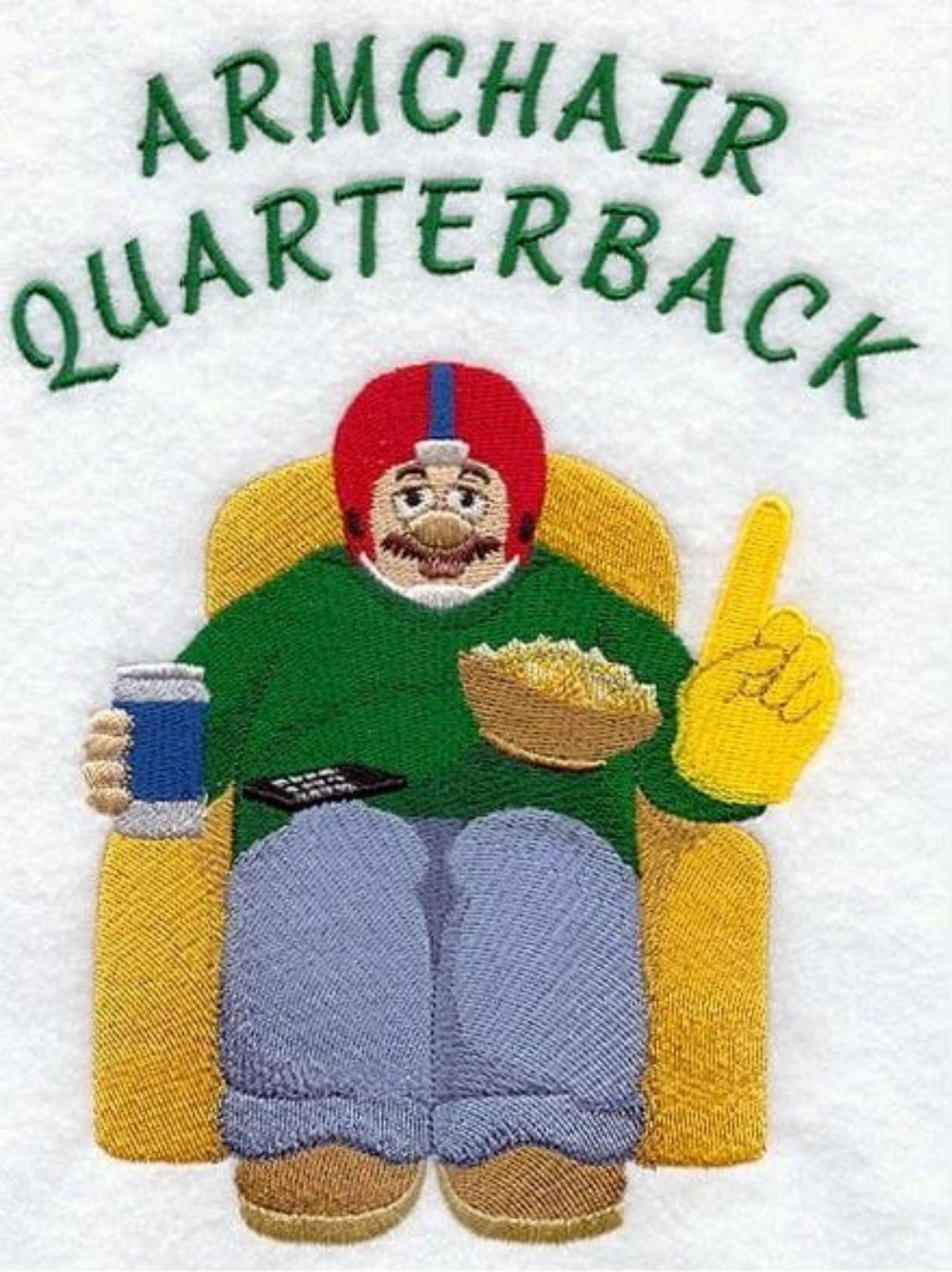
- He also used his Government APO address as his business address so that he would be able to handle all of his personal business at his Government office.
- The employee received a letter of reprimand and was forced to stop selling the software. Since it was developed on Government time and using Government resources the program was deemed Government property.





Preventive or Detective?

- Secondary Employment Reporting Requirement
 - Preventive or Detective?
- Computer usage policy
 - Preventive or Detective?
- Mail processing
 - Preventive or Detective?
- What other controls could be used for this scenario?



