

AUDIT SERVICE'S 2019

FRAUD AWARENESS AND INTERNAL CONTROLS SEMINAR

Clark County Auditor's Office
December 5, 2019 v.1



Agenda

- 8:30 Opening remarks by Auditor Greg Kimsey
- 8:35 Fraud Awareness
- 9:50 Break
- 10:00 Systems of Internal Controls
- 11:00 2019 Internal Control Reviews
- 11:15 Essential Employee Ethics
- 11:30 Closing remarks by Mark Gassaway



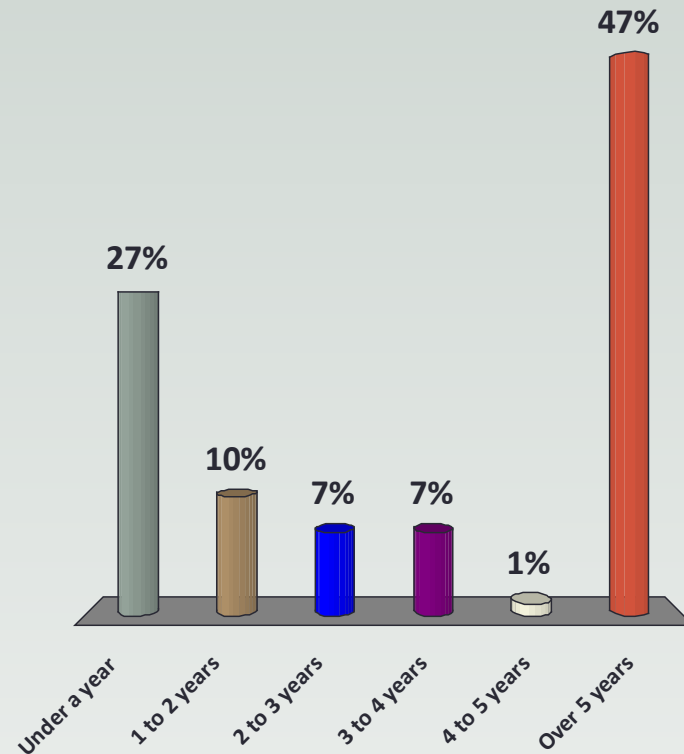
Wireless Polling Devices

- ✓ Anonymous if ...
- ✓ **Vote when the corner box is green**
- ✓ Point anywhere, push button choice
- ✓ **Votes tally in corner box**
- ✓ See results immediately
- ✓ **Records results in Excel**



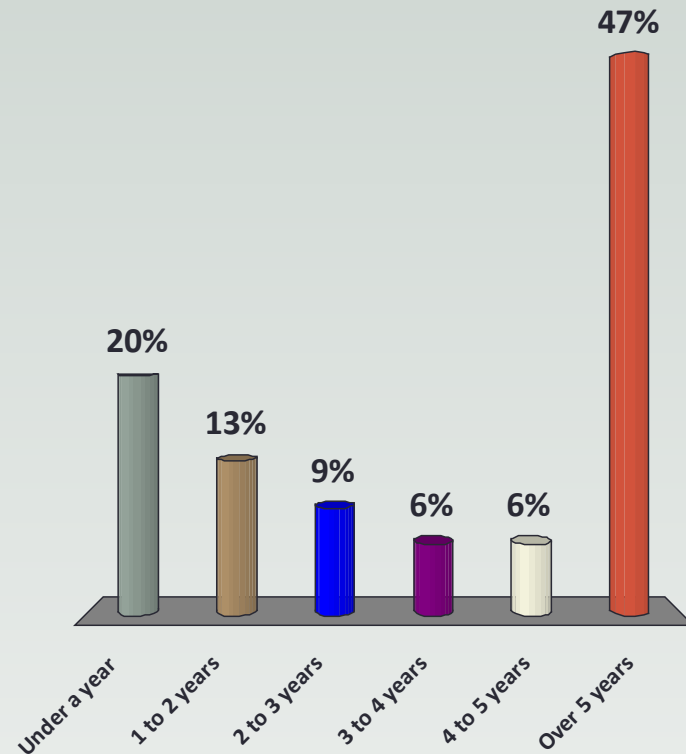
How long have you been in your current job or position?

1. Under a year
2. 1 to 2 years
3. 2 to 3 years
4. 3 to 4 years
5. 4 to 5 years
6. Over 5 years



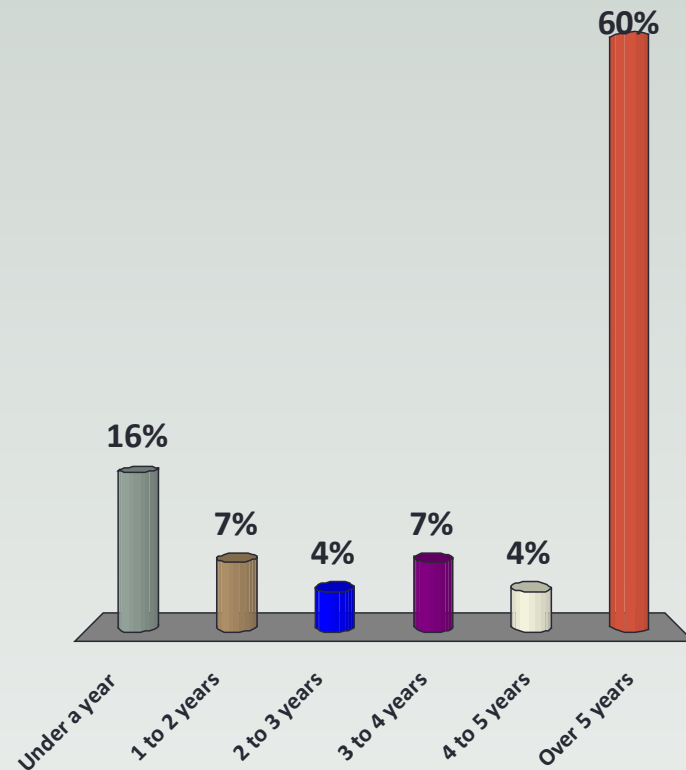
How long have you been in your current department?

1. Under a year
2. **1 to 2 years**
3. 2 to 3 years
4. **3 to 4 years**
5. 4 to 5 years
6. Over 5 years



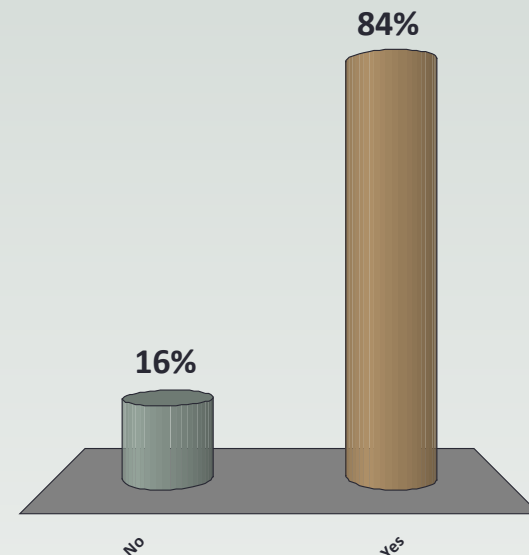
How long have you been with your current employer?

