A photograph of a young man with short brown hair, shirtless and wearing blue jeans, walking a tightrope. He is balancing with his arms outstretched. The background is a vast, mountainous landscape with green forests and grey rock formations under a clear sky.

# **Walking the Tightrope:**

*Balancing  
internal controls  
against  
streamlining  
business processes*

*Clark County Auditor  
Nov 21, 2013*



Go Huskies!

**Internal Performance Audit Team**

**Paul Harris**

**Tom Nosack**

**Larry Stafford**

Clark County Internal Performance Auditors

# Seminar Agenda

**8:00 / Coffee & Registration**

**8:30 / Opening & Welcome** *by Greg Kimsey*

**8:35 / “Workplace Fraud”** *with Bill Douglas*

**9:50 / Analysis of 2013’s Internal Control Reviews**  
*with Paul Harris & Larry Stafford*

**10:10 / Break**

**10:20 / “Real Lean”** *discussion with Ela Selga and Marty Snell*

**10:35/ “Next Level Lean”** *with Carlos Venegas*

**11:50/ Closing & Evaluations** *with Mark Gassaway*

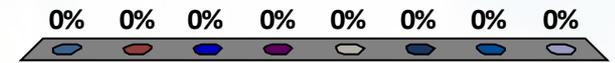
# Wireless Polling

- 61 Devices - Anonymous...
- Point anywhere, push button 3 times
- No vote when corner box is red
- Vote when box is green
- Votes tally in corner box
- See results shortly after voting is closed
- Let's test it!



# Is it acceptable to send cash or checks through interoffice distribution?

1. Yes - Cash and checks are ok
2. Yes – Any checks are ok
3. Yes - Only checks under \$50
4. Yes - if it came in through the mail and we opened it
5. Yes - if it came in through the mail and we didn't open it
6. Yes – checks only if certain conditions are met
7. No, neither can be sent through distribution at any time.
8. I have no idea, but there must be a problem, right?



Yes - Cash and checks are ok  
Yes - Any checks are ok  
Yes - Only checks under \$50  
Yes - if it came in through...  
Yes - if it came in through...  
Yes - checks only if certai...  
No, neither can be sent t...  
I have no idea, but ther...

# Fraud & Government: Easy Pickings

Bill Douglas

- Fraud is an ongoing problem that can be difficult to prevent and detect. The risk of fraud also generally increases as budgets decrease. This makes it even more important that management across Clark County understand fraud.
- What does governmental fraud currently look like? What are they doing and how?
- How is it detected? How do we control or stop it?



# Fraud in the Workplace

Bill Douglas

November 21st, 2013



# Internal Controls Summary & Quiz

Paul Harris & Larry Stafford

- Over 30 ICR visits per year
- Visits based on risk & 3 year cycle
- Last year's key results
- Summary of last year's results
- Quiz & discuss some common issues...



# 2013 Internal Control Reviews

## By the Numbers

a. 31 Reviews (\$60,740)

b. 72 Recommendations

- Four Departments Received Zero
- 12 Departments Received One
- 13 Departments Received Two or Three
- Two Departments Received Over Ten

# 2013 Internal Control Reviews

## Recommendations

### a. 31 Low Risk Issues

- a. Excess Funds/Reduce Balance, Sequential Receipts
- b. Other: Checks Issued Out of Sequence, Reconciliation Report Not Initialed

### b. 25 Medium Risk Issues

- a. Develop Written Procedures, Make Timely Deposits
- b. Other: Not Reconciling Account in Timely Manner, Extra items in safe

### c. 16 High Risk Issues

- a. Secure Funds / Records, Separate Key Duties
- b. Other: Disposal of Assets, Safeguarding Assets

# Internal Controls:

## What would you do?

We will show and describe four short situations, each followed by a question about the best answer

- “Vote” on your choice of solution
- Discuss the most popular answer vs. the best answer (if they are different)
- Let’s begin...