Lax Controls or Determined Individual?

- Transferable skill set for private industry
- Received mail at office
- Side business Owner
 - Type of work
 - Products produced
- Lax Controls or Determined Individual?
 - Both?

Prognosis for Army Doctor Does Not Look Good

- A civilian doctor working at any Army clinic was caught **ordering** medication and tests **for herself** at the clinic though she was **not entitled** to medical care by the military. She had also been seen by occupational health providers at the clinic about **20 times**.
- The doctor was suspended for two weeks without pay for receiving **unauthorized medical care** and was retrained on her eligibility to receive medical services.



Preventive or Detective?

- Software permissions
 - Preventive or Detective?
- Laboratory specimen controls?
 - Preventive or Detective?
- Medical billing?
 - Preventive or Detective?
- What other controls could be used for this scenario?





Lax Controls or Determined Individual?

- Ability to create a patient
- Ability to order tests
- Usage of facilities and supplies
- Lax Controls or Determined Individual?
 - Both?

Secret Agent Man?

- A former **high-level official** at the Environmental Protection Agency (EPA) **pretended** to be part of a detail to the Central Intelligence Agency (CIA) for nearly **two decades**.
- He **duped** a series of supervisors, including top officials, by **disappearing** from the office and explaining his absences by telling his bosses that he was **doing top-secret** work for the CIA and its “directorate of operations.”
- **No one** in the EPA **ever checked** to see if he worked for the CIA. In all, he was paid for 2.5 years of work that he did not perform.





Secret Agent Man?

- He received about \$500,000 in “retention bonuses” that he did not deserve.
- In addition, he lied about contracting malaria, which cost the EPA \$8,000 over three years for a parking space reserved for the disabled.
- He was reimbursed for \$57,000 in fraudulent travel expenses, and he continued to draw a paycheck for 19 months after his retirement.
- He has repaid the nearly \$900,000 to the EPA, but still owes \$507,000 in a money judgement. He was sentenced to 32 months in prison.



Preventive or Detective?

- Interagency agreements
 - Preventive or Detective
- Retention bonuses policy
 - Preventive or Detective
- Travel policy
 - Preventive or Detective
- Sick Leave or FMLA policy
 - Preventive or Detective
- What other controls could be used for this scenario?

Lax Controls or Determined Individual?

- Nexus between EPA and CIA?
- Frequent unscheduled absences?
- Duration of detail?
- Lax Controls or Determined Individual?
 - Both?





Official Travel to Conference Turns into Florida Vacation

- A Department of Defense (DoD) official was to **travel** to and attend a conference in Florida while on **DoD travel orders**.
- His wife accompanied him.
- It was **alleged** that after checking in at the hotel where the conference was to be held and then renting a convertible, the official **promptly left** for a short vacation with his wife for all three days of the conference.



Official Travel to Conference Turns into Florida Vacation

- After an investigation it was determined that the official **did not attend** the conference, told a subordinate to “**cover for him,**” and filed a fraudulent travel claim with DoD for the three days of the conference he did not attend.
- A proposal was made to have the official separated from Federal service.

Could you have detected it?

