

Technology, Toner, and Tone

Simple things that matter in fraud and controls

2021 Audit Services Fall Fraud Seminar

December 9, 2021



Agenda

- 8:30 Opening remarks by Auditor Greg Kimsey
- 8:35 Update From Clark County Information Technology Department
- 8:45 Technology and You: Your Role in Securing County Systems, Data, and Assets
- 9:35 Break
- 9:50 Toner: One Library's Story of Loss
- 10:40 Tone: The Missing Link
- 11:25 Closing remarks by Mark Gassaway



Protecting the County

Clark County Information Technology

December 9th, 2021



What IT is Concerned About

- **Phishing Emails**
- **Malicious Sites**
- **Malicious Software**
- **Bad Actors**
- **Ransomware**
- **Data Breaches**



How IT is Protecting the County

- **Multi-factor authentication (MFA)**
 - Phase 1 is complete
 - Phase 2 is underway
- **Network Hardware Refresh**
 - New End Point Protection Software
 - Network Segmentation
 - Application Centric Infrastructure (ACI)
 - New Firewalls to protect east/west data traffic
- **Cloud-based applications**
- **New VPN software**



How IT is Protecting the County Cont.

- **Employee education**
 - **2022 Cyber Security Training program**
- **Monitoring tools**
 - **Critical Insight – 24/7 monitoring**
 - **Varonis**
- **Recovery tools**
 - **Cyber Recovery Platform**
- **O365**
- **IT Security Committee**
- **Cyber Security Analyst**



Collaboration and Data Security

- **Current State Collaboration**
 - Various tools
- **Future State Collaboration** (2022)
 - Microsoft Teams Guest Access
 - New sFTP platform
- **Data Security**
 - Responsibility of Teams site owner, not IT
 - Do not setup personal tools
 - Google Drive
 - Box
 - Dropbox



Be Alert

When in doubt, reach out to IT

Never give out Username/Password

Thank you



Technology and You: Your Role in Securing County Systems, Data, and Assets

Michael Nash, Audit Services

December 9, 2021



Today's Agenda

- Risk and Control in a Changing Service Environment
 - Need and opportunity to change how and where we work and how we interact with stakeholders
 - Changes introduce new risks and might undermine existing controls designed to address existing risks
 - A simple framework for identifying and assessing new and existing “human” risks when implementing new technology and processes
- The Changing World of Data Sharing and Recordkeeping
 - Recent changes to data sharing laws



Risk and Control in a Changing Service Environment



Crisis and Opportunity

- **Pandemic changed how we work and how we interact with stakeholders**
 - How and where we work:
 - Work from home / remote
 - Interaction with co-workers, supervisors, managers, other departments
 - How we interact with stakeholders:
 - County Residents
 - Vendors, Contractors, Consultants
 - Other agencies and partners



Crisis and Opportunity

- **Technology has facilitated these changes**
 - New software
 - New hardware
 - New processes
- **While changes have brought new opportunities, they also come with some RISK**



Risks Both New and Old

- **New technology and process introduce new risks or heighten existing risks**
 - Work-from-home
 - Ransomware
 - Trust and verification without personal interaction
 - Changing payment information
 - File sharing and collaboration in TEAMS
 - Records requests
 - Sensitive data



Risks Both New and Old

- **New technology and process might undermine existing controls designed to address existing risks**
 - Opening mail with cash and checks
 - Less volume as transactions done online
 - Most staff working from home, but controls designed assuming lots of people in office
 - Shift in risk as a result



The Human Element: Our Role as County Employees

- **Clark County IT can address risk inherent to the technology we adopt**
- **To fully address risk and ensure effective control, we need processes both on the *technological side* and the *human side***



The Human Element: Our Role as County Employees

- **As employees and people:**
 - Look for conveniency and efficiency
 - Want to be responsive and professional
 - Make mistakes



The Human Element: Our Role as County Employees

- **As employees and people:**
 - **Look for conveniency and efficiency**
 - **Want to be responsive and professional**
 - Make mistakes

- **Unfortunately, these qualities can be exploited**
 - Threat actors target human fallibility for their most effective attacks



The Human Element: Our Role as County Employees

- **As employees and people:**
 - Look for conveniency and efficiency
 - Want to be responsive and professional
 - **Make mistakes**
- **Our fallibility can result in mistakes that have significant consequences**
 - **Sharing confidential data / information**

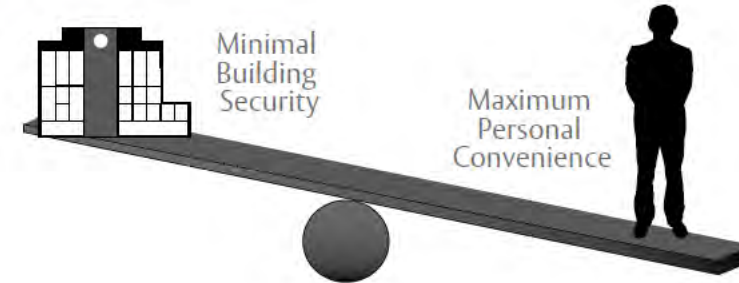


The Human Element: Our Role as County Employees

Maximum Security



Maximum Convenience



Proper Balance



A Framework for New and Existing Risks

Let's think about a simple framework for addressing new and existing risk:

- Ask “who / what / when / why” questions to identify risks
- Determine impact by asking: “what would be the outcome if accessed inappropriately or shared unintentionally?”
- Determine likelihood
- Design controls to address



A Framework for New and Existing Risks

Let's ask some questions about Guest Access in Microsoft TEAMS:

- **Who would have access?**
- **What information would we like to be able to upload / share?**
- **How would we use the chat feature to communicate?**



Asking some questions:

- **Who would have access?**
 - **Dept. Staff and staff from another public agency (non-County)**
- **What information would we like to be able to upload / share?**
 - **County data related to public health, but no personal information**
 - **Draft analysis and findings developed with the partner agency**
- **How would we communicate that information?**
 - **By uploading documents and using the chat feature to communicate back and forth**



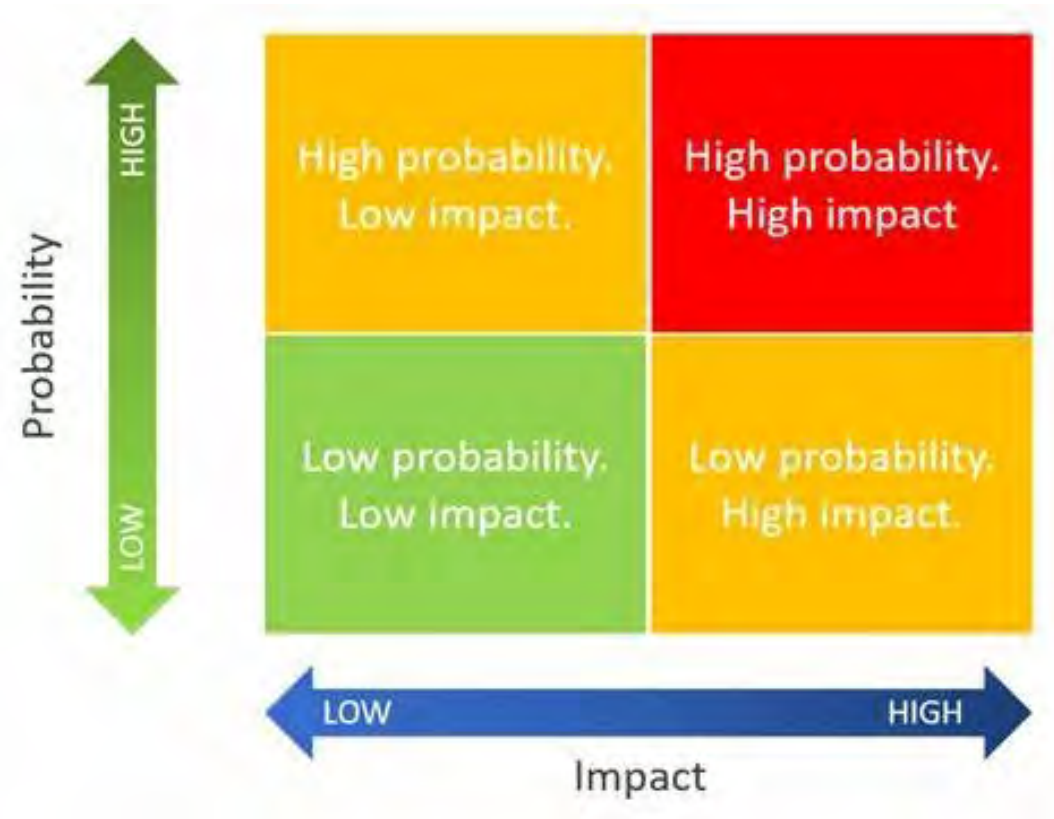
What would be the impact if?