# The Case of the Phantom Payment

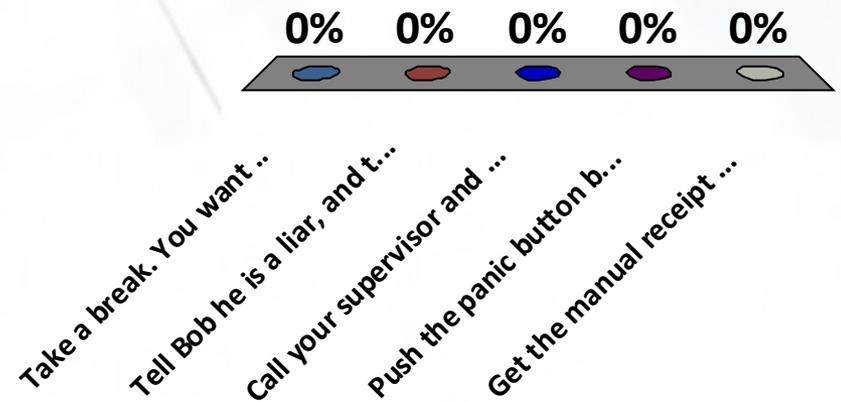
- **Background:** You are a member of a county agency that charges fees for service, sometimes quite high fees for extensive services. You take pride in the professionalism of the cashiers, of which you are one.
- **The Situation:** Bob comes in to make a partial payment of the fee he owes. Unfortunately, the computer receipting system is down. The cashier uses his backup receipt book to record the transaction.
- **The Initial Issue:** Bob then realizes the amount he just paid will overdraw his checking account! To prevent this, Bob tells the cashier that he needs to get the check back and will pay the fee next week when his pay check is deposited. The cashier saves the day and gives Bob his check, then voids his copy of the receipt in the receipt book. Bob leaves happy.

# #1: The Problem...

- The following week, Bob returns to make his payment. This time the computers are working. Bob comes to you to make his payment. After making the payment, he asks for a receipt showing that the fee is paid in full.
- You print the receipt for his payment but notice and tell him there is still a partial balance to pay. Bob gets excited and says it is paid in full with this payment, and produces his receipt from last week as proof of payment.

# #1: What Do You Do Now?

1. Take a break. You want no part of this mess.
2. Tell Bob he is a liar, and to leave because the records show no other payment.
3. Call your supervisor and ask for help.
4. Push the panic button because you suspect Bob is trying to commit a fraud.
5. Get the manual receipt book to see if you can match Bob's receipt to your office copy.

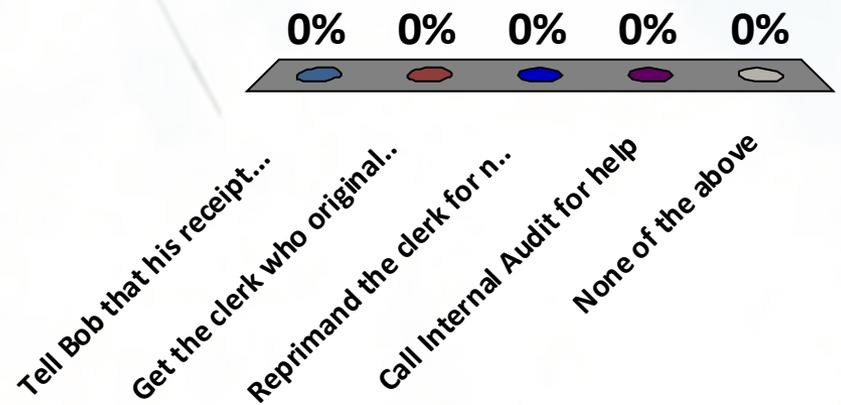


## #2: The Phantom Returns!

- **The Situation Continues:** You decided to call the supervisor. You don't have time to deal with the other options, there are too many other people waiting to make payments.
- The supervisor comes to the counter to listen. Bob says he paid cash, and his receipt indicates he did.
- The supervisor compares Bob's receipt with the copies in the receipt book. The serial numbers match but while Bob's receipt says he paid cash the office copies do not say cash or check, but do say the transaction was voided.