1. Under a year
2. **1 to 2 years**
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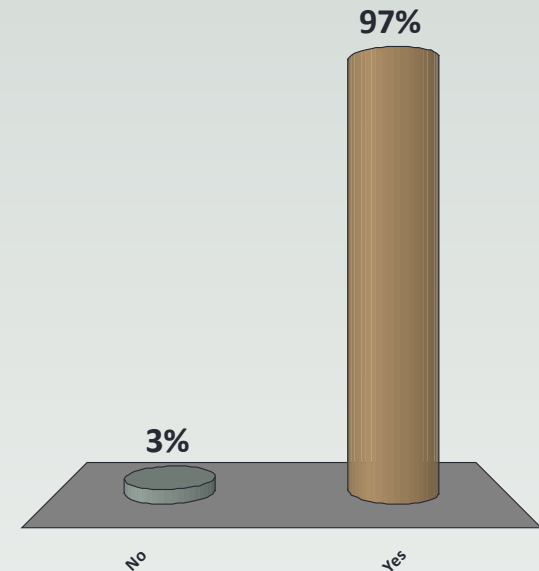
During the past year, has your department experienced any changes in the laws, rules, or regulations that govern your programs?

1. No
2. Yes



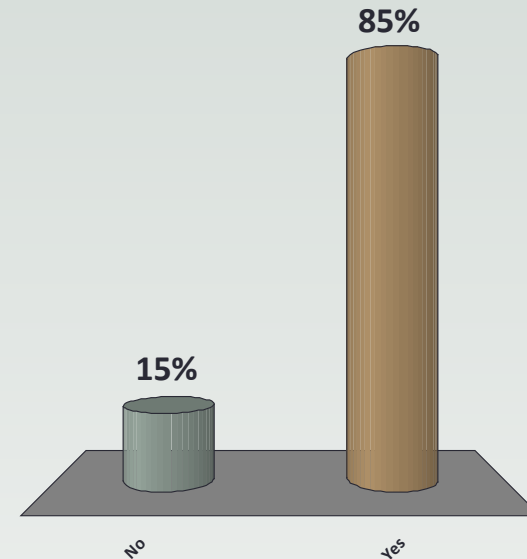
During the past year, has your department experienced any changes to important software systems?

1. No
2. Yes



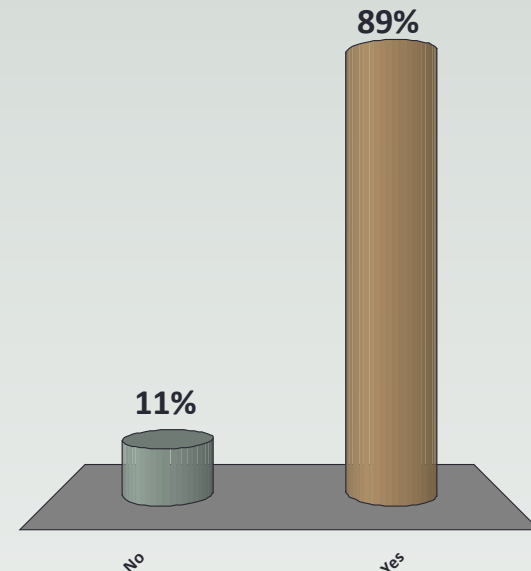
During the past year, has your department experienced any changes in key personnel?

1. No
2. Yes



During the past year, has your department experienced any changes in leadership?

1. **No**
2. **Yes**



SYSTEMS OF INTERNAL CONTROLS

Making it all work together

SAO Fraud Investigation Report: Chelan County DTF

1. April 3, 2019 – Drug Task Force seized large volume of cash
2. April 5, 2019 – Recount of cash evidence bags identified possible shortage of \$19,840

Chelan County DTF Seizure Process

Two officers count cash into 10 cash bags at the scene while a third officer records the count of \$88,302.

Separate officer transports 10 cash bags to evidence where they're secured in locker by another officer

Evidence officer retrieves bags to trace drug buy funds. Another officer offers to assist in recount. They find possible shortage of \$19,840.

Two officers independent of cash seizure recount the 10 cash bags. They confirm possible shortage of \$19,840.

Investigation Results

“We concluded that it is difficult to determine whether cash initially counted and recorded at the April 3, 2019 seizure was accurate, or was what should have been located in the cash evidence bags”.

Chelan County DTF Controls

Two officers count cash into 10 cash bags at the scene while a third officer records the count of \$88,302.

← Segregation of duties; dual custody; documentation

Segregation of duties; secured storage; documentation →

Separate officer transports 10 cash bags to evidence where they're secured in locker by another officer

Evidence officer retrieves bags to trace drug buy funds. Another officer offers to assist in recount. They find possible shortage of \$19,840.

← Dual custody; documentation

Independent monitoring; documentation →

Two officers independent of cash seizure recount the 10 cash bags. They confirm possible shortage of \$19,840.

Chelan County DTF Control Weakness

Two officers count cash into 10 cash bags at the scene while a third officer records the count of \$88,302.

Two officers counting didn't complete count sheets; didn't initial evidence bag - unclear if bags properly sealed

Separate officer transports 10 cash bags to evidence where they're secured in locker by another officer

Evidence officer retrieves bags to trace drug buy funds. Another officer offers to assist in recount. They find possible shortage of \$19,840.

Officer retrieved bags for recount without second officer present initially

Two officers independent of cash seizure recount the 10 cash bags. They confirm possible shortage of \$19,840.

SAO Recommendations:

1. Inform and train employees on policies and procedures
2. Put procedures in place to ensure staff adhere to policies
3. Retain clear documentation for evidence cash count

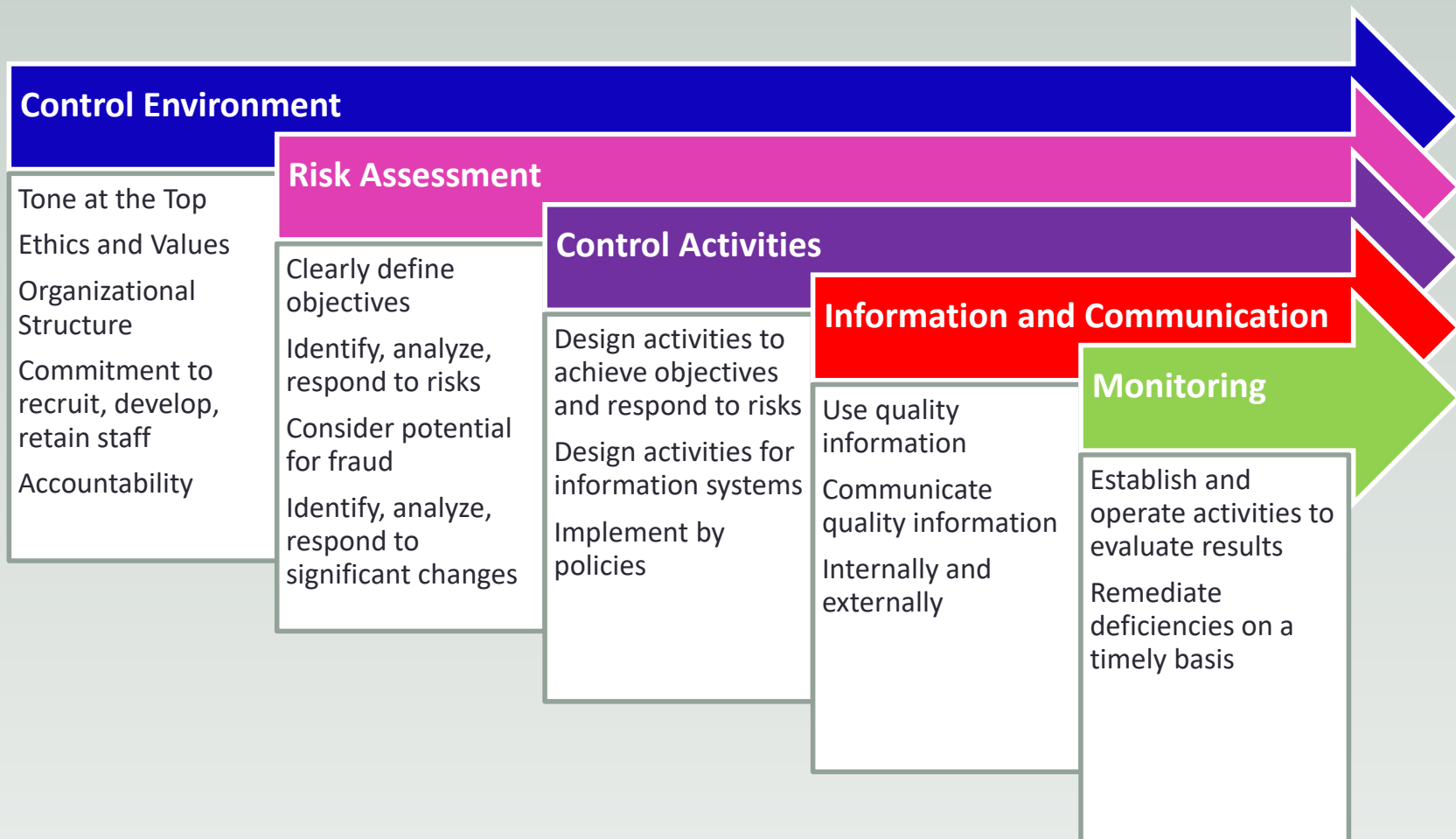
Chelan County DTF Response:

1. Utilize denomination evidence envelopes
2. Purchased portable money counting machine to count and log controlled buy funds and seized currency
3. Coached and counseled employees involved in seizure on policies

Systems of Internal Controls



Systems of Internal Controls



Bethel School District No. 403

- Point of Sale not reconciled after each event
- Bank reconciliations incomplete and unable to be performed
- Didn't know how much revenue to expect
 - Post fundraiser forms not completed
 - Staff did not track ticket sales or keep documentation for all games
 - Unable to locate concession sales documentation
- Access to safe
 - Athletic Director placed four receipt bags in safe
 - Bank courier unable to take them due to missing deposit slips
 - ASB Clerk discovered one bag missing \$1,945

SAO Recommendations

- Use separate logins / limit access to cash drawer
- Keep records for concession sales and gate attendance
- Provide documentation for transfer of cash
- Timely reconciliations using district profit and loss form
- Keep all supporting sales records
- Keep records to track cash boxes being checked in and out

Problem primarily with specific internal controls or system of controls?

1. Controls
2. System



Bethel School District No. 403 Response

- An “isolated instance”
- “inexperience of the ASB Clerk contributed to violations of compliance with district practices and procedures”
- Already conduct internal audits
- “Sampling of gate / concession revenue for at least three games / activities”
- “... resulted in attaining high standards”

SAO Response

- Policies and procedures “were not adequate to prevent misappropriation”
- Ensure policies and procedures are designed to safeguard District funds
- Monitor operations to ensure staff follow policies and procedures

SAO Fraud Investigation Report: King County

- November 26, 2019 County reported potential loss of public funds
- County determined petty cash of \$48 misappropriated sometime around June of 2017

King County

- June 2017 Admin Assistant left office and didn't return
- Supervisor found \$200 petty cash box missing
- Located \$152 in cash receipts and determined remaining \$48 missing
- Supervisor attempted to contact Admin Assistant, no response
- Admin Assistant formally resigned October 2017

King County

- November 2018, SAO was notified and expanded investigation
- Credit Card Purchases by Admin Assistant
 - \$108 purchase of personal item
 - \$657 in questionable purchases due to missing documentation

Problem primarily with specific internal controls or system of controls?

1. Controls
2. System



SAO Recommendations

- Strengthen internal controls over approval of expenditures
- Retention of supporting documentation
- Adequate monitoring and oversight to safeguard public resources and compliance with county policies
- Report loss of public funds immediately
- Seek recovery of misappropriated funds and investigation costs of \$4,625
- SAO will refer to Prosecuting Attorney

King County Response

- Concur with recommendations
- Completing review of all petty cash funds, closing those without a compelling business need
- Reduced number of individuals who can approve purchases and develop training
- Developing refresher training for purchase card coordinators
- Will implement periodic audits of purchase card activity
- Will provide refresher training for loss reporting

SAO Fraud Investigation Report: Office of the Attorney General

- August 8, 2018 Chief Financial Officer notified SAO of potential loss of public funds
- Investigated by private CPA firm and then SAO
- Determined a non-profit organization (NPO) under a grant agreement with the AGO misappropriated \$199,978 between June 2015 and June 2017

Office of the Attorney General

- NPO contracted to provide services from 2013 – 2019
- No prepayments allowed, only reimbursements for expenses
- NPO didn't obtain all required annual financial audits
- At AGO request, NPO hired a CPA firm
- Firm identified some invoices AGO paid were for expenses not incurred by NPO, who then refunded AGO \$50,316
- Firm later produced audit report identifying total of \$119,910 paid invoices for expenses not incurred

Office of the Attorney General

- NPO Executive Director certified all reimbursement packets
- Some requests were delayed, ranging from 21 to 282 days after the month in which expenses occurred
- According to NPO Executive Director
 - Prepayment for expenses was approved in advance by AGO
 - Untimely submission of invoices due to delays in AGO signing contracts
 - NPO didn't think to repay AGO for invoices submitted for planned training that was canceled

Office of the Attorney General

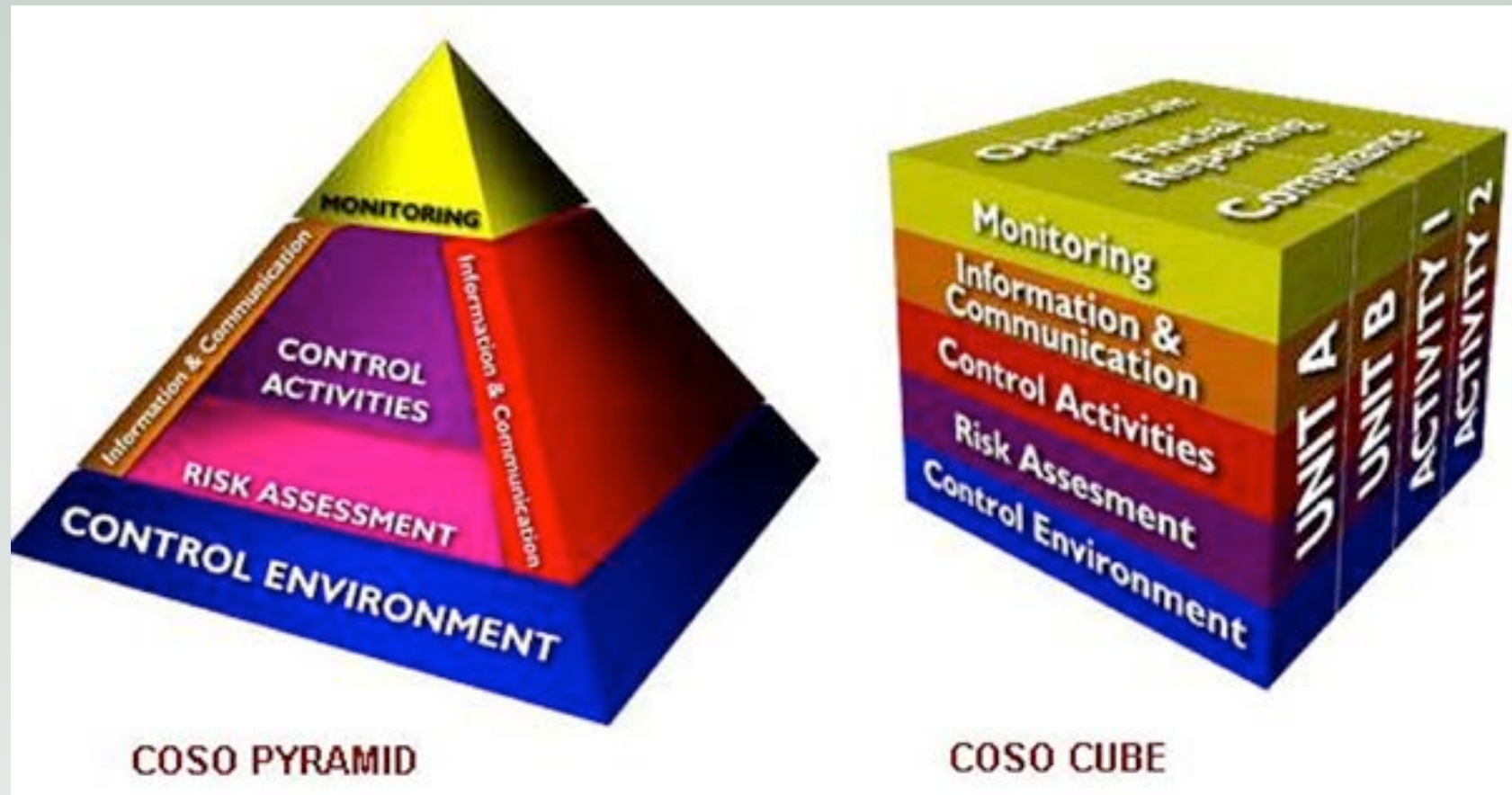
- SAO compared invoices and supporting documentation to the NPO's bank statements, found total of \$199,978 in unsupported payments
- SAO determined the AGO didn't have controls in place to verify expenses had been incurred before issuing payments.