- **Dept. Staff and staff from another public agency (non-County) had access to**
 - **County data related to public health, but no personal information**
 - **No or Low Impact: information is public**
 - **Draft analysis and findings developed with the partner agency**
 - **Some impact: Drafts change, analysis hasn't been reviewed for accuracy and is of some public interest; possible version control issues**
- **Uploaded to TEAMS**
 - **We're not sure how TEAMS stores information -> Reach out to IT to understand**
- **Along with chat used to communicate back and forth**
 - **Some impact if we discuss otherwise confidential information or communicate unprofessionally**



What would be the Likelihood or Probability?

- County data related to public health, but no personal information
- Draft analysis and findings developed with the partner agency
- Comments in chat feature to communicate back and forth



What controls would we develop?

- Risk: inappropriate access
- Control: Process to invite Guests to TEAMS groups based on need
- Risk: Disclosure of County data related to public health, but no personal information
- Low likelihood, no impact: no control needed



What controls would we develop?

- Risk: Disclosure of draft analysis and findings developed with the partner agency leaked
- Control: process to ensure documents are clearly marked as draft and apply correct sensitivity label
- Only designated staff upload documents to Teams and apply labels



What controls would we develop?

- Risk: Disclosure of chat used to discuss confidential information or communicate unprofessionally
- Communication policy developed and shared with partner agency



A Framework for New and Existing Risks

Let's ask some questions about a new process for **recording checks received in the mail**

- ***Old process: open mail in a public area, log checks received on a check log sheet***
- ***New process: Staff working from home; come in once a week to open mail, scan all checks, and send copies to supervisor***



Asking some questions:

- **What risks was the control in the old process designed to address?**
 - **Ensure checks are not lost or stolen**
 - **Create a record of checks received which allows us to reconcile to deposits made to ensure all monies are deposited**
- **Who was involved?**
 - **Staff who opened the mail**
 - **Supervisor who review the log**
 - **Other staff / supervisor who witnessed mail be opened**



What would be the impact?

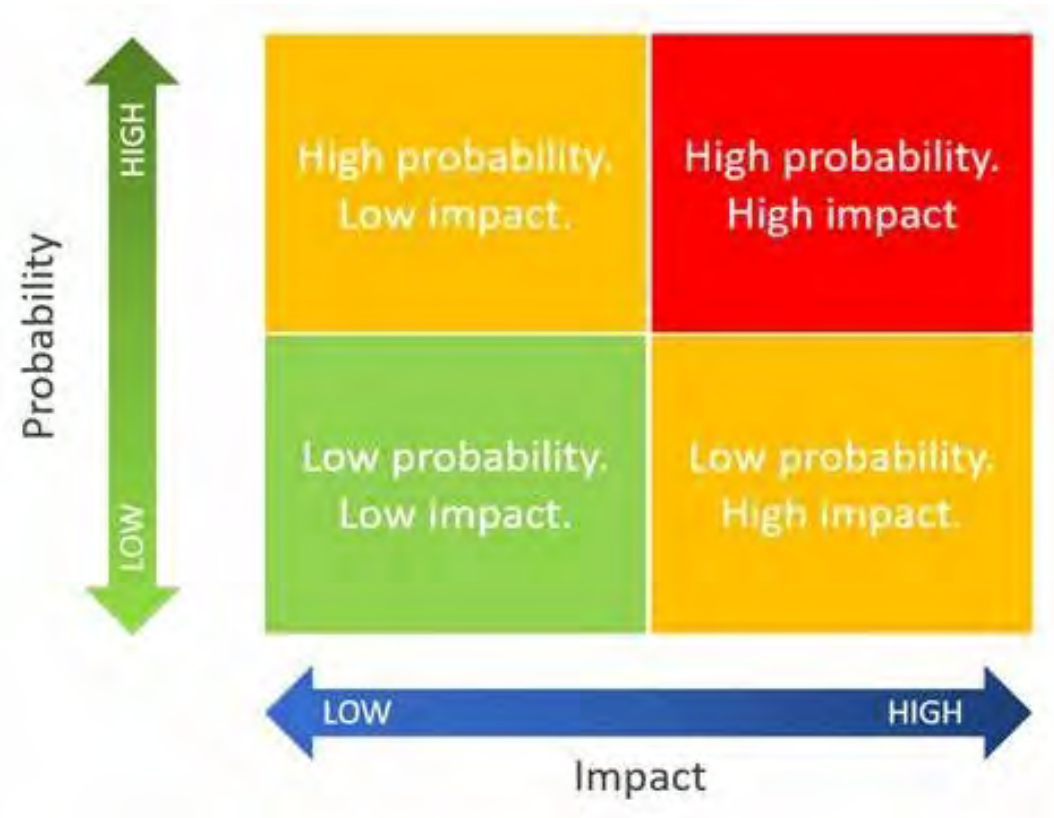
- **Has the impact changed form the old process to the new one?**
 - A check was lost?
 - A check was stolen?

No, under both process, the potential impact is the same



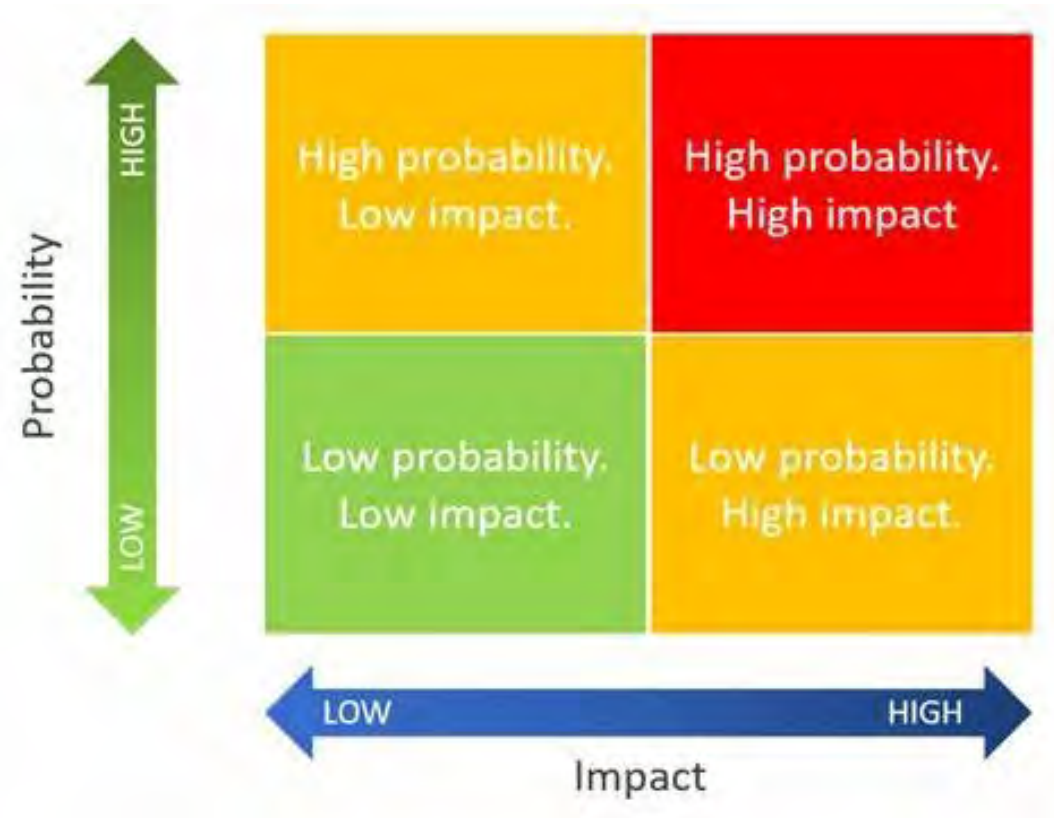
What would be the Likelihood or Probability?