# #2: What Do You Do Now?

1. Tell Bob that his receipt was modified, there is nothing else to discuss, and raise your left eyebrow slightly.
2. Get the clerk who originally receipted the payment and ask them to explain the situation.
3. Reprimand the clerk for not filling the receipt out properly or following procedures
4. Call Internal Audit for help
5. None of the above

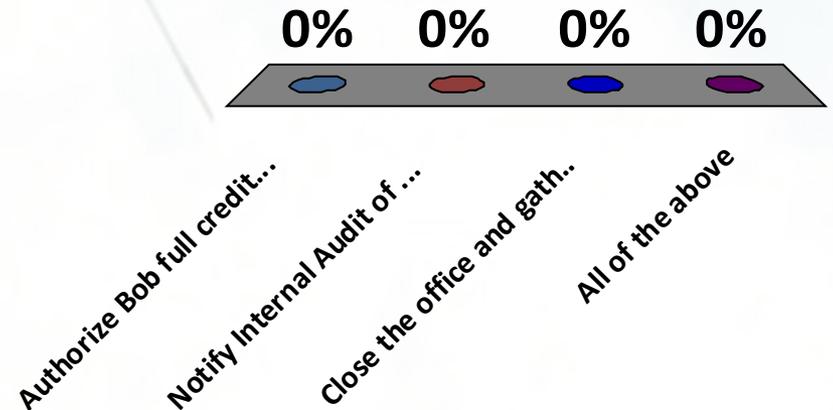


# #3: The Incomplete Receipt!

- **There's More:** Your supervisor decides to identify the cashier who initially did the transaction to better understand what had happened.
- **The Twist:** Upon closer examination of the receipt from Bob and the ones in the book, the supervisor notices that the receipts are not signed by any cashier.
- Bob cannot remember who helped him.

# #3: What Do You Do Now?

1. Authorize Bob full credit for payment, since he has a receipt and we are at fault for how it was handled and documented
2. Notify Internal Audit of a possible theft of funds by an employee
3. Close the office and gather the cashiers together to find out who performed the transaction
4. All of the above



# The “Lean Machine”: Does it Work?

*Ela Selga & Marty Snell*

- Observations and words of wisdom from two of our managers who have tackled lean projects
- Thoughts on moving their organizations along the path from individual lean projects to becoming lean organizations
- Challenges, setbacks and victories applying lean processes in their organizations

# From a Lean Event to a Lean Organization:

Carlos Venegas

- You have completed a Lean project or two but aren't seeing the rewards expected
- How do we transition from completing one or two Lean events to becoming a sustainable Lean (learning) organization?

# Switch to Carlos' Presentation

## From a Lean event to a Lean organization

# Ethics Issues – as time allows

# Ethics Situation Quizzes

## Key Thoughts:

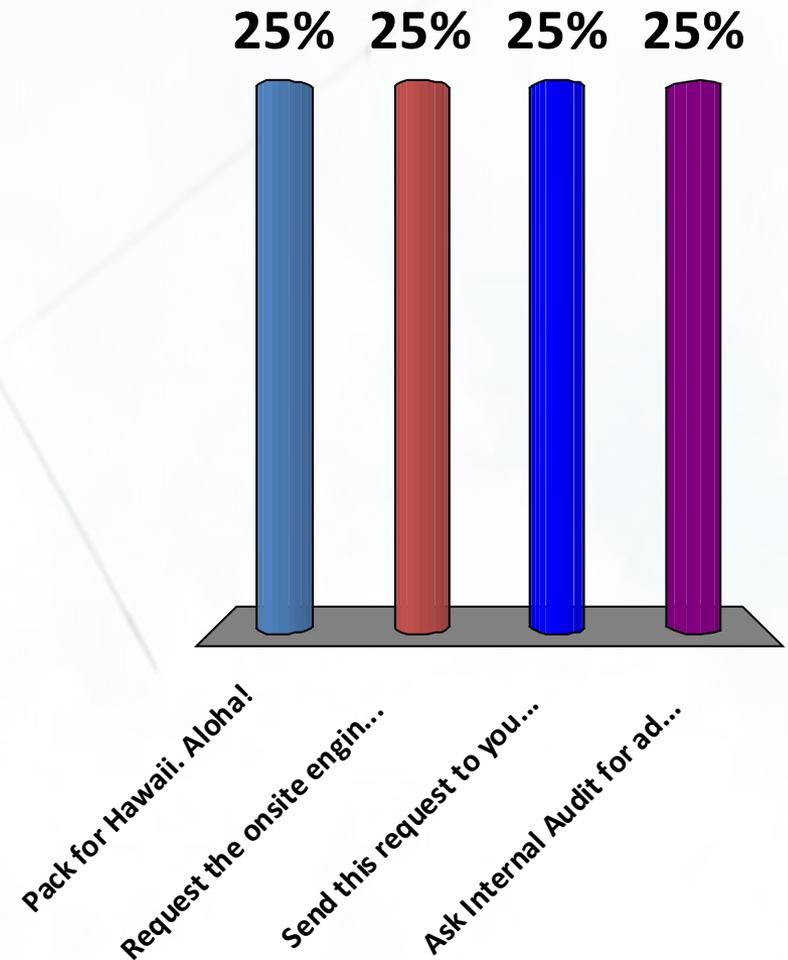
- Legal is not necessarily ethical but is the first test
- Appearance of impropriety counts
- As county employees if you are not sure you should err on the conservative side