Office of the Attorney General

Each table is now a team of auditors

1. Create at least two recommendations to improve internal control activities.
2. Consider the systems of controls involved and develop recommendations for at least two areas other than control activities already addressed in step 1.

Systems of Internal Controls



SAO Recommendations

- Obtain supporting payment documentation to compare with invoice records received to validate invoice information and billed amounts for services.
- Ensure a grant agreement deliverables and terms are met before disbursing state administered grant funds.
- Seek recovery of the misappropriated \$149,662 and investigation costs of \$23,517.05 from the NPO and / or its insurance bonding company

Office of the Attorney General Response

- AGO is victim of fraud
- AGO uncovered the fraud and reported it to SAO
- AGO “scrutinized invoices and obligated the organization to swear to the accuracy of invoices under penalty of perjury”
- AGO is committed to making tax payers whole
- AGO knew that the NPO’s “board consisting of esteemed former elected officials and other prominent community members would also oversee the organization’s spending”
- AGO could not get requested documentation from NPO
- Executive Director lied to AGO

SAO Response

- “State law requires all governments to report potential losses of public funds to our Office. As we acknowledge in the first sentence of the report, the AGO followed the law. Notably, the law does not exempt the practices of the reporting entity from scrutiny.”
- Duty to recommend improvements for fraud prevention
- “Robust internal controls go a long way to ensuring any government, including the AGO, has adequate oversight and monitoring of public resources.”

Summary

- Effective controls require a complete system
- Everyone in your organization impacts your system of controls
- Consider all five components of your system when resolving problems

Questions?

AUDIT SERVICES

Larry Stafford

Tom Nosack

Arnold Pérez

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Fraud Awareness Training

December 5, 2019

Arnold Pérez, Performance Auditor

Audit Services



An Awareness Course

What we will cover:

- Internal Controls: What are they? What are they good for?
- **Red flags**
- Fraud exercise: How would YOU get away with it?
- **Case Study: Would you have caught it?**
- Professional Skepticism
- **Reporting: Who you gonna call?**
- Helpful Resources



EPA OIG #33019882 1988

Internal Controls: What are they?

- Internal control is a process- affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:
 - Effectiveness and efficiency of operations
 - Compliance with applicable laws and regulations
 - Reliability of financial reporting (BARS 3.1.3.20)
- Managers are responsible for the design, implementation and ongoing monitoring of internal controls.



Internal Controls: What are they good for?

What is the purpose for:

1. Timecards ?
2. Purchase Orders?
3. Invoices?
4. Travel Reimbursement ?
5. Purchasing Cards?
6. Contracts?



How would you check them out?

- | | |
|-------------------------------|---------------------------------|
| 1. Timecards..... | 1. Compare to approved schedule |
| 2. Purchase Orders..... | 2. Check for valid Request |
| 3. Invoices..... | 3. Match to valid expenditure |
| 4. Travel Reimbursement | 4. Verify approved travel |
| 5. Purchasing Cards..... | 5. Review expense details |
| 6. Contracts..... | 6. Expenses within scope |



Controls won't catch everything

1. Internal controls, no matter how well designed and operated, can provide only reasonable assurance to management. Certain limitations are inherent in all internal control systems:
 - **Costs**
 - Human judgement which can be faulty, simple errors or mistakes.
 - **Controls can also be circumvented by the collusion of two or more people and/or by management's improper override of the system.**
2. Weak or insufficient internal controls may result in audit findings and, more importantly, can lead to theft, shortages, operational inefficiency, or a breakdown in the control structure. (IC Guidebook 2010)





Red Flags: Things that make you say, hmmm....

1. Timecards.....
2. Purchase Orders.....
3. Invoices
4. Travel Reimbursement ...
5. Purchasing Cards.....
6. Contracts.....

1. Altered Timecards
2. Excessive materials orders
3. Inadequate, copied or apparently altered supporting documents
4. Higher than expected mileage costs
5. Vendor used excessively by only one cardholder
6. Contractor submitting invoices or claims without detail or supporting documentation



Fraud Exercise

- **Purchase Cards**

- Employee uses an organization's credit card to make unauthorized purchases for themselves.

- **How would you get away with hiding unauthorized purchases for yourself?**



Red Flag Indicators



- Unreasonable/unexplained high volume of purchases from a particular vendor
- Goods or services are purchased beyond legitimate need of the organization
- Split purchases
- Duplicate purchases/invoices
- Receipts or invoices supporting purchases are missing or photocopied
- Receipts or invoices are not sufficiently detailed to document actual purchases
- Lack of proper approvals and/or separation of functions
- Vendor used excessively by only one cardholder.
- Purchases made during weekends or holidays
- Inflated prices or price not reasonable based on items purchased.



Case Study: Would you have caught it?

- **Ladies and Gentlemen the story your about the hear is true. The names have been changed to protect the innocent.**
- **(insert Dragnet intro) TUUUN!, Tuntaranton, TUUUN Tuntaranton, TUN!**
- **All jokes aside, We appreciate the work conducted by auditors and those committed to the upholding the public trusts in all levels of government by pursuing fraud cases. This is one such case....**
- **(insert Law and Order sound) Ton TON!**



Non-Profit City Area Development Group

- Formed to increase the economic strength and growth of its communities, and its businesses.
- Primary **revenue** sources include funds provided quarterly by membership/sponsorship dues and rent for leased office space.
- Primary **expenses** include employee compensation, dues/membership to economic development organizations, office phone/internet services, and utility payments. Other expenses include providing refreshments at events hosted and advertising material for the area. Disbursements are primarily made by checks; however, credit cards were also available for staff use.
- The “Employee” began employment as an **Executive Assistant** and was promoted to **Office Manager** approximately 10 years later



What if you read the following Amazon descriptions?