- Create an accurate record of checks received to reconcile to deposits made to ensure all monies are deposited
 - Mail logs sometimes have errors; new process of scanning reduces the chance



What would be the Likelihood or Probability?

- Ensure checks are not lost or stolen
 - Under new process, mail not opened publicly; no way to know if a check is received but not scanned
 - Scanning the checks creates an additional electronic record containing account and routing information stored in emails



What controls would we develop?

- Risk: Checks are received but not logged
- Control: Coordinate mail opening when another employee will be present
- Alternative: Receipting done by Treasury
- Note: Opening mail on webcam still does not fully address risk



What controls would we develop?

- Risk: Scanned copies of checks stored in emails
- Alternative: Mail log scanned instead of checks, so no electronic record created containing check details



Audit Services: We're Here to Help

- When adopting new technology or implementing a new process around technology, may not be easy for you to identify:
 - Risks
 - Impact
 - Likelihood
 - Effective controls
- If and when you need help, reach out to **Audit Services!**



The Changing World of Data Sharing and Recordkeeping



Recent Changes to Data Sharing Laws

ESSB 5432: Cybersecurity and Data Sharing in Washington State government

- Requires public agencies to have data-sharing agreements in place when sharing certain confidential data
- Applies when sharing data with contractors as well as other public agencies
- Report with implementation recommendations expected in December 2021
 - Data transfer and encryption standards



What is a Data-Sharing Agreement?

- Formal contract
- Clearly documents:
 - What data is being shared
 - How the data can be used

1. PURPOSE AND JUSTIFICATION FOR SHARING THE DATA

Provide a detailed description of the purpose and justification for sharing the data, including specifics on how the data will be used.

Is the purpose of this agreement for human subjects research?

Yes No

If yes: Does the research require WA State Institutional Review Board (WSIRB) approval?

Yes No

**DATA SHARING AGREEMENT
FOR
CONFIDENTIAL INFORMATION OR LIMITED DATASET(S)
BETWEEN
STATE OF WASHINGTON
DEPARTMENT OF HEALTH
AND**

This Agreement documents the conditions under which the Washington State Department of Health shares confidential information or limited Dataset(s) with other entities.

CONTACT INFORMATION FOR ENTITIES RECEIVING AND PROVIDING INFORMATION

	INFORMATION RECIPIENT	INFORMATION PROVIDER
Organization Name		Washington State Department of Health (DOH)
Business Contact Name		
Title		Director, CHS
Address		P.O. Box 47814 Olympia, WA 98504-7814
Telephone #		360-236-4307
Email Address		@doh.wa.gov



ESSB 5432: Data Sharing Agreements

- When sharing Category 3 and above data outside the agency, an agreement must be in place unless otherwise prescribed by law (OCIO policy #141.10)
 - Category 4: Confidential information requiring special handling
 - Category 3: Confidential Information
 - Category 2: Sensitive Information
 - Category 1: Public Information



ESSB 5432: Data Sharing Agreements

- When sharing Category 3 and above data outside the agency, an agreement must be in place unless otherwise prescribed by law (OCIO policy #141.10)
 - **Category 4: Confidential information requiring special handling**
 - *Data with strict handling requirements (HIPAA) and serious consequences for unauthorized disclosure (legal sanctions, threats to health and safety)*
 - Category 3: Confidential Information
 - Category 2: Sensitive Information
 - Category 1: Public Information



ESSB 5432: Data Sharing Agreements

- When sharing Category 3 and above data outside the agency, an agreement must be in place unless otherwise prescribed by law (OCIO policy #141.10)
 - Category 4: Confidential information requiring special handling
 - **Category 3: Confidential Information**
 - *Data containing “Personal Information” (RCWs 42.56.590 & 19.255.10); personnel records, and infrastructure and security of computer / telecom networks*
 - Category 2: Sensitive Information
 - Category 1: Public Information



ESSB 5432: Data Sharing Agreements

- What should we be doing ***today?***
 - Identify if you have any Category 3 or Category 4 data
 - [WA Tech checklist](#)
 - If yes, has or will that data be shared with contractors or other public agencies?
- What are the ***next steps?***
 - Report from Office of Cybersecurity (OCS) on implementation due out this month
 - Clark County IT working to develop plan for implementation



ESSB 5432: Data Sharing Agreements

- Resources:
 - [MRSC blog on data sharing agreements](#)
 - [WA Tech checklist](#)
 - [OCIO model agreement](#)
 - [WA Dept. of Health Model Agreement](#)



Thank you!

Comments and questions

Clark County Public Service Center

1300 Franklin Street • PO Box 5000

Vancouver, WA 98666-5000



Toner: One Library's Story of Loss

Technology, Toner and Tone

Arnold Pérez, Performance Auditor

December 9, 2021



What we will cover

- City of Austin Library Department Case Study
- Office Depot Controls
- Credit Card Controls
- Budget Monitoring
- Resources



City of Austin- Library



AUSTIN DEVELOPMENT TRANSPORTATION RESOURCES THE REGION PU



Photo by Austin Public Library

 CITY HALL

Tuesday, October 6, 2020 by Jo Clifton

Audit: Ex-employee stole \$1.3 million from city

Randall Whited, a former employee of Austin Public Library, stole at least \$1.3 million from the city by purchasing printer toner with a city credit card and reselling it online, according to [an investigation](#) released by the Office of the City Auditor Monday.



- \$1.3 million worth of toner stolen
- City credit cards to buy at least \$18,000 worth of items that appeared to be for his personal use
 - \$15,000 worth of electronics, such as video games, virtual reality headsets, robotic vacuums, and a drone from a big-box retailer
 - \$3,500 worth of items that were shipped directly to his home address or a nearby “pick-up locker” from an online retailer
- Whited used City credit cards to buy over \$140,000 worth of items from two retailers. Despite the suspicious nature of many of these purchases, the audit was not able to determine a precise total of how many were fraudulent. This was due to poor inventory practices at APL and inadequate purchasing records

Unusual activities

- **Badge swipe** records spanning roughly six months in 2019 show Whited arriving over thirty minutes before 8:00 a.m., his scheduled start time, on approximately half the days he worked, including many days when Whited arrived before 7:00 a.m. This was despite receiving instruction from his supervisor to arrive no more than thirty minutes early because there was insufficient supervision during those early hours.
- **Security camera** footage from multiple days in 2019 shows that Whited used this time to take what appears to be printer toner from his office to the parking garage, where his vehicle was parked.
- APL staff said Whited claimed he regularly **delivered items** to other APL branches. However, APL has other staff who are responsible for delivering items between library branches. Furthermore, APL branches, almost all confirmed that they had very little toner on-hand, and several had not received any deliveries in months.



SOURCE: APL Security, July 2019



What is it? Where is it going?

Whited altered several receipts to hide that he shipped items to his home. Additionally, Whited submitted at least one receipt that appeared to have been made using a word processor. In other instances, receipts showed Whited's home as the shipping address and listed his personal email address. In every case, APL management approved these purchases.

Exhibit 2: Whited's altered receipt vs. retailer receipt

Items Ordered	Price
1 of: BOX USA B171313 Corrugated Boxes, 17" x 13" x 13", Kraft (Pack of 25)	\$48.60
Sold by: Online Retailer	
Condition: New	
Shipping Address:	
Shipping Speed:	
Item(s) Subtotal: \$48.60	
Shipping & Handling: \$0.00	
Total before tax: \$48.60	
Sales Tax: \$0.00	
Total for This Shipment: \$48.60	

Items Ordered	Price
1 of: BOX USA B171313 Corrugated Boxes, 17" x 13" x 13", Kraft (Pack of 25)	\$48.60
Sold by: Online Retailer	
Condition: New	
Shipping Address:	
Shipping Speed:	
Item(s) Subtotal: \$48.60	
Shipping & Handling: \$0.00	
Total before tax: \$48.60	
Sales Tax: \$0.00	
Total for This Shipment: \$48.60	

Shipping address missing

Whited's home address

SOURCES: APL purchasing records and retailer data, April 2020



Credit Card Convenience

- Whited also paid for items by using a third-party payment platform connected to City credit cards, which likely helped conceal his purchases.
- By doing this, Whited was able to provide APL management with receipts from the third-party platform rather than from the actual vendor.
- These receipts were significantly less detailed than the original vendors' receipts and allowed Whited to submit receipts that did not show the specific items he bought. APL's current Financial Manager confirmed there was no legitimate reason to pay for items through a third-party platform.