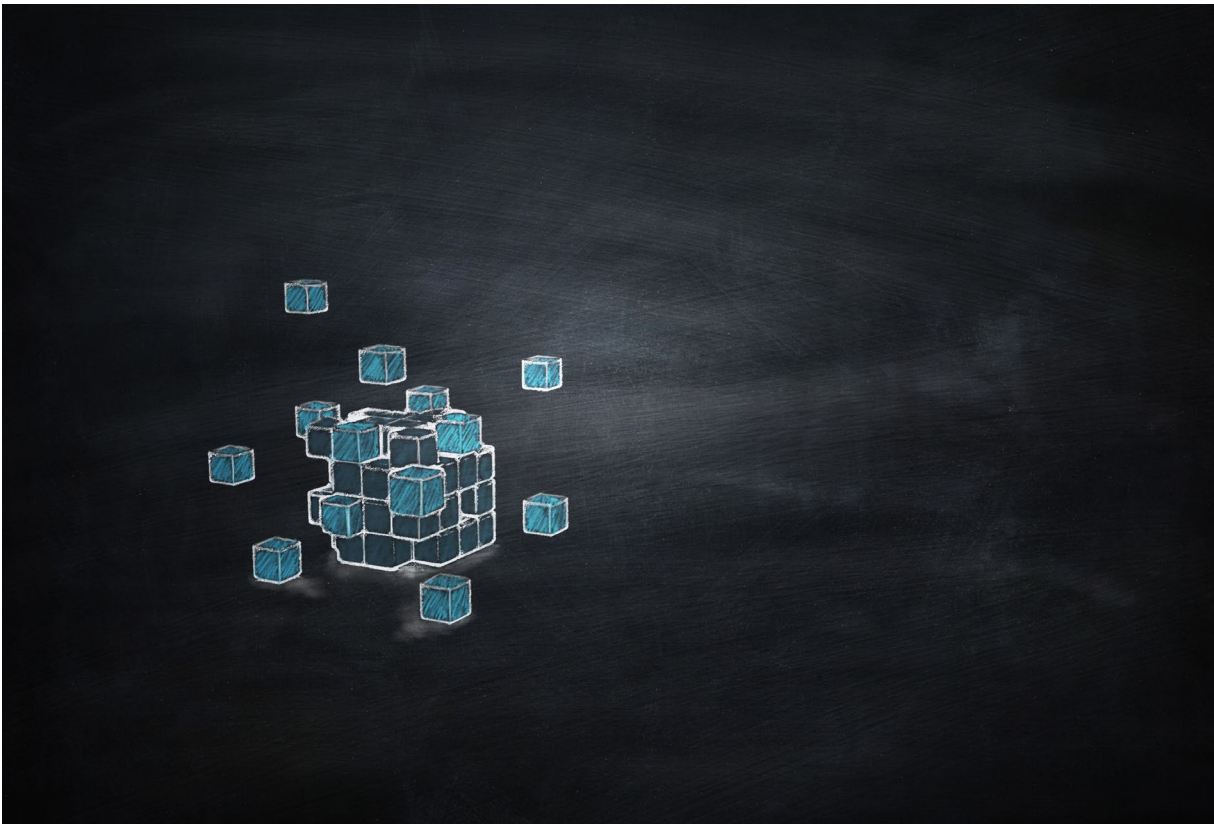
- Travel Policy
 - Preventive or Detective
- Vehicle use Policy
 - Preventive or Detective
- What other controls could be used for this scenario?



Lax Controls or Determined Individual?

- Travel with spouse?
- Rented a convertible?
- Lax Controls or Determined Individual?
 - Both?





Summary

- Are your controls well designed?
- Are they implemented correctly?
- Are you monitoring the controls?
- Do you need to adjust them?
- How could you tell if they have been overridden by a determined individual?



Resources

- U.S. Government Accountability Office Green Book
 - <https://www.gao.gov/greenbook>
- US Department of Defense Standards of Conduct
 - <https://dodsoco.ogc.osd.mil/Ethics-Program-Resources/Training-Materials/>
- Office of the Washington State Auditor (SAO)
 - <https://sao.wa.gov/improving-government/resource-library>
- Auditor Services Office
 - <https://clarknet.clark.wa.gov/auditor/audit-services/guidelines-forms-and-samples>

Gotta Keep 'em Separated (*or compensate*)!:

Segregation of duties and compensating controls

Michael Nash, Senior Internal Auditor

December 7, 2023



Today's Agenda:

- **Concept:** Segregation of duties and compensating controls
 - Why do we segregate duties?
 - What's the risk?
 - Incompatible duties
 - The role of compensating controls
- **Application:** Segregation of duties and compensating controls with limited resources



Today's Agenda:

- **Discussion areas:**

- Cash receipting
- Payables & Expenses
- Purchasing
- Inventory & asset management