- Glad Press'n Seal Plastic Wrap, 70 sq ft **\$3.17**
- Carlisle JC1945L23 Polyethylene Long Platform Janitorial Cart, 300 lbs Capacity, 49" Length x 19" Width 39" Height, Gray **\$119.99**
- Battery for Dell 7T249 06t475 Inspiron 1100 1150 5150 5160 100L **\$26.83**
- Olympus Stylus SP-100 IHS 16 MP Digital Camera **\$349.00**
- 4-Year Camera/Camcorder Accident Protection Plan (\$300-350) **\$50.36**
- Olympus Zuiko 70-300mm f/4.0-5.6 ED Lens for Olympus Digital SLR Cameras **\$254.95**
- Limo Studio Photo Video Studio 10Ft Adjustable Muslin Background Backdrop Support System Stand, AGG1112 **\$36.50**
- Emart 600W Photography Light Photo Video Studio Umbrella Lighting Kit **\$58.30**
- Mohoo 3x5ft Photography Backdrop Background Photo Studio Prop Beige Brick Wooden Floor Vinyl **\$8.75**
- Your Family in Pictures: The Parents' Guide to Photographing Holidays, Family Portraits, and Everyday Life **\$15.28**
- 500 Poses for Photographing High School Seniors: A Visual Sourcebook for Digital Portrait Photographers **\$21.84**
- Your Child in Pictures: The Parents' Guide to Photographing Your Toddler and Child from Age One to Ten **\$17.53**
- Combo of Silver tone with Black Camera Style Pendant Necklace and Matching Earring **\$14.95**



Case Study: Throughout the years

• Amazon Online Purchases

• 2007	purchases	4	value	\$ 48	
• 2008		-0-		-0-	
• 2009		14		\$ 399	
• 2010		35		\$ 294	
• 2011		40		\$ 324	
• 2012		77		\$ 1,973	**Promoted to Office Manager
• 2013		144		\$ 4,763	
• 2014		332		\$ 6,637	
• 2015		299		\$ 6,301	
• 2016		479		\$11,236	
• 2017		7		\$ 306	
• Totals		1,431		\$32,281	***Approximate totals



Case Study: Amazon Online Purchases by Day

• Days	purchases	value
• Monday	223	\$ 4,308
• Tuesday	148	\$ 3,134
• Wednesday	217	\$ 4,930
• Thursday	239	\$ 4,302
• Friday	184	\$ 4,757
• Saturday	185	\$ 5,371
• Sunday	235	\$ 5,480
• Totals	1,431	\$32,281

***Approximate totals and dates

• **You know us auditors, we like to put thing in boxes!**



<u>Shipping</u>
\$1,410
4.4%
186

<u>Returns</u>
187
-\$1,557.07

<u>Main</u>
\$4,504
14.0%
130

<u>Guest</u>
\$1,985
6.1%
79

<u>Vehicles</u>
\$3,772
11.7%
120

<u>Home Office</u>
\$14,446
44.8%
362

<u>Library</u>
\$1,773
5.5%
144

<u>Den</u>
\$2,000
6.2%
117

<u>Kitchen</u>
\$1,676
5.2%
83

<u>Pet</u>
\$712
2.2%
23

***Approximate totals, generally categorized

Case Study: How it unraveled

- Employee resigned after 15 years
- Closed assigned credit card, but soon after...
- A vendor notified that the credit card used to pay for its annual software subscription had expired
- President and the board were unaware the employee had a credit card and were unable to readily locate any supporting records.
- Electronic copies of credit card statements were obtained and it was determined the account was used almost exclusively for personal purchases.
- They also determined payments on the credit card account were made electronically from the organization's checking account.
- As a result of the concerns identified, they called in the auditors to review the financial records.



Case Study: They did have existing controls!

- Employee would receive the monthly statements for each credit card and routed them to the appropriate staff member for account coding
- Staff members were to attach receipts for all purchases to the statement and return the statement and appropriate supporting documentation to Employee, who recorded the purchases in the accounting records and prepared payments for the credit cards
- Receipts were maintained with the monthly statements in the financial records and all monthly statements
- Prior to payment of the credit card bills, the statements with the attached receipts were submitted to the President for review.
- President, saw a statement for each employee every month
- Why didn't these controls catch it?



Case Study: Gaps in the Controls

- **Statement mailed to the organization**: Credit Card Company had a **account note** on the Employee's credit card account file with instructions to not send paper copies of the statement to the Organization, but instead send an electronic copy to a specific email address, the email address identified was the Employee's personal email. ***Management didn't see all the statements!***
- **Payment supporting documentation**: Some of the payments by check **combined the payment** for the Employee's credit card with payments for credit cards held by other Organization's employees. ***Management didn't see the individual expense!***
- **Notations on Bank account reconciliations**: Notations used to identify electronic payments made for credit cards issued staff members. However, the description of the transaction printed on the statement included the last 4 digits of the credit card held by the Employee and **not the employee it notated**. As a result, it appears the notations were meant to mislead anyone who reviewed the bank statements. ***Management didn't differentiate the individual cardholders!***

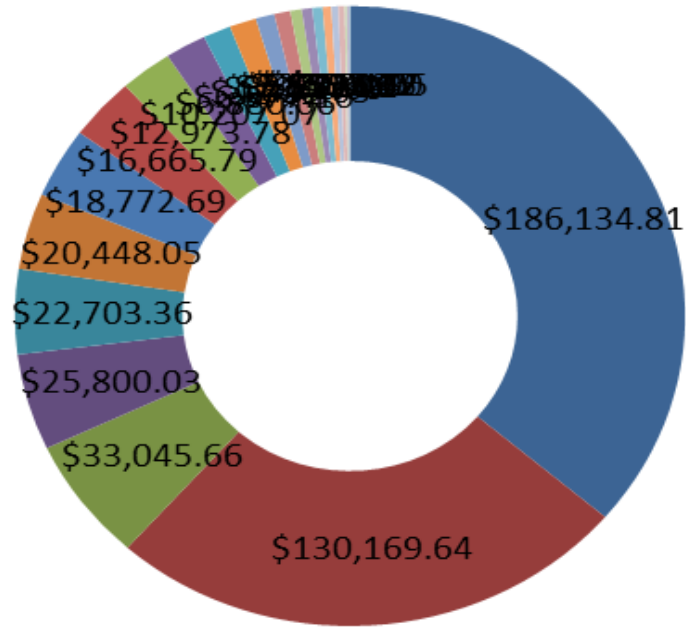


Funny thing about credit cards.....

- **Amazon is not the only vendor who accepts them!**



\$513,777.99



- QVC
- Amazon
- Home Shopping Network
- PayPal
- Verizon
- Staples

- Miscellaneous Vendors
- Costco
- Square
- Allstate
- Walmart
- South Slope Cooperative Comm.

***Approximate totals

Break down the Miscellaneous Vendors!

Miscellaneous Vendors	# Transactions	Expenses
LuLaRoe, a clothing vendor	133	\$ 6,829.92
gym or fitness facilities	52	\$ 4,155.69
Scentsy	56	\$ 4,097.69
Lowes	23	\$ 3,021.52
veterinary clinic or pet supply vendors	29	\$ 2,838.25
camping supply vendor or for camping reservations	11	\$ 2,545.04
Bed, Bath, & Beyond	30	\$ 2,545.04
All others	2,056	\$ 104,136.49
Grand Total	2390	\$ 130,169.64

***Approximate totals



Case Study: Office Manager duties

- Receipts- collecting payments, posting them to the accounting records, and preparing and making bank deposits
- Disbursements- making purchases for operations, maintaining supporting documentation; preparing and distributing checks (**but not signed them**); and posting disbursements to accounting records
- Bank accounts- receiving and reconciling monthly bank statements to accounting records, and supporting account balances
- Reporting- preparing and maintaining monthly financial reports, meeting minutes and financial reports, including monthly Director's reports, and coordinating with organization's CPA firm to prepare certain financial records.
- Processed all financial transactions
- Billed members for dues and fees, collected their payments and deposited the proceeds in organization's bank account
- Reviewed supporting documentation for disbursements and prepared but did not sign checks for payment of bills



What was the biggest weakness in the controls?