Did you read the item details?

Exhibit 3: Whited's third-party receipt vs. itemized retailer receipt

Transaction details September 27, 2018 at 1:54:18 PM PDT Transaction ID: 5491301264H5022216

Payment sent to: **RECIPIENT** Gross amount: **-\$1,545.78 USD**

Payment Status: Completed

Payment Type: Checkout

Shipping address: random whited, PO Box, TX, United States, California

Whited's home address

No item details

Transaction Activity	Gross amount	Fee amount	Net amount
Sep 27, 2018 Authorization Refused Buy Co. Inc	-\$1,545.78 USD	\$8.00 USD	-\$1,545.78 USD

Order details: BBY Order ID: BBYTX-403163207113

Quantity	Price	Subtotal
1	-\$1,545.78 USD	-\$1,545.78 USD

Purchase Total: \$1,545.78 USD

Order Summary

Order Status: Complete Order Number: BBYTX0056502070200

Payment Method: **AME PROGRAM**

Item	Amount
Product Price	-\$1,545.78
Shipping	\$8.00
Order Tax, Fees & Discounts	\$0.00
Order Total	\$1,545.78

Store Pickup: Picked up on Sep 27, 2018 at Southpark Meadows, TX. Store Pickup: 1001 S Parker Rd, Suite 1001

Item details

Product Name	Unit Price	Quantity	Subtotal
DeLiax Go - 64GB Stand-Alone Virtual Reality Headset	\$1,545.78	1	-\$1,545.78

SOURCES: APL purchasing records and data from third-party payment platform and retailer, April 2020.



Management Oversight?

- When interviewed, both Whited's supervisor, and former Financial Manager said **Whited told them** itemized receipts—or receipts in general—**were not available for some of his purchases**, including toner purchased through the City's office supply vendor and electronics bought from a major retailer.
- Both said they **did not follow up to determine if this was true**, but former Financial Manager said that, in hindsight, she "should have" followed up.
- APL **management did not perform detailed reviews** of Whited's credit card purchases. They also did not review in detail the budget overages related to those purchases, which led to the waste of City resources.
- Audit found that both former APL managers **reviewed** and **approved** purchases **with missing or inappropriate shipping information**, as well as purchases that did not contain a list of what items were bought.
- APL's current Financial Manager, who started in late 2018, described this process as having several issues, including poor documentation of supplies and insufficient purchase reviews by financial managers.



Segregation of Duties?

- This lack of oversight allowed Whited to use Library credit cards without having to explain why he was making purchases. This also allowed Whited to charge purchases to any sub-category of the APL budget regardless of its purpose, making it harder to track his spending.
- Also, Whited was the only APL employee with “accountant reviewer” status in the City’s credit card tracking system. This meant that, in addition to performing the second level review of purchases made by other APL employees, Whited had a role in reviewing his own purchases.
- Whited was the only point of contact between APL and the City’s Purchasing Office. During the review, it found evidence that Whited **received recommendations from the City’s Purchasing Office** on APL’s credit card usage in June 2018. The recommendations noted that in order to “minimize unnecessary credit risk exposure,” certain accounts should be closed.



Segregation of Duties?

- This included the credit card account that Whited used for the majority of his fraudulent toner purchases. Email evidence indicates Whited ignored several **attempts by the Purchasing Office to resolve the issues**. It is unclear if anyone in APL management was aware of the recommendations **aside from Assistant Director**, who was notified at least as early as January 2019.
- However, she **failed to fully address the recommendations**. Assistant Director said she did not know of anyone aside from Whited and herself who would have been aware of the recommendations. She also did not initially discuss the recommendations with APL's new Financial Manager, who was working at the Library when she learned about the recommendations.
- The Financial Manager said she **was not made aware of the recommendations** until she received them from the City's Purchasing Office by email. The Financial Manager ultimately addressed these recommendations in October 2019, **fifteen months** after they were initially sent and nine months after Assistant Director became aware of them.



How is your supplies budget doing?

Exhibit 4: APL budget table showing excess spending on office supplies

Unit Name	Fiscal Year	Budgeted	YTD Spending	Amount Overspent	Percent Overspent
Branch Services	2015	\$ 49,718.00	\$ 242,526.52	\$ 192,808.52	388%
Branch Services	2016	\$ 51,318.00	\$ 207,202.32	\$ 155,884.32	304%
Branch Services	2017	\$ 51,318.00	\$ 263,977.21	\$ 212,659.21	414%

SOURCE: OCA analysis of Controller's Office data, May 2020



Budget Monitoring at what level?

- These expenditures were four times larger than the budgeted amount for this unit in these years, which was roughly \$50,000.
- When asked whether this four-fold spending raised any concerns, former Financial Manager said she was not concerned if individual categories were overspent, as long as APL's overall budget was not overspent.
- Also, former Financial Manager stated that she would not look for overages unless something was "out of whack."
- Assistant Director, who oversees the Library's financial services division, said that she does not conduct budget monitoring and noted that is the job of her finance staff.
- She said that if there were significant budget issues, she "assumed [former Financial Manager] would tell me."
- Had APL's finance staff looked into this annual overspending, they may have uncovered Whited's fraudulent purchases.



So much of one thing, how about the rest of the supplies?

- Printer memory analysis
- Pattern in toner purchases
 - Amounts of toner purchased
 - Amounts of paper purchased
 - Comparisons to other purchasers
- Browser histories
- Outlier behaviors/responsibilities:
holding multiple roles, assigned
multiple procards, unusual requests



Video

- Audit
- <https://www.youtube.com/watch?v=Oy7soqqWb88>
- Public Reaction
- <https://www.youtube.com/watch?v=iS6y4evNth0>



So how do some of these controls look like for us?

- Sample Office Depot purchase
- Sample Credit Card purchase
- Sample Invoice Detail



Workday Office Depot Sample Purchase

Invoice Date	10/22/2021	Default Tax Option	Enter Tax Due to Supplier	Number	
Invoice Received Date	(empty)	Tax Amount	1.01	External PO Number	(empty)
Total Invoice Amount	12.92			Referenced Invoices	(empty)
Amount Due	12.92			Supplier Contract	SCN00000355: Office Depot
				Total Contract Amount	1,000,000.00

[Invoice Lines](#)
[Invoice Line Details](#)
[Matching Summary](#)
[Attachments](#)
[Process History](#)

Turn on the new tables view

Invoice Lines 1 item



Invoice Line	Company	Line Item Description	Supplier Item Identifier	Business Document	Spend Category	Ship-To Address	Ship-To Contact	Tax
1	Clark County	Stanley Bostitch(R) Calypso Magnetic Staple Remover, Black	231385	PD00013924 - Line 6 Matching 4	S0033 Operating Supplies	1300 Franklin St Vancouver, WA 98666 United States of America	Linda Tesauro	Tax Applicability Taxable Tax Code Withholding Tax Co



Sample Invoice:

Total Invoice Amount 12.92

Amount Due 12.92

Invoice Lines Invoice Line Details Matching Summary Attachments

Invoice Lines 1 item

Invoice Line	Company	Line Item Description	Supplier Item Identifier
1	Clark County	Stanley Bostitch(R) Calypso Magnetic Staple Remover, Black	231385

Office DEPOT, Inc.