- **Framework: For each area, discuss**

- Incompatible roles
- Compensating controls when roles can't be segregated

- **One, two, three: staff roles when staffing is limited**

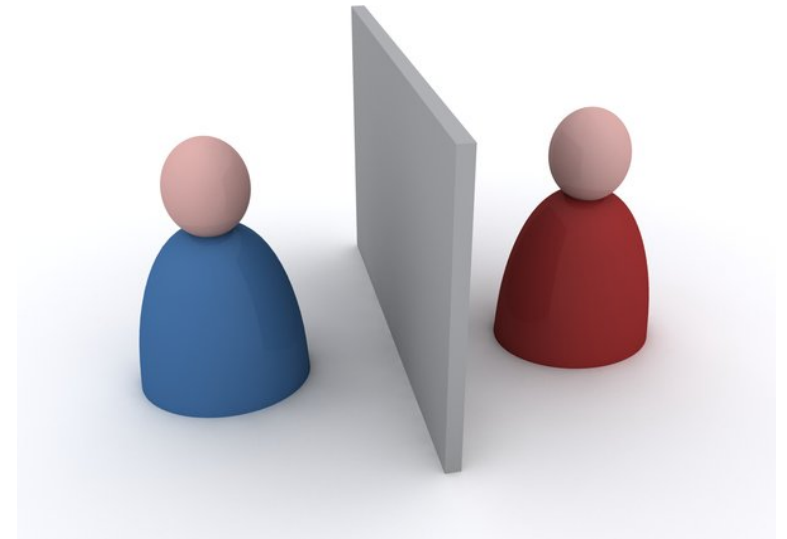


Segregation of Duties: A Preventative Control

Segregation (separation) of Duties:

“Every government in Washington, no matter how wide-ranging or narrow its responsibilities, has a primary duty to safeguard the resources entrusted to it.” - SAO

- When certain job duties are performed by the same individual, the opportunities for undetected error, fraud or theft increase.
- By separating these duties among several employees, we can reduce certain risks and detect errors.



Six Golden Rules for Protecting Government Assets

1. Separate conflicting duties whenever feasible with current staffing
2. When you can't separate duties, establish compensating controls to mitigate risk
3. Document the controls you put in place so expectations are clear
4. Incorporate monitoring!
Consistent supervision ensures controls are operating effectively
5. Align user access and permissions in software. No more, no less than needed to do the job.
6. Review and reevaluate the internal controls regularly, especially during times of change



Segregation of Duties: What's the risk?

- **Errors:** Any process that is performed by human beings is susceptible to error.
 - Separating duties reduces the likelihood that errors will go undetected
 - Best time to fix an error?
- **Fraud, Waste, and Abuse:** When one person controls multiple phases of a transaction or operation, there is an increased opportunity for *fraud, waste, and abuse*



Incompatible Duties:

- **Custody (Control):** Having access to, or control over, any physical asset such as cash, checks, equipment, supplies, or materials.
 - Access to or control over any funds through the collection of funds, processing of payments, management of petty cash and change funds
 - Access to safes, lockboxes, file drawers, secure storage areas
 - Access to or control over check stock, issuing passes or cards
 - Access to or control over *small and attractive* items
 - Receiving any goods or services
 - Lost and found items of value?



Incompatible Duties:

- **Authorization:** Authorization is the process pre-approving or reviewing and approving transactions or operations
 - Approving purchases
 - Signing checks
 - Contracts and contract change orders
 - Approving leave / vacation requests, employee travel
 - Approving user roles, profiles, or access to electronic systems



Incompatible Duties:

- **Reconciliation:** Verifying the processing or recording of transactions to ensure that all transactions are valid, properly authorized and properly recorded on a timely basis.
 - Comparing collections to deposits
 - Performing physical inventory counts and comparing to records
 - Comparing inventory charges to amounts purchased
- **Record-keeping:** Creating and / or maintaining physical or electronic records of transactions or activity, including the ***ability to edit or adjust*** records
 - Inventory systems and records
 - Activity logs: mail



Incompatible Duties:

- **Monitoring:** Management addresses risk through segregation of duties but cannot absolutely prevent it because of the risk of collusion.
 - Monitoring is one of the 5 components of internal control in addition to control activities
 - We noted segregation was a preventative control, but some elements are detective (reconciliations) or corrective (record-keeping). To be effective, the people performing these roles need to be vigilant and exercise professional skepticism.
 - Monitoring helps ensure the control is working as intended.
- **Risk from custody of multiple sources / funds:** In some circumstances, custody of two different funds can create additional risk



Compensating Controls:

A **compensating control** reduces the vulnerabilities in ineffectively segregated functions, which include the risk of errors, omissions, irregularities and deficiencies in process quality.