- **Say it with me:**
- **Segregation of Duties!**
- The fundamental premise of segregated duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake and review the same action.
- These are called incompatible duties when performed by the same individual.
- Great resource from the SAO
 - [Segregation of Duties: Essential Internal Controls](#)



How would you have caught it?

- Credit Card Company had a note on the Employee's credit card account file with instructions to not send paper copies of the statement to the Organization
 - Check for notes on the account or ???
- Check combined the payment for the Employee's credit card with payments for credit cards held by other Organization's employees.
 - Spot checks of supporting documentation or ???
- Notations on the Organization's bank statements next to certain electronic payments for the Employee's credit card.
 - Compare to source document or ???
- What else could you have checked?
 - Expense totals by credit card issued
 - Budget to actuals



Internal Control Mindset: Professional Skepticism

- Internal control mindset (e.g., professional skepticism and perspectives on approaches for identifying and responding to risks and assessing the effectiveness of the system of internal control) Green Book 2.07 pg. 31
 - Attributes of professional skepticism include a questioning mind, awareness of conditions that may indicate possible misstatement owing to error or fraud, and a critical assessment of evidence. Yellow Book 3.110 pg. 66
1. Timecards
 2. Purchase Orders
 3. Invoices
 4. Travel Reimbursement
 5. Purchasing Cards
 6. Contracts



Is what you found Fraud?

- Great care must be taken when investigating suspected improprieties or irregularities to avoid wrongful accusations or alerting suspected individuals that an investigation is under way. (ACFE)
- Whether a particular act is, in fact, fraud or noncompliance with provisions of laws, regulations, contracts or grant agreements might have to await final determination by a court of law or other adjudicative body. (ACFE)



Who you gonna call?

- RCW 43.09.185 requires that all state agencies and local governments immediately notify the State Auditor's Office in the event of a known or suspected loss of public funds or assets or other illegal activity
- Contact Audit Services for guidance



Helpful Resources

- Clark County Auditor's Office
 - (564) 397-4795 or AuditServices@clark.wa.gov
 - www.clark.wa.gov/auditor
- SAO
 - Internal Controls Assessment Tools and Guidebooks
 - <https://www.sao.wa.gov/improving-government/preventing-fraud/>
- Department of Defense Office of Inspector General
 - Fraud Red Flags and Indicators
 - <https://www.dodig.mil/Resources/Fraud-Detection-Resources/Fraud-Red-Flags/>
- To learn more about the case study
 - Special Investigation/Fraud Report released 6/06/19
 - <https://www.auditor.iowa.gov/>



Thank you!

Comments and questions

GREG KIMSEY, CLARK COUNTY AUDITOR

AUDIT SERVICES

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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*



SUMMARY OF 2019 AUDITOR'S UNSCHEDULED INTERNAL CONTROL REVIEWS (ICR)

Trends, Issues and Recommendations

Tom Nosack, Senior Management Analyst
Clark County Auditor's Office
December 5, 2019 v.2



Internal Controls Reviews: the ICR

- The ICR is not an audit, but checking internal controls is part of an audit.
- An ICR is a limited review of your group's cash and general security operations.
- The visit may be a cash count, a review of cash handling, security procedures or storage standards.

Clark County Code

- **Section 2.14** “The auditor is authorized to examine any office, department, political subdivision or organization which receives appropriations from the board of county commissioners.”
- **Section 2.14.030(a):** (The auditor) must “appraise the adequacy and completeness of internal controls”

How much is at Risk?

Clark County holds about **\$38,000 to \$40,000** in cash daily – but much more than this passes through the financial system

2018 pass through: over 540,755 transactions in excess of \$330,725,138

What to expect during a ICR Visit

- Visit with a management representative with access
- Auditors show credentials and state their purpose
- Verify what is on hand for cash account
- Reconcile the account to last statement
- Observe receipting and cash handling
- Discuss internal controls & issues
- Written report in 3-5 days

Who did we visit recently?

2019

- **21 reviews of:**
 - Auditor
 - Community Development
 - Community Services
 - Clerk
 - District Court
 - Gen Services
 - Public Health
 - Public Works
 - Prosecuting Attorney
 - Superior Court
 - Sheriff's Office
 - Treasurer

2018

- **23 reviews of:**
 - Auditor
 - Clerk
 - Community Services
 - Environmental Services
 - District Court
 - Gen Services
 - Public Health
 - Public Works
 - Prosecuting Attorney
 - RTC
 - Superior Court
 - Sheriff's Office
 - Treasurer

2019 Recommendations

- 38 suggestions to improve, including
 - Two new cash accounts opened in 2017
 - Added five cash drawers
 - Six funds had no suggestions to improve
 - Closed four funds (two closed so far)
 - Replaced petty cash with P-card where appropriate and practical
 - Increased use of cash cards, vouchers for non-employee rewards

2019 Commendations


- 3 Organizations made exceptional efforts to improve or make positive changes:
 - **District Court Downtown Office**
 - **Superior Court Juvenile Intake**
 - **Treasurer's Vault & Change Fund**

More audit stuff


[ACCOUNTS PAYABLES](#) [ACCOUNTS RECEIVABLE](#) [AUDIT SERVICES](#) [FIXED ASSETS](#) [GENERAL LEDGER](#) [PAYROLL](#)

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CONTACT US




INTERNAL CONTROL REPORTS




AUDIT REPORTS



FORMS & CHECKLISTS



ETHICS TRAINING



REPORTING LOSSES

View current
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Revision operations
Clone content

CONTACT INFORMATION

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Larry Stafford x4795

Senior Management Analyst,
Tom Nosack x4689

Senior Management Analyst,
Arnold Perez x4707

[Edit Contact Details](#)
[View Full Contact Details](#)

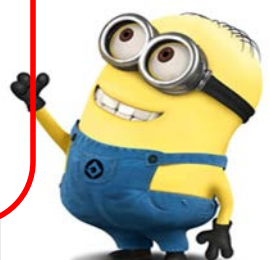
Audit Services


We are an internal service, authorized under [Clark County Code, Chapter 2.14](#) to provide County managers independent, objective audits, reviews and consulting activities designed to assist management in their stewardship over County assets and operations.

Our goal is to help management improve the efficiency and effectiveness of all county operations while reducing risk to an appropriate level.

Self-Service

- [Copies of all Audits](#)
- [Individual Internal Control Review Reports](#)
- [Reporting Losses and Theft](#)
- [Guidelines, Forms & Samples](#)
- [Cash Accounts - Over / Short Procedures](#)





Lost or Stolen items

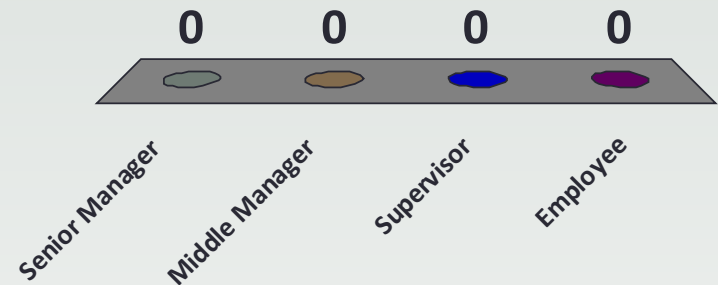
- Conduct a reasonable search for the item
- Report the loss to management and Audit Services
- Advertise that item has been lost to others
- Submit lost property or theft report to law enforcement
- Call online or by phone, using non-emergency. You need a report number for reference.