Office Depot, Inc.
PO BOX 630813
CINCINNATI OH
45263-0813

INFORMATIONAL COPY OF INVOICE

10000

THANKS FOR YOUR ORDER

Contact Number For:
Account Inquiries: (888) 283-3423
Order Inquiries: (800) 721-6592

INVOICE NUMBER	AMOUNT DUE	PAGE NUMBER
204403318001	\$12.92	1 of 1
INVOICE DATE	TERMS	PAYMENT DUE
10/22/2021		

Federal ID #: 59-2683954

Bill To: ATTN: ACCTS PAYABLE
CLARK COUNTY ACCOUNTING EDI
1200 FRANKLIN ST
CENTRAL STORES/GROUND FL
VANCOUVER WA 98660-2812
Hhhdhdhdhdhdhdhdhdhdhdhd

Ship To: CLARK COUNTY
1300 FRANKLIN ST
VANCOUVER WA 98660-2865

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE	
03521120			204403318001	10/20/2021	10/22/2021	
		ADDRESS REFERENCE				
		8-1				
BILLING ID	PURCHASE ORDER	RELEASE	ORDERED BY	DESKTOP	COST CENTER	
45426214	P000013524		Linda Tesoro	LD0143		
CATALOG ITEM #	DESCRIPTION / CUSTOMER ITEM #	UM	QTY	QTY	UNIT	EXTENDED PRICE
MANUF CODE		TAX	ORD	SHIP	B/O	
231385	Instructions: Please deliver to the 1st Floor - Permit Center - Linda Tesoro STAPLE REMOVER,CALYPSO,ASTD	EA	3	3	0	3.970
BOS40000MBLK	231385					11.91

SUB-TOTAL	11.91
DISCOUNT	0.00
DELIVERY	0.00
MISCELLANEOUS	0.00
SALES TAX	1.01
TOTAL	\$12.92

ALL AMOUNTS ARE BASED ON USD CURRENCY

To return supplies, please repack in original box and insert our packing slip to copy of this invoice. Please note problem so we may issue credit or replacement in whole or in part. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Insurance or damage made to reports when it is after delivery.

CUSTOMER NAME	BILLING ID	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	AMOUNT ENCLOSED
CLARK COUNTY ACCOUNTING EDI	45426214	204403318001	10/22/2021	\$12.92	***DO NOT PAY***



Sample Invoice:

Total Invoice Amount 12.92

Amount Due 12.92

Invoice Lines Invoice Line Details Matching Summary Attachments

Invoice Lines 1 Item

Invoice Line	Company	Line Item Description	Supplier Item Identifier
Q	Clark County	Stanley Bostitch(R) Calypso Magnetic Staple Remover, Black	231385



Office DEPOT, Inc.

Office Depot, Inc.
PO BOX 630813
CINCINNATI OH
45263-0813

INFORMATIONAL COPY OF INVOICE

10000

THANKS FOR YOUR ORDER

Contact Number For:
Account Inquiries: (888) 263-3423
Order Inquiries: (800) 721-6592

Federal ID #: 59-2663954

INVOICE NUMBER	AMOUNT DUE	PAGE NUMBER
204403318001	\$12.92	1 of 1
INVOICE DATE	TERMS	PAYMENT DUE
10/22/2021		

Bill To: ATTN: ACCTS PAYABLE
CLARK COUNTY ACCOUNTING EDI
1200 FRANKLIN ST
CENTRAL STORES/GROUND FL
VANCOUVER WA 98660-2812
000000000000000000000000

Ship To: CLARK COUNTY
1300 FRANKLIN ST
VANCOUVER WA 98660-2865

ACCOUNT NUMBER	ACCOUNT MANAGER	SHIP TO ID	ORDER NUMBER	ORDER DATE	SHIPPED DATE		
03521120		ADDRESS REFERENCE-6-1	204403318001	10/20/2021	10/22/2021		
BILLING ID	PURCHASE ORDER	RELEASE	ORDERED BY	DESKTOP	COST CENTER		
45426214	PO00013924		Linda Tesaro	L00143			
CATALOG ITEM # / MANUF CODE	DESCRIPTION / CUSTOMER ITEM #	U/M TAX	QTY ORD	QTY SHIP	QTY B/O	UNIT PRICE	EXTENDED PRICE

Instructions: Please deliver to the 1st Floor - Permit Center - Linda Tesaro
231385 BOS40000MBLK STAPLE REMOVER,CALYPSO,ASTD 231385 EA 3 3 0 3.970 11.91

SUB-TOTAL	11.91
DISCOUNT	0.00
DELIVERY	0.00
MISCELLANEOUS	0.00
SALES TAX	1.01
TOTAL	\$12.92

ALL AMOUNTS ARE BASED ON USD CURRENCY

To return supplies, please repack in original box and insert our packing list, or copy of this invoice. Please note problem so we may issue credit or replacement, whichever you prefer. Please do not ship collect. Please do not return furniture or machines until you call us first for instructions. Shortage or damage must be reported within 5 days after delivery.

CUSTOMER NAME	BILLING ID	INVOICE NUMBER	INVOICE DATE	INVOICE AMOUNT	AMOUNT ENCLOSED
CLARK COUNTY ACCOUNTING EDI	45426214	204403318001	10/22/2021	\$12.92	**DO NOT PAY**

Workday Credit Card Sample Purchase

Information Process History Attachments **Transaction Details**

13 Items Sort By: [v]

SHRED-IT USA LLC 08/16/2021	62.12 USD
CITY VANCOUVER UTILITI 08/14/2021	165.71 USD
MCAFFEE *WWW.MCAFFEE.COM 08/13/2021	53.70 USD
UPS*BILLING CENTER 08/13/2021	550.22 USD
WA DEPT OF HEALTH HSQA 08/12/2021	122.50 USD
IN *CONTROL SOLUTIONS, 08/25/2021	283.19 USD
K2 SCIENTIFIC LLC 08/19/2021	4,902.30 USD
COACHING WORKS INC 08/19/2021	600.00 USD

View Summary

Transaction

Credit Card Transaction * 08/19/2021 K2 SCIENTIFIC LLC 4,902.30 USD

Transaction Date 08/19/2021

Charge Description K2 SCIENTIFIC LLC

Supplier (empty)

Purchase Order (empty)

Supplier Contract (empty)

Amount

Remaining Transaction Amount to Verify 0.00

Credit Card Transaction Amount 4,902.30

Transaction Currency USD

Sales Tax Collected

Default Tax Option Calculate Self-Assessed Tax

Default Tax Code (empty)

Tax Amount 416.70

Turn on the new tables view

Transaction Details 1 item

Company	Business Document Line	Item and Category	Tax	Tax Recoverat
Clark County		Item	Tax Applicability * Taxable	0605: Washin Revenue



Credit Card Sample Purchase

Credit Card Transaction * 08/19/2021 K2 SCIENTIFIC LLC 4,902.30 USD

Transaction Date 08/19/2021
 Charge Description K2 SCIENTIFIC LLC
 Supplier (empty)
 Purchase Order (empty)
 Supplier Contract (empty)

Remaining Transaction Amount to Verify 0.00
 Credit Card Transaction Amount 4,902.30
 Transaction Currency USD
 Sales Tax Collected
 Default Tax Option Calculate Self-Assessed Tax
 Default Tax Code (empty)
 Tax Amount 416.70



K2 Scientific
 3029 Horseshoe Lane
 Suite D
 Charlotte, NC 28208
 (800) 215-7613

Sold To:
 Clark County Public Health
 PO Box 9825
 VANCOUVER, WA 98666

Invoice

Invoice Number: 0007889-IN
 Invoice Date: 8/24/2021
 Order Number: 0007889
 Order Date: 8/19/2021
 Customer Number: 00-9C02549

Ship To:
 Clark County Public Health
 1601 E 4th Plane Blvd
 Bldg 17, Room A128
 VANCOUVER, WA 98661

Customer P.O.

Payment Terms:
 NET 30

Item Code	Ordered	Shipped	Back Ordered	Price	Amount
K205ULT	5	5	0	4,507.30	4,507.30

0.00
 4,902.30 *
 8.5%
 416.70 *
 4,902.30 *
 5.313 * 0.00 *

Warranty and return information can be found at www.K2Sci.com

Net Invoice: 4,507.30
 Less Discount: 0.00
 Freight: 385.00
 Sales Tax: 0.00
 Invoice Total: 4,902.30
 Less Deposit: 4,902.30
 Invoice Balance: 0.00



Credit Card Sample Purchase

Credit Card Transaction * 08/19/2021 K2 SCIENTIFIC LLC 4,902.30 USD

Transaction Date 08/19/2021
 Charge Description K2 SCIENTIFIC LLC
 Supplier (empty)
 Purchase Order (empty)
 Supplier Contract (empty)

Remaining Transaction Amount to Verify 0.00
 Credit Card Transaction Amount 4,902.30
 Transaction Currency USD
 Sales Tax Collected
 Default Tax Option Calculate Self-Assessed Tax
 Default Tax Code (empty)
 Tax Amount 416.70



K2 Scientific
 3028 Horseshoe Lane
 Suite D
 Charlotte, NC 28208
 (800) 218-7613

Sold To:
 Clark County Public Health
 PO Box 9825
 VANCOUVER, WA 98666

Invoice

Invoice Number: 0007889-IN
 Invoice Date: 8/24/2021
 Order Number: 0007889
 Order Date: 8/19/2021
 Customer Number: 00-BC02549

Ship To:
 Clark County Public Health
 1601 E 4th Plane Blvd
 Bldg 17, Room A128
 VANCOUVER, WA 98661

Customer P.O.