- Segregation of duties is a **preventative** control; most often, the compensating control will be **detective**
 - Additional documentation, analysis, and monitoring
 - Additional reporting, analysis, and monitoring
 - Independent reviews
 - Testing / spot-checking
 - Role for customer / vendor in control activity
 - Paper receipts



Cash Receipting: Incompatible Duties

Custody: If an employee's job is to receive payments, or to have access to money

Potentially Incompatible Roles	Risk
Void Receipts or Issue Refunds	Reversing transactions
Open mail which may include payments	Substitution schemes
Reconcile activity against bank deposit	Stolen deposit (full or in part)
Reconcile bank statements and ledger	Stolen deposit (full or in part)
Edit / adjust transaction records	Shorting deposit



Cash Receipting: Compensating Controls

Potentially Incompatible Roles	Risk	Compensating Control
Void Receipts or Issue Refunds	Reversing transactions	Require cashiers to document all voids or refunds System report showing when refunds are generated Review for reasonableness
Open mail which may include payments	Substitution schemes	Mail opened in public area, away from other receipting Find someone independent to observe and sign-off Compare cash / check composition to system
Reconcile activity against bank deposit	Stolen deposit (full or in part)	*strongly advise against* Periodic, independent review
Reconcile bank statements and general ledger	Stolen deposit (full or in part)	*strongly advise against* Periodic, independent reconciliation



Payables and Expenses: Incompatible Duties

- If an employee's job is to process payments for vendors or disburse funds...

Potentially Incompatible Roles	Risk
Create new vendors or users	Fake vendors / users schemes
Print checks or have access to check stock	Process unauthorized payments Check alteration schemes
Authorize payments	Process unauthorized payments
Reconcile the bank account	Conceal unauthorized payments



Payables and Expenses: Compensating Controls

Potentially Incompatible Roles	Risk	Compensating Control
Create new vendors or users	Fake vendors / users schemes	Management approval to create / change existing accounts Verification of new vendors / users
Print checks or have access to check stock	Process unauthorized payments Check alteration schemes	*strongly advise against* Secure stock and limit amount given to print Additional reviews of activity
Authorize payments	Process unauthorized payments	*strongly advise against* Independent review Second, independent signer
Reconcile the bank account	Conceal unauthorized payments	Secondary checks Independent review



Purchasing: Incompatible Duties

If an employee's job involves make purchases

Potentially Incompatible Roles	Risk
Approve purchases	Divert assets for personal use
Receive goods / services	Order and take schemes



Purchasing: Compensating Controls

Potentially Incompatible Roles	Risk	Compensating Control
Approve purchases	Divert assets for personal use	Require additional documentation / justification for need Review purchase activity for reasonableness, frequency
Receive goods / services	Order and take schemes	Review of deliver to addresses Secondary confirmation of receipt



Inventory & Asset Management: Incompatible Duties

- If an employee's job involves managing inventory (custody)

Potentially Incompatible Roles	Risk
Purchasing inventory	Overstock & convert to personal use
Receive and record inventory	Overstock & convert to personal use
Adjust inventory levels	Theft / concealment
Inventory counts / audits	Theft / concealment
Disposal / retirement	Convert to personal use, sell for personal gain



Inventory & Asset Management : Compensating Controls

Potentially Incompatible Roles	Risk	Compensating Control
Purchasing inventory	Overstock & convert to personal use	Review of purchases for frequency / reasonableness
Receive and record inventory	Overstock & convert to personal use	Reconcile inventory to orders Spot check of goods received
Adjust inventory levels	Theft / concealment	Require documentation of inventory adjustment Periodically review adjustment for reasonableness
Inventory counts / audits	Theft / concealment	*strongly advise against* Periodic, independent surprise inventory counts
Disposal / retirement	Convert to personal use, sell for personal gain	Certification of disposal Retirement schedules Review for frequency / reasonableness



Controls with Limited staffing: One Person

Person 1			Compensating Controls / Oversight
Custody			Background check / bonding for position
Authorization			Documentation of need / purpose Independent review for reasonableness
Reconciliation			Independent review / periodic, independent reconciliation Outsource?
Recording			Limit to after independent review Additional documentation Independent review



Controls with Limited staffing: Two People

Person 1	Person 2		Compensating Controls / Oversight



Controls with Limited staffing: Two People

Person 1	Person 2		Compensating Controls / Oversight
Custody			



Controls with Limited staffing: Two People

Person 1	Person 2		Compensating Controls / Oversight
Custody			
	Authorization		
	Reconciliation		
	Recording		



Controls with Limited staffing: Two People

Person 1	Person 2		Compensating Controls / Oversight
Custody			
	Authorization		Documentation of need / purpose prior to authorization Independent review for reasonableness
	Reconciliation		
	Recording		