# Ethics #1: Widgets in Paradise

- A contractor makes “widgets” in Hawaii.
- You buy many of their widgets for the county.
- Understanding your use will help their sales
- You have a few technical issues with widgets.
- They offer to either send widget engineers to view the problem, or pay to have you come to Hawaii this winter and talk to staff about your use of the widgets and the technical issues.

# Widgets in Paradise: What do you do?

1. Pack for Hawaii. Aloha!
2. Request the onsite engineers (sigh)
3. Send this request to your supervisor
4. Ask Internal Audit for advice

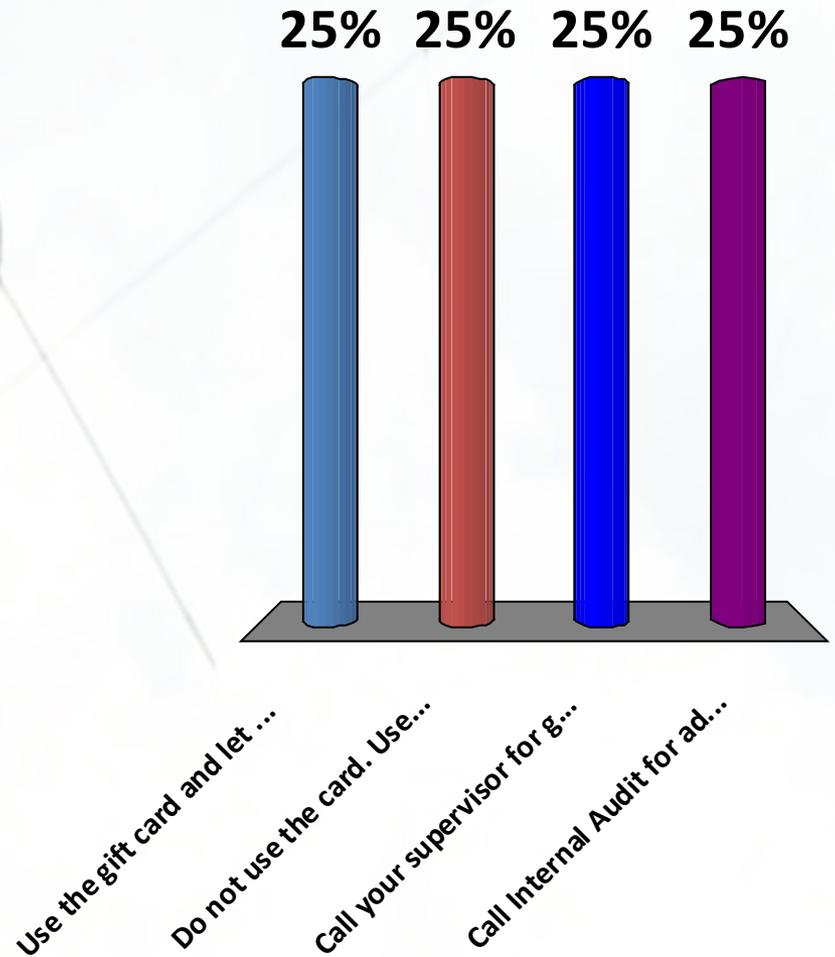


# Ethics #2: Emergency Gift

- Your group has \$25 gift cards as an incentive for citizens who participate in your program.
- You had to do some extra “emergency” printing for the participants using an offsite location, and it cost \$25. You did not have cash and it was essential for the next day.
- You used a gift card, since only the group benefits and it was an emergency.