Ethics Review

**ETHICS QUESTIONS:
NOT ALWAYS
A SIMPLE ANSWER**

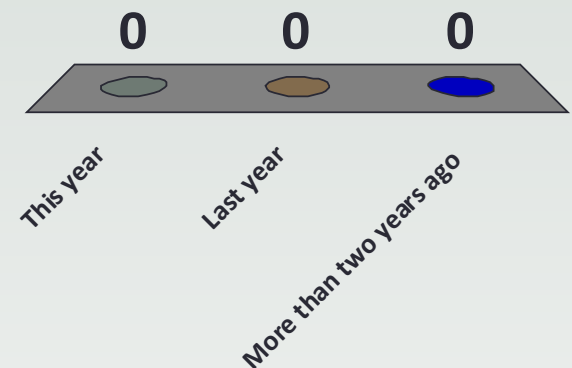
What is your primary management role?

1. Senior Manager
2. Middle Manager
3. Supervisor
4. Employee



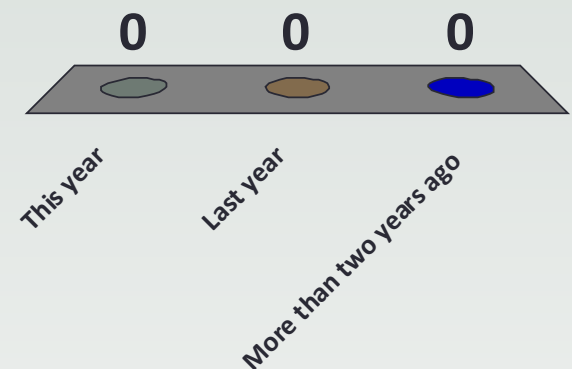
When was the last ethics training you took?

1. This year
2. Last year
3. More than two years ago



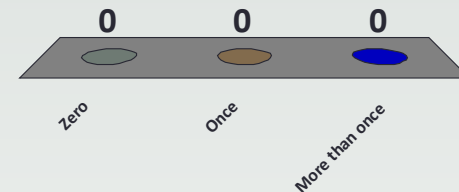
Are you aware of the 2019 county requirement to have annual ethics training?

1. It's news to me
2. I know, and have completed training
3. I know, and have not completed training



How many times have you seen a work place ethics problem in Clark county in the last year?

1. Zero
2. **Once**
3. Two to four times
4. More than four times

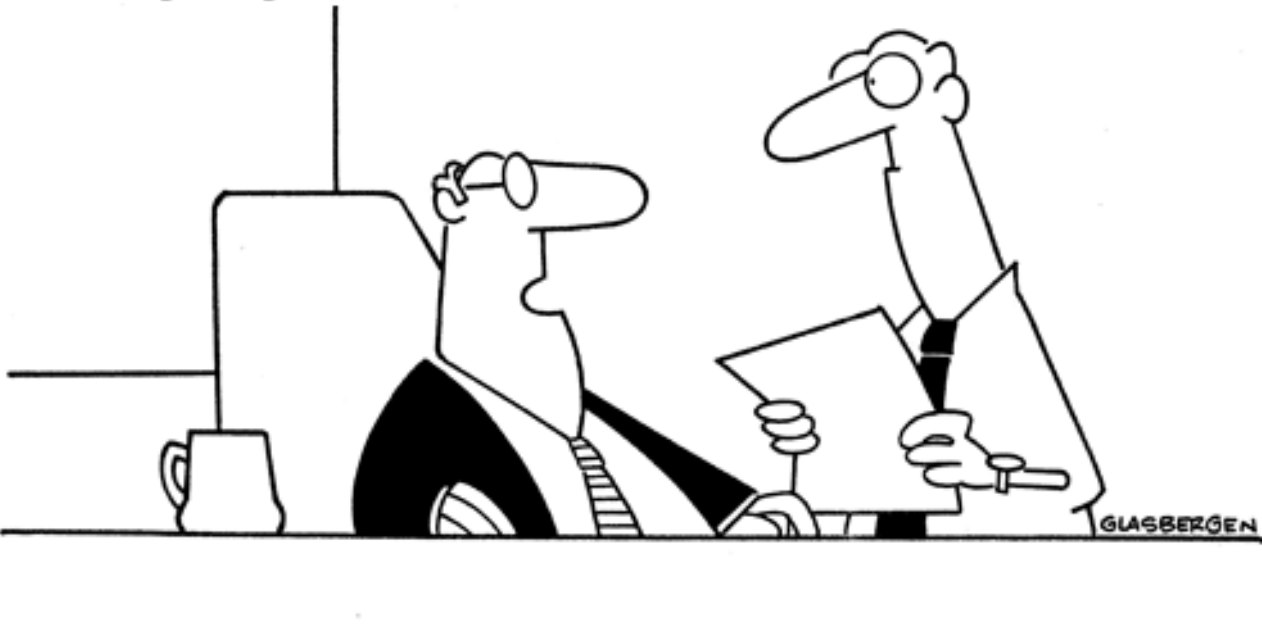


Who would you talk to first about potential ethical issues?

1. Your supervisor, unless involved
2. Your supervisor's supervisor
3. Human Resources
4. Prosecutor's Office
5. Audit Services
6. Mother in law



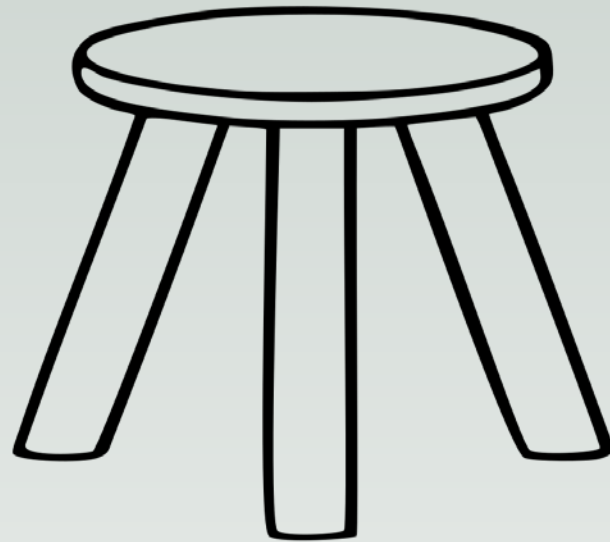
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www.glasbergen.com



**“We’ve got to draw the line on unethical behavior.
But draw it in pencil.”**

**Legal and
ethical are
not the
same!**

CASH CARDS OR CASH GIFTING: THREE QUESTIONS TO ASK



AFTER: “CAN I DO IT?”

QUESTION #1: IS IT LEGAL?

QUESTION #2: IS IT ETHICAL?

An Ethical Decision Guide

- **Is it legal?**
- Does it comply with county values?
- Is this decision for personal convenience?
- Are you doing this to avoid personal expense?
- How will the public view it?
- If co-workers knew, would you be embarrassed?
- Do you feel comfortable doing it?
- Does it create an impression of influence?
- Would you feel obligated?
- Has it been authorized?
- Does it need to be allowed or authorized?
- Are recipients of this decision entitled to it?

State Ethics Laws: RCW 42.52

- **WA Ethics Court decided it was “reasonable” for municipal employees to follow” state ethics law**
- **RCW Identifies behavior allowed or disallowed**
- **Washington Ethics Board for potential violations and case review at www.ethics.wa.gov**

CC Policy #13.01: Intent

The county's core ethics policy is intended to **“amplify, clarify and expand”** upon RCW 42.23 regarding ethical standards for county officials and employees in the state of Washington.”