Controls with Limited staffing: Two People

Person 1	Person 2		Compensating Controls / Oversight
Custody			
	Authorization		Documentation of need / purpose prior to authorization Independent review for reasonableness
	Reconciliation		Independent review / periodic, independent reconciliation
	Recording		Supporting documentation for changes made



Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight



Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight
Custody			



Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight
Custody			
		Authorization	



Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight
Custody			
		Authorization	
	Reconciliation		



Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight
Custody			
		Authorization	
	Reconciliation		
		Recording	




Controls with Limited staffing: Three People

Person 1	Person 2	Person 3	Compensating Controls / Oversight
Custody			
		Authorization	
	Reconciliation		
		Recording	Supporting documentation for changes made



SAO Self-Assessment Checklist

 Center for Government Innovation					
Segregation of Duties Self-assessment Checklist					
Date of Review:					
Completed by:					
Key recommendations:					
Instructions: Answer the questions below as they relate to your government's various control systems, and whether the duties are segregated. Use the SAO Segregation of Duties guide as a reference in completing this checklist (each section relates to a specific chapter). Detailed instructions for this template are in Appendix B. You can find the guide in SAO's resource library.					
Complete this section if your duties are not segregated					
Question	Are duties segregated? Yes or No	Risk tolerance (see cell comment)	Describe compensating controls (CC) in place that address the risks	Are your controls adequate?	Describe whether you will add any controls OR segregate this duty
<i>Examples</i>					
Do cashiers have complete control over issuing receipts? For example, could they issue an unauthorized receipt or not give a customer a receipt and pocket the money undetected?	No	Very low	We have a sign telling customers to expect a receipt at the park entrance	No	We will add a requirement that the customer place the receipt on their vehicle dash and will tow vehicles without it
Can cashiers also void receipts or process refunds to customers?	Yes				
Section 1. Cash Receipting					
1a Do cashiers have complete control over issuing receipts? For example, could they issue an unauthorized receipt or not give a customer a receipt and pocket the money undetected?					



Lessons Learned: Takeaways from today

1. Remember the golden rules: segregate duties when feasible, develop compensating controls when you cannot
2. Identify the risk, then design the compensating control to address that risk. Use tools like a responsibility matrix or the SAO self-assessment guide
3. Segregation of duties is a preventative control, but some elements are detective and require vigilance and professional skepticism to be effective
4. Monitor your internal controls, including segregation of duties, to ensure controls are operating as intended.
5. Consider how normal disruptions, such as vacations, impact the segregation of duties



Resource Links:

[SAO Guide: Segregation of Duties 1st Edition](#)

[SAO Self-Assessment Tool](#)