Payment Terms:
 NET 30

Item Code	Ordered	Shipped	Back Ordered	Price	Amount
K205ULT	1	1	0	4,507.30	4,507.30



Public Health
 Prevent. Promote. Protect.

Clark County Public Health 2021 Item Request Form

For purchases over \$10,000, first contact: CntyHealthGrantContract@clark.wa.gov

Send completed form to CHAP@clark.wa.gov for processing

Requested By	Monica Czapl/Brianna Dannen/Carole Head		Date of Request	8/18/2021
Supplier Name	K2 Scientific		Contact	
Address		City, ST, Zip	Charlotte, NC	
Phone	800.218.7613	Fax		E-Mail

Line	Item Description: Include the title and date for items related to a meeting/event. Use a separate document if this space is not sufficient.	Unit of Measure	Quantity	Unit Price	Total
1	K205ULT 5 CU. FT. (-25°C to -86°C) Laboratory Ultra Low Freezer	Each	1	\$4,507.30	\$4507.30
2	shipping	Each	1	\$ 395.00	\$395.00

0 *

Umbrella
 Sales
 Tax
 4,902.30 +
 8.5%
 416.70 +
 416.70 +
 5,319.00 +

Warranty and return information can be found at www.K2Sci.com

Net Invoice: 4,507.30
 Less Discount: 0.00
 Freight: 395.00
 Sales Tax: 0.00
Invoice Total: 4,902.30
 Less Deposit: 4,902.30
 Invoice Balance: 0.00



Credit Card Sample Receipt

Merchant: IBS, Inc.	
740 Clay St NW 740 Clay St NW, WA 98001 US	8006781906
Description:	
Order Number:	P.O. Number:
Customer ID: 1008178	Invoice Number: 0
Billing Information	Shipping Information
	Shipping: 0.00
	Tax: 0.00
	Total: USD 761.68
Date/Time:	07-Oct-2021 16:06:44 PDT
Transaction ID:	42979206374
Transaction Type:	Authorization w/ Auto Capture
Transaction Status:	Captured/Pending Settlement
Authorization Code:	056871
Payment Method:	XXXXXXXXXX



Credit Card Sample Receipt

Merchant: IBS, Inc.
 740 Clay St NW
 740 Clay St NW, WA 98001
 US

8006781906

Description:
 Order Number: 1008178
 Customer ID: 1008178

P.O. Number:
 Invoice Number: 0

Billing Information

Shipping Information

Shipping: 0.00
 Tax: 0.00
 Total: USD 761.68

Date/Time: 07-Oct-2021 16:06:44 PDT
 Transaction ID: 42979208374
 Transaction Type: Authorization w/ Auto Capture
 Transaction Status: Captured/Pending Settlement
 Authorization Code: 056871
 Payment Method: XXXX-XXXX-XXXX-XXXX



Invoice

Invoice Number: 767855-1
 Customer#: 1008178
 Ordered Date: 10/05/2021
 Ship Date: 10/06/2021
 Invoice Date: 10/07/2021
 Terms: VISA OR MASTER CARD
 Due Date: 10/07/2021
 Salesperson: JOHN BLAKE
 Ship Via: UPS (GROUND)
 Ship Acct#:
 Customer PO:

Bill to: CLARK COUNTY PUBLIC WORKS
 P O BOX 9810
 ATTN: SUSAN DONALD
 VANCOUVER, WA 98665

Ship to: CLARK COUNTY PUBLIC WORKS
 4700 NE 78TH ST BLDG C
 PARTS ROOM - PHIL
 VANCOUVER, WA 98665

P-Card / Charge Acct
 Date: 10-8-21
 Shop
 Supplies
 Equip
 Card # 7965
 Book #
 Prod Code

Line	Order	Ship	B/O	Item #	Description	Price	Extension
0001	100	100	0	4002	5/8-11 FLANGE LOCK NUT GR.G PLN	0.7701	77.01
0002	50	50	0	4030	1/2-13 GR.C LOCKNUT ZP	0.2296	11.48
0003	100	0	0	7065	3/8 USS FLAT WASHER ZP	0.0598	0.00
0004	50	50	0	11342	1/4-20 X 3/4 HEX HD C/S SS	0.1580	7.90
0005	50	50	0	11346	1/4-20 X 1-1/2 HEX HD C/S SS	0.2897	14.49
0006	25	25	0	11371	5/16-18 X 2-1/2 HEX HD C/S SS	0.8265	20.66
0007	50	50	0	11389	3/8-16 X 2 HEX HD C/S SS	0.8360	41.80
0008	5	0	0	28-07	1/4 X 2-1/2 SNAPPER PIN	2.0879	0.00
0009	10	1	0	3400X2	1/8 X 1/8 BRASS ST. ELBOW	2.7060	2.71
0010	6	6	0	17405	9/64 MECH LGTH NITRO CARB PLATINUM DRILL	3.3792	20.28
0011	3	3	0	17417	21/64 MECH LGTH NITRO CARB PLATINUM DRILL	9.7196	29.16
0012	1	1	0	17656	6-32 BOTTOM TAP NITRO CARB	12.7930	12.79
0013	5	5	0	44818	8 X 3/4 18TPI BIMETAL RECIP BLADE	7.7664	38.83
0014	10	10	0	50444	FLEX CUT G P HAND PAD MAROON	1.7497	17.50
0015	2	2	0	31071	11/16X1-1/4 MTD POINT A12-030 VITRIFIED BOND GRADE O SHAPE A	7.4215	14.84

Continued on next page....

CLAIMS FOR DAMAGE, SHORTAGES OR ERRORS MUST BE MADE WITHIN 5 DAYS OF RECEIPT OF GOODS.
 PLEASE CALL IBS AT 1-800-678-1906 TO REQUEST AUTHORIZATION FOR RETURNS.
 AUTHORIZED RETURNS MAY BE SUBJECT TO A 20% RESTOCKING CHARGE.

Page: 1

Thank you for your business!



SPECIALTY PRODUCTS FOR MAINTENANCE & REPAIR
 740 Clay Street N.W.
 Auburn, WA 98001
 Tollfree: (800) 678-1906
 Local: (253) 804-8666
 www.industrialbolt.com

Remit To:
 P.O. Box 1717
 Auburn, WA 98071-1717

Invoice

Invoice Number: 767855-1
 Customer#: 1008178
 Ordered Date: 10/05/2021
 Ship Date: 10/06/2021
 Invoice Date: 10/07/2021

Line	Order	Ship	B/O	Item #	Description	Price	Extension
0016	2	2	0	33968	30 GRAIN 31081 RPM	4.6292	9.26
0017	2	2	0	50070	3/4 X 1 MTD POINT W205 VITRIFIED BOND GRADE 60 GRAIN 34500 RPM	38.4040	76.81
0018	5	5	0	133335	3IN .012 SS CONFLX W/RE WHEEL 1/4 SHANK 5/8 FACE	5.7682	28.84
0019	5	5	0	133336	MARINE WING NUT BATTERY END POSITIVE	5.7682	28.84
0020	2	2	0	47040	MARINE WING NUT BATTERY END NEGATIVE	7.0242	14.05
0021	2	2	0	47043	7/16 OD X 4-1/2 EXTENSION SPRING	12.6546	25.31
0022	10	0	0	A-9680	5/16-18X1 X 5/16-18X7/16 OL 2" STUD	1.8187	0.00
0023	10	10	0	A-9715	7/16-20X1-13/16 X 7/16-14X3/4 OL 3	2.9944	29.94
0024	25	25	0	20303	3/4OZ P PASS WEIGHT ZINC UNCOATED	0.8494	21.24
0025	25	25	0	20304	1OZ P PASS WEIGHT ZINC UNCOATED	0.9744	24.36
0026	25	25	0	20305	1-1/4OZ P PASS WEIGHT ZINC UNCOATED	1.1418	28.55
0027	25	25	0	20306	1-1/2OZ P PASS WEIGHT ZINC UNCOATED	1.3079	32.70
0028	25	25	0	20309	2-1/4OZ P PASS WEIGHT ZINC UNCOATED	1.8106	45.27

Package Information:

Tracking # 179030050378935358
 Weight 0.00

SubTotal 674.62

Freight 28.04

CLAIMS FOR DAMAGE, SHORTAGES OR ERRORS MUST BE MADE WITHIN 5 DAYS OF RECEIPT OF GOODS.