County Code of Ethics

- Seek nor accept any **favor**
- **Keep integrity** regardless of outcome to me
- Use **honesty** in all dealings
- Make **merit** based decisions
- Follow professional **standards**
- Disclose potential **conflicts of interest**

CC Policy #13.03: Duty to Disclose

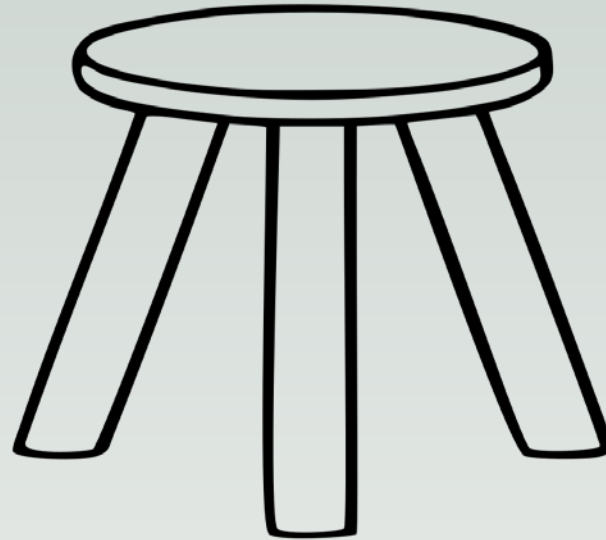
“Employees shall disclose to management any situation in which there is an **apparent, potential,** or the **appearance** of a conflict between their personal and occupational interests or responsibilities”

GIFT CARDS, CASH CARDS OR CASH GIFTING

(Prosecutor)

LEGAL

Can I do it?



(Payroll – Dave Ratliff)

TAXABLE

What is tax effect?

(HR or Audit Services)

ETHICAL

Should I do it?

Is it OK to give or receive?

“LET” me decide acronym:

- Is it Legal? - Does it break the law?
- Is it Ethical? - Is it the right thing to do?
- Is it Taxable? - Does it create a taxable event?

Even if it is Legal and Ethical it still may come with a tax ramification if you give or receive it.
Check with Payroll for advice!

Question #3: What would Dave do?



Balancing Act:

- “Appearance of wrongdoing” vs
- “Duty to disclose” and
- “Due diligence”

Ethical Dilemma

A difficult choice between options, values or courses of action.

- Rarely simple
- Balancing appearances against duty
- Small changes in situation can change answer

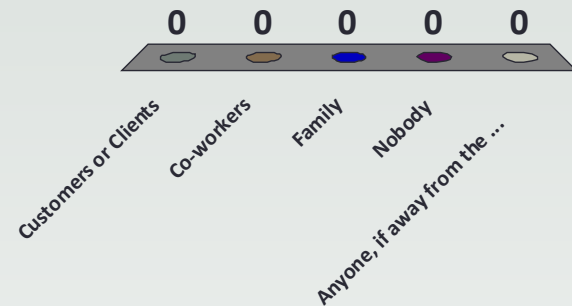


Dealing with Ethical Dilemmas

1. **Recognize** a potential ethical issue exists
2. **Observe** relevant facts (Due diligence)
3. **Evaluate** alternative actions against outcomes
4. **Decide** and test if it is reasonable
5. **Act** and reflect on the outcome

Who can you accept gifts from?

1. Customers or Clients
2. Co-workers
3. Family
4. Nobody
5. Anyone, if away from the workplace



Door Prize!

You win a \$200 door prize at the annual training conference. What are your options?

1. Accept it and enjoy your good fortune
2. Turn it down or return it, explaining why you can't accept it
3. Sigh deeply at your luck, then turn it in to your manager when you get home
4. Give it back and tell them to re-affle it



Take Home Vehicle

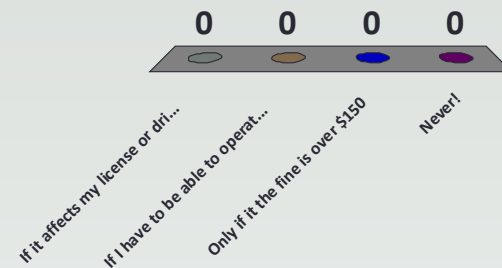
What am I not allowed to do with my take home vehicle?

1. Pick up groceries on the way home
2. Drive it out of the state
3. Allow non-family members to ride in it
4. No restrictions



When do I have to tell my manager about a traffic ticket I received?

1. If it affects my license or driving status
2. If I have to be able to operate a vehicle as part of my job
3. Only if it the fine is over \$150
4. **Never!**



After Hours Relaxation

A few of us are stopping for a burger and a beer at a bar after work. Which choice holds the greatest risk of something going wrong?

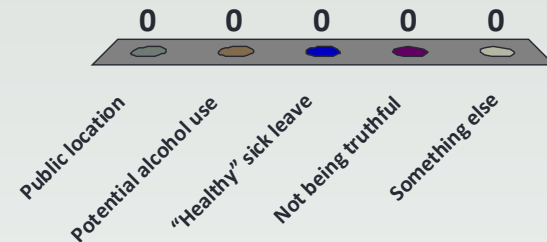
1. We are all wearing our work division polo shirts
2. **We are talking loudly about our work problems**
3. Some of us are drinking
4. **Some of us have take-home vehicles**



Good Drinks, Bad Choices

After a long week, your entire team went out during happy hour. You took sick leave, then weren't truthful about it when asked. What was your biggest mistake?

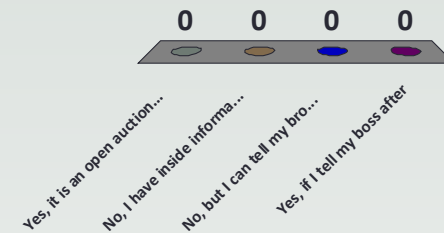
1. Public location
2. Potential alcohol use
3. "Healthy" sick leave
4. Not being truthful
5. Something else



Buying Surplus Equipment

IT auctions used computers each year through an auction company. This year, one includes extra memory, which isn't in the description. Can I buy it?

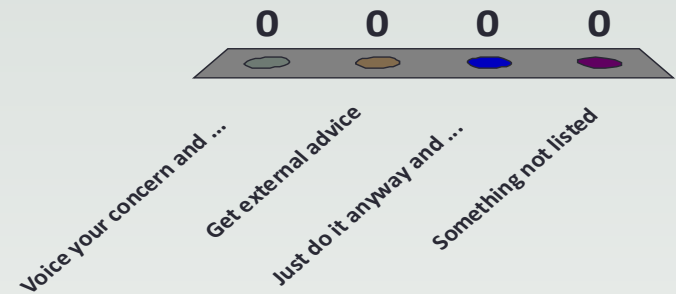
1. Yes, it is an open auction available to the public
2. **No, I have inside information that may give me an advantage**
3. No, but I can tell my brother-in-law about it.
4. **Yes, if I tell my boss after**



Professional Concern

Your manager asks you to do something that “feels wrong” What do you do?

1. Voice your concern and ask clarifying questions.
2. **Get external advice**
3. Just do it anyway and document it
4. **Something not listed**



Summary

- **Public sector employees are held to a higher standard than the private sector. Appearances matter!**
- **Clark County has an ethics policy available on the intranet which provides guidance for our behavior**
- **Your duty to disclose is tempered by your responsibility to understand and verify situations.**
- **Questions? Ask Audit Services, HR, or the Prosecutor's Office**

SUMMARY OF 2019 AUDITOR'S FRAUD AWARENESS AND INTERNAL CONTROLS

Trends, Issues and Recommendations

Larry Stafford, Audit Services Manager
Clark County Auditor's Office
December 5, 2019 v.1