2023: Results and Lessons Learned

December 7, 2023

Larry Stafford

Clark County Audit Services Manager

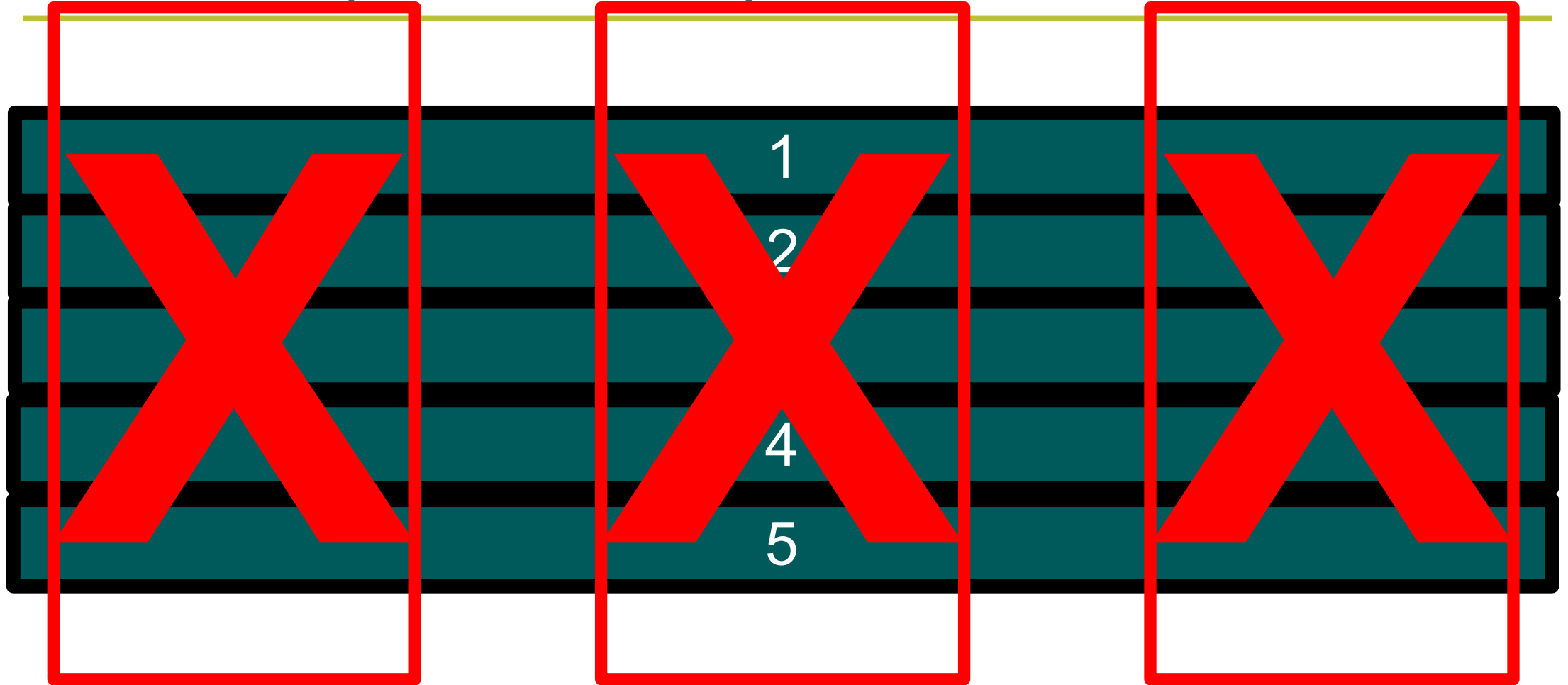


Today

- Washington State Auditor's Office 2023 Fraud / Whistleblower Investigations
- Results of Washington State Auditor's Office Accountability Audit of Clark County for 2022
- Clark County Audit Services Internal Control Reviews During 2023



Five Components of a System of Internal Controls?



Source: GAO Standards for Internal Control in Federal Government



Washington State Auditor's Office

Accountability Audits

Federal Single Audits

Financial Statement Audits

IT Audits

Performance Audits

Investigations

BARS Manual

Center for Government
Innovation



SAO 2023 Fraud and Whistleblower Investigations

(8) Investigations relating to improper use of time

- (5) Dual employment
 - (3) unsubstantiated; (2) substantiated
- (2) Personal business
 - (1) unsubstantiated; (1) substantiated
- (1) Failure to submit leave slips
 - (1) substantiated



SAO 2023 Fraud and Whistleblower Investigations

City of Spokane and Washington State Health Care Authority

- Employee worked in procurement for City since 2015
- August 1, 2022 HCA hired employee, fully remote
- Employee told HCA using remaining leave at City
- September 26, 2022 HCA contacted city about employee
- Employee immediately resigned from HCA
- City placed employee on admin leave then terminated
- Both entities investigated
 - HCA no questionable payroll
 - City \$11,552 in questionable payroll



SAO 2023 Fraud and Whistleblower Investigations

City of Spokane and Washington State Health Care Authority

- SAO reviewed investigations
 - Time of dual employment at both entities is questionable
 - Could not confirm amount of overlap or quantify loss
- Recommendations
 - Establish policies for outside employment
 - Improve monitoring of employee activity; adequacy of work performed in line with time reported
 - Establish expectations managers know what work employees should have performed
 - Communicate and train staff



SAO 2023 Fraud and Whistleblower Investigations

(8) Investigations of misappropriated, questionable use of funds

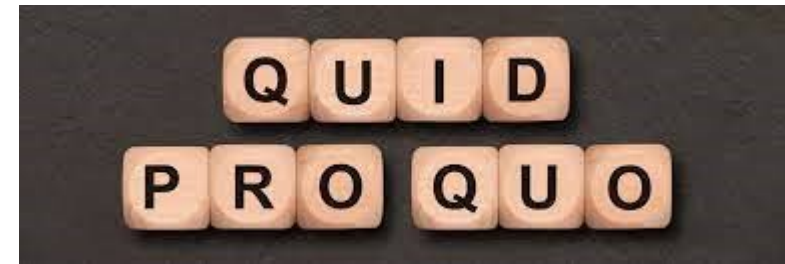
- \$56,513 from customer utility accounts
- \$47,588 from 55 deposits of transfer station
- \$12,239 credit card charges and cash withdrawal
- \$8,686 credit card charges for personal expenses
- \$8,000 of CARES Act for tuition assistance
- \$6,378 from sewer utility payments
- \$6,338 of proceeds from recycling Brass Meters
- \$5,340 of patient's funds held in trust