PLEASE CALL IBS AT 1-800-678-1906 TO REQUEST AUTHORIZATION FOR RETURNS.

AUTHORIZED RETURNS MAY BE SUBJECT TO A 20% RESTOCKING CHARGE.

Page: 2

Thank you for your business!

Tax 8.49 59.02

Total USD 761.68





SPECIALTY PRODUCTS FOR MAINTENANCE & REPAIR

740 Clay Street N.W.
Auburn, WA 98001
Tollfree: (800) 678-1906
Local: (253) 804-8666
www.industrialbolt.com

Remit To:
P.O. Box 1717
Auburn, WA 98071-1717

Invoice

Invoice Number : 767855-1
Customer# : 1008178
Ordered Date : 10/05/2021
Ship Date : 10/06/2021
Invoice Date : 10/07/2021
Terms : VISA OR MASTER CARD
Due Date : 10/07/2021
Salesperson : JOHN BLAKE
Ship Via : UPS (GROUND)
Ship Acct# :
Customer PO : ~~9905~~

I-Cord / Change Acct

Date 10-8-21

shop

supplies

EQ#

Card PO# 9905

Block Payment & Bill

Wash Coat Small Supplies

Bill to: CLARK COUNTY PUBLIC WORKS
P O BOX 9810
ATTN: SUSAN DONALD
VANCOUVER, WA 98665

Ship to: CLARK COUNTY PUBLIC WORKS
4700 NE 78TH ST BLDG C
PARTS ROOM - PHIL
VANCOUVER, WA 98665

Line	Order	Ship	B/O	Item #	Description	Price	Extension
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Continued on next page....

CLAIMS FOR DAMAGE, SHORTAGES OR ERRORS MUST BE MADE WITHIN 5 DAYS OF RECEIPT OF GOODS.

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AUTHORIZED RETURNS MAY BE SUBJECT TO A 20% RESTOCKING CHARGE.

Receipt



SPECIALTY PRODUCTS FOR MAINTENANCE & REPAIR

740 Clay Street N.W.
Auburn, WA 98001
Tollfree: (800) 678-1906
Local: (253) 804-8666
www.industrialbolt.com

Remit To:
P.O. Box 1717
Auburn, WA 98071-1717

Invoice

Invoice Number : 767855-1
Customer# : 1008178
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0020	2	2	0	47040	7/16 OD X 4-1/2 EXTENSION SPRING	7.0242	14.05
0021	2	2	0	47043	7/16 OD X 7 EXTENSION SPRING	12.6546	25.31
0022	10	0	0	A-9680	5/16-18X1 X 5/16-18X7/16 OL 2" STUD	1.8187	0.00
0023	10	10	0	A-9715	7/16-20X1-13/16 X 7/16-14X3/4 OL 3	2.9944	29.94
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0028	25	25	0	20309	2-1/4OZ P PASS WEIGHT ZINC UNCOATED	1.8106	45.27

Package Information:

Tracking # 179030050378935358 Weight 0.00

SubTotal 674.62

Freight 28.04

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Tax 8.49 59.02

Total USD 761.68

SAO: Protect Your Government from Credit Card Fraud

- Review your statements regularly
- Limit access to shared credit cards
- Avoid debit cards
 - If your bank account is compromised through a debit card, a fraudster can quickly deplete your government's assets
- Sign up for automatic alerts
- What to do if you're a victim of fraud
 - State law requires local and state governments to report all known or suspected losses of public funds to the State Auditor's Office



Workday Sample Budget Monitoring

CCWA RPT Expenditures B&A for 0001&1033 funds Composite

Details

21 items

Ledger Account	Actual per Month	Actual YTD	Budget w/o position-Controllable	Budget Position - Uncontrollable	Total Budget	Over/Under Spent	% Remaining
520000:Benefits - Payroll Taxes	8,325.79	165,868.54	207,834.00	0	207,834	41,965	20.19%
522000:EAP Premium	94.57	972.75	1,333.00	0	1,333	360	27.03%
522100:Medical Insurance	29,237.25	558,447.19	600,249.00	0	600,249	41,802	6.96%
522200:Industrial Insurance	1,124.57	25,060.99	32,525.00	0	32,525	7,464	22.95%
522300:Dental Insurance	1,624.31	30,835.04	35,478.00	0	35,478	4,643	13.09%
523000:Life Insurance	192.04	3,886.60	4,623.00	0	4,623	736	15.93%
523200:General Liability Insurance	17,011.00	57,613.01	57,613.00	0	57,613	-0	0.00%
523600:Disability Insurance	769.41	15,550.66	19,085.00	0	19,085	3,534	18.52%
531000:Supplies	3,473.15	27,907.11	37,413.00	0	37,413	9,506	25.41%
540000:Services	561.19	66,886.09	117,643.00	0	117,643	50,757	43.14%
540200:Server Repair Replacement	3,209.75	12,839.00	12,839.00	0	12,839	0	0.00%
540210:Technology Equipment Repair and Replacement	25,942.00	103,768.00	103,768.00	0	103,768	0	0.00%
543000:Travel	88.39	199.27	18,494.00	0	18,494	18,295	98.92%
545000:Training Expense	758.20	7,518.70	0	0	0	-7,519	0.00%
Total Expenditures	212,926.17	3,543,058.98	4,241,412.00	0	4,241,412	698,353	16.47%



Toner Takeaways To Think & contemplate

- Existing Management Controls bypassed
 - Lack of review of purchases detail
 - Accepting missing supporting documentation
 - Accepting unverified reasons for missing supporting documentations
 - Allowing unassigned delivery duties
 - Incompatible purchasing duties concentrated
- Managers Missed Opportunities
 - Received notice of concern from outside department but no follow up
 - Budget monitoring was conducted but at too high a level
 - Trend analysis of complimentary supplies would have shown disconnect
- Importance of professional skepticism



Helpful Resources

- Clark County Auditor's Office
 - (564) 397-4795 or AuditServices@clark.wa.gov
 - www.clark.wa.gov/auditor
- Information Sources
 - City of Austin Office of the City Auditor
 - Investigative Report Austin Public Library: Fraud and Waste (October 2020)
 - <http://www.austintexas.gov/auditor>
 - Office of the Washington State Auditor
 - Protect Your Government from Credit Card Fraud
 - <https://sao.wa.gov/protect-your-government-from-credit-card-fraud/>



Thank you!

Comments and questions

GREG KIMSEY, CLARK COUNTY AUDITOR

AUDIT SERVICES

Larry Stafford, Audit Services Manager

Arnold Pérez

Michael Nash

1300 Franklin Street Suite 575, P.O. Box 5000, Vancouver, WA 98666-5000

*For further information about this contact: Clark County [Audit Services](#)
Via email AuditServices@clark.wa.gov or phone (564) 397-2310 ext.4795*

###

*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*



Tone: The Missing Link

December 9, 2021

Larry Stafford, Audit Services Manager

Audit Services



Today

- Why internal controls matter
- Case Study
- Building a foundation with tone
- In case of fraud
- Audit Services



Why do internal controls matter?

Required to have internal controls by US federal government, Washington State Law, Washington State Auditor's Office, county contracts, and best practices.

Provide reasonable assurance you will achieve your objectives!



Source: GAO. | GAO-14-704G



Three types of objectives

1. Operations: efficient and effective



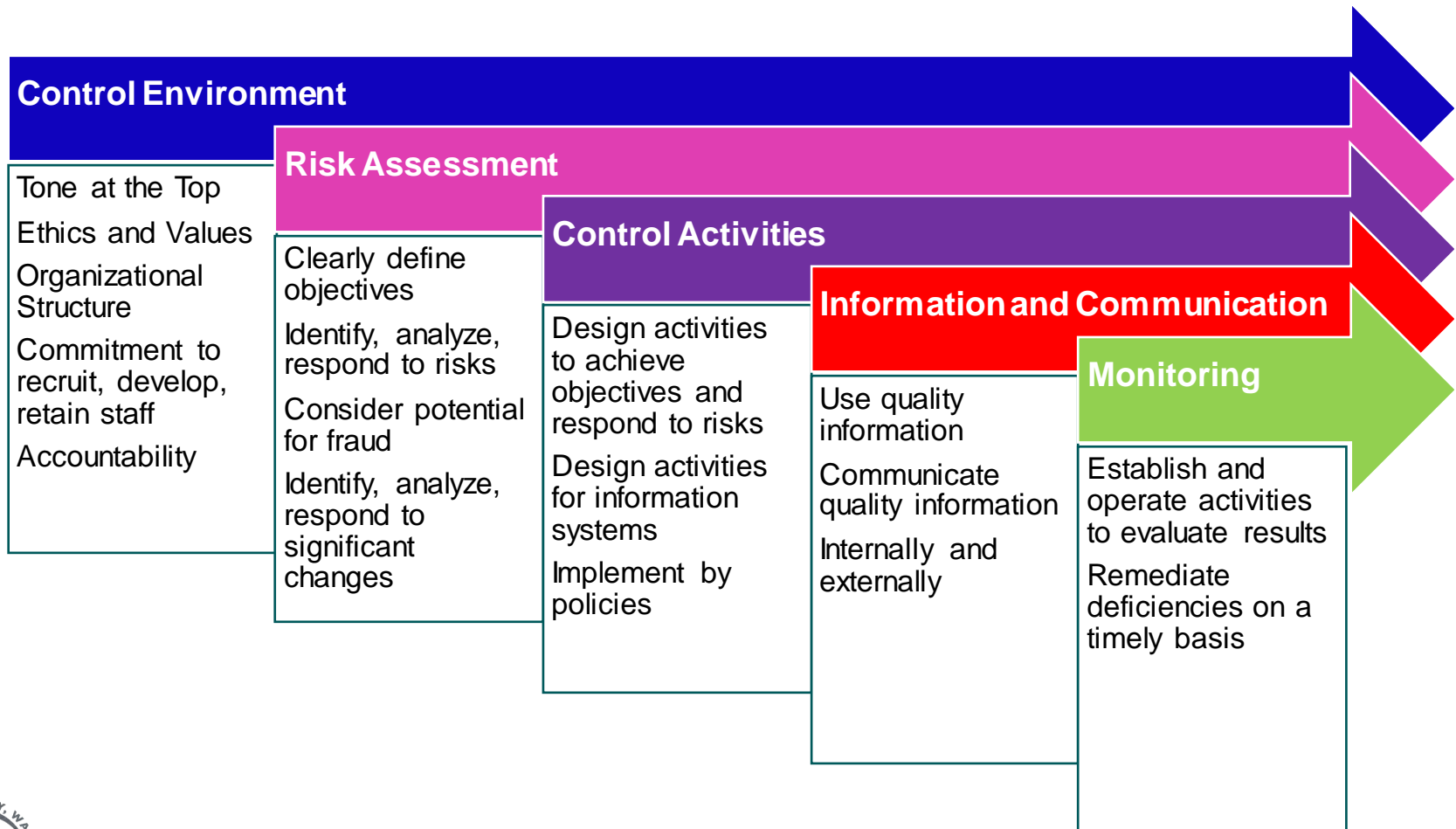
2. Reporting: reliable information



3. Compliance



Building a system of internal controls



California Employment Development Department (EDD): 2020

1.6 million Californians could start seeing delayed unemployment pay soon—will other states follow?

Outdated Tech Contributes to California Processing Problems

Nonstop calls and no answers: Why California wasn't prepared for surge in unemployment

California unemployment agency director to retire after months of delayed jobless benefits



California Employment Development Department (EDD)

Los Angeles Times Subscribe Now \$1/8 weeks

California unemployment fraud amid COVID-19 pandemic may total \$2 billion, Bank of America says



CORONAVIRUS AND PANDEMIC >

California health officials scramble to staff medical facilities amid COVID-19 surge

California expects 1 million more COVID-19

NATION

'The inmates are mocking us': California OK'd unemployment aid in name of more than 20K prisoners, including Scott Peterson

Adam Beam The Associated Press

Published 10:27 p.m. ET Nov. 24, 2020



Review and Audits of EDD

Employment Development Department Strike Team Detailed Assessment and Recommendations

Prepared by EDD Strike Team Co-Chairs
Secretary Yolanda Richardson, Government Operations Agency
and
Jennifer Pahlka, founder of Code for America and
former US Deputy Chief Technology Officer

September 16, 2020

STRIKE TEAM FINAL DETAILED ASSESSMENT AND RECOMMENDATIONS - p1



Employment Development Department

Significant Weaknesses In EDD's Approach to Fraud Prevention Have Led to Billions of Dollars In Improper Benefit Payments

January 2021

REPORT 2020-628.2



Employment Development Department

EDD's Poor Planning and Ineffective Management Left It Unprepared to Assist Californians Unemployed by COVID-19 Shutdowns

January 2021

REPORT 2020-128/628.1



Review and Audits of EDD

Strike Team Report Issues:

- Current ID verification process slowed services without catching fraud
- Routing more claims for manual processing than capacity
- Culture must shift from reactivity to rationality as it relates to fraud
- Organized fraud represents serious risk
- Old technology
- Inefficient deployment of staffing

California State Auditor's Office Audit Report Findings:

- EDD stopped enforcing some eligibility rules to process claims faster
 - 2.7 million claimants may have been ineligible (12 million issues)
 - 1.7 million claimants may have been overpaid (\$5.5B)
- More than \$10B in potentially fraudulent claims paid
 - \$810M to 45,000 incarcerated claimants
 - Bank of America froze 344,000 accounts



Review of EDD: Recommendations

Strike Team:

- Measure every material step of claims process daily
- Procure and deploy ID verification solution to automate process
- Re-evaluate how they identify and manage risk of fraud under new system
- Move most experienced employees to claims processing
- Update document upload technology



Audits of EDD: Recommendations

California State Auditor's Office recommendations

Legislature

- Amend state law to require EDD to:
 - Cross match claims with data from correctional facilities
 - Assess effectiveness of fraud prevention and detection

EDD

- Immediately establish central unit responsible for fraud
- Develop plan to assess effectiveness of fraud efforts
- Develop recession plan to prepare for providing services during downturns
- Obtain and review listing of frozen benefit accounts



Review and Audits of EDD

“should not be possible for one part of EDD to believe it has a “minor performance issue” while another part of EDD believes “the mainframe and the call center are down.”

“EDD leadership should set clear expectations with all staff at all levels that fraud prevention and detection practices must be supported by data and evidence and that justifications for new and existing anti-fraud practices include an analysis not only of their effectiveness, but also tradeoffs and unintended consequences of these practices”

“To ensure that it does not suspend critical safeguards, EDD should plan in advance which UI fraud prevention and detection mechanisms it can adjust during recessions to effectively balance timely payment with fraud prevention.”



Building a foundation for EDD's controls

Control Environment

Tone at the Top
Set clear expectation
fraud controls
backed by data

Ethics and Values
Plan for
recessions to
effectively balance
timely payment
with fraud
prevention

Org Structure
Immediately
establish central
fraud unit
Move experienced
employees to
claims processing

Accountability
Measure material
elements of claims
process daily



In Case of Suspected or Known Fraud

DO NOT

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

DO

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



Key Takeaways

1. Consider all **three types of objectives** when discussing risks and controls.
2. Internal controls will not be effective without **a system.**
3. Your organization has a **tone.** Do you know what it is, and does it reflect what you want?



Audit Services

Performance Audits

Investigations / Referrals

Internal Control Reviews

Training and Education

Analytical Reviews

Liaison with Washington
State Auditor's Office

Technical and Advisory
Services



Helpful Resources

Clark County Auditor's Office

(564) 397-4795 or AuditServices@clark.wa.gov

www.clark.wa.gov/auditor

Information Sources

Standards for Internal Control in the Federal Government

<https://www.gao.gov/products/GAO-14-704G>

EDD Strike Team Detailed Assessment and Recommendations

<https://www.govops.ca.gov/wp-content/uploads/sites/11/2020/09/Assessment.pdf>

California State Auditor's Office Audit Reports

https://www.auditor.ca.gov/reports/search_results



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*