SAO 2023 Fraud and Whistleblower Investigations

Other Investigations:

- (2) Improper use of public assets
- (2) Improper contracting / contract management
- (2) Improper procurement of equipment
- (1) Improper reimbursement of travel expense
- (1) Improper reporting of enrollment
- (1) Improper depositing of ASB funds



In Case of Suspected or Known Fraud

DO

1. Preserve evidence you already have
2. Contact Audit Services immediately
3. Assist in reporting to the Washington State Auditor's Office (required by RCW)
4. Proceed as directed by the SAO

And DO NOT

1. Accuse those you suspect are involved
2. Interview or interrogate employees
3. Gather evidence



SAO Accountability Audit Results: 2022

Exit Item Recommendations to Improve: Operations

Oversight:

- Ensure inspection data is entered and accurate
- Ensure rental fees are approved

Policies:

- Clarify fees, refunds, and consistency of application

Procedures:

- Ensure identification of high-risk properties
- Review edits to tax of property owned by employees



SAO Accountability Audit Results: 2022

Exit Item Recommendations to Improve: Compliance

Policies:

- use of P-Cards for airfare (County Policy)

Procedures:

- contracting with third parties (WAC)
- ensure compliance with piggyback procurement (RCW)

Documentation:

- purpose of meal expense (RCW)
- pre-established criteria for procurement (RCW)
- cost allocation, rationale, equitable (BARS)



SAO Accountability Audit Results: 2022

Exit Item Recommendations to Improve: Reporting

Oversight:

- accuracy of reported data (WADES)



Clark County Audit Services

Performance Audits

Investigations / Referrals

Internal Control Reviews (ICR)

Training and Education

Analytical Reviews

Liaison with Washington State
Auditor's Office

Technical and Advisory
Services



Clark County Audit Services Results

2023 Internal Control Reviews (18)

- 239K transactions in 2022
- \$34M total value in 2022



Clark County Audit Services Results

ICRs High Risk Issues (9)

1. Management review: not effective / missing (4)
2. Key Duties: Not separated (2)
3. Other High Risk (2)
4. Correcting logs and records (1)



Clark County Audit Services Results

ICRs Medium risk issues (11)

1. Develop or Adjust Procedures (4)
2. Other medium risk (3)
3. Reconcile and replenish (2)
4. Additional staff training (2)



Clark County Audit Services Results

ICRs Low risk issues (5)

1. Other low risk (3)
2. Need to escheat funds (1)
3. Custodial Records Not Current (1)



Clark County Audit Services

Other Commendations: Consistent Reviews and Communications

1. Treasurer's Office Vault Reviews
2. Permit Center Cash Reviews
3. Public Works Fleet Shop Inventory

Recognition does not imply any endorsement of the accuracy or factual nature of information reported by offices or departments. The purpose of this recognition is solely to extend appreciation for the diligence and oversight provided by dedicated public servants based on the reports they have communicated to the Audit Services team.



Helpful Resources

Washington State Auditor's Office

Audit Reports

<https://sao.wa.gov/reports-data/audit-reports/>

Preventing Fraud, The Center for Government Innovation

<https://sao.wa.gov/improving-government/preventing-fraud/>

Clark County Audit Services

Annual Internal Control Review Reports

<https://clark.wa.gov/auditor/internal-control-review-reports>

Performance Audit Reports

<https://clark.wa.gov/auditor/audit-reports>

Intranet Page – Individual ICR memos, guides, fraud reporting, seminar slides

<https://clarknet.clark.wa.gov/auditor/audit-services>



Thank you!

Comments and questions

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*For other formats, contact the [Clark County ADA Office](#); **Voice** (564) 397-2322
Relay 711 or (800) 833-6388; **Fax** (360) 397-6165; **E-mail** ada@clark.wa.gov*