# Emergency Gift: What do you do?

1. Use the gift card and let your supervisor know
2. Do not use the card. Use your personal charge card and get reimbursed
3. Call your supervisor for guidance
4. Call Internal Audit for advice

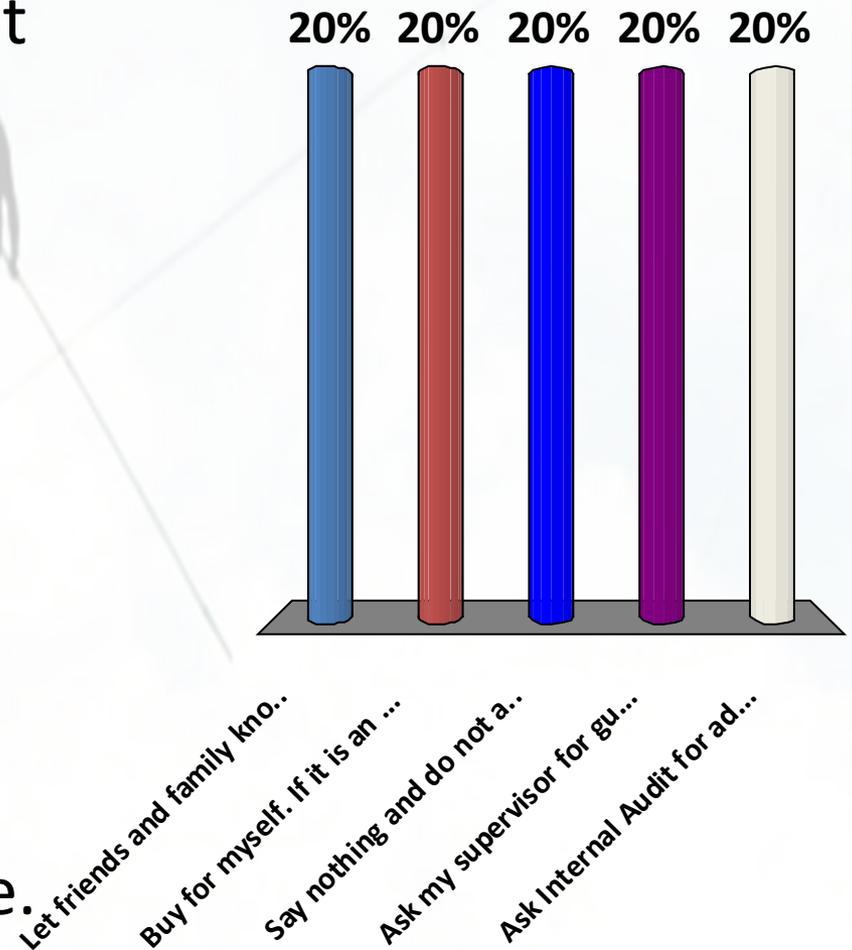


# Ethics #3: Insider Knowledge

- You maintain “stuff” for the county.
- The stuff gets replaced regularly regardless of how used it is and the old stuff is sold at auction.
- You know which stuff is essentially new and which is worn out (and some have special upgrades) The general public doesn't know what you know about the stuff's status.
- What can you do with this information?

# Insider Knowledge: What do you do?

1. Let friends and family know.  
As long as I do not benefit, it is ok
2. Buy for myself. If it is an auction, it is legal. I might even resell it.
3. Say nothing and do not act on the inside knowledge.
4. Ask my supervisor for guidance.
5. Ask Internal Audit for advice.

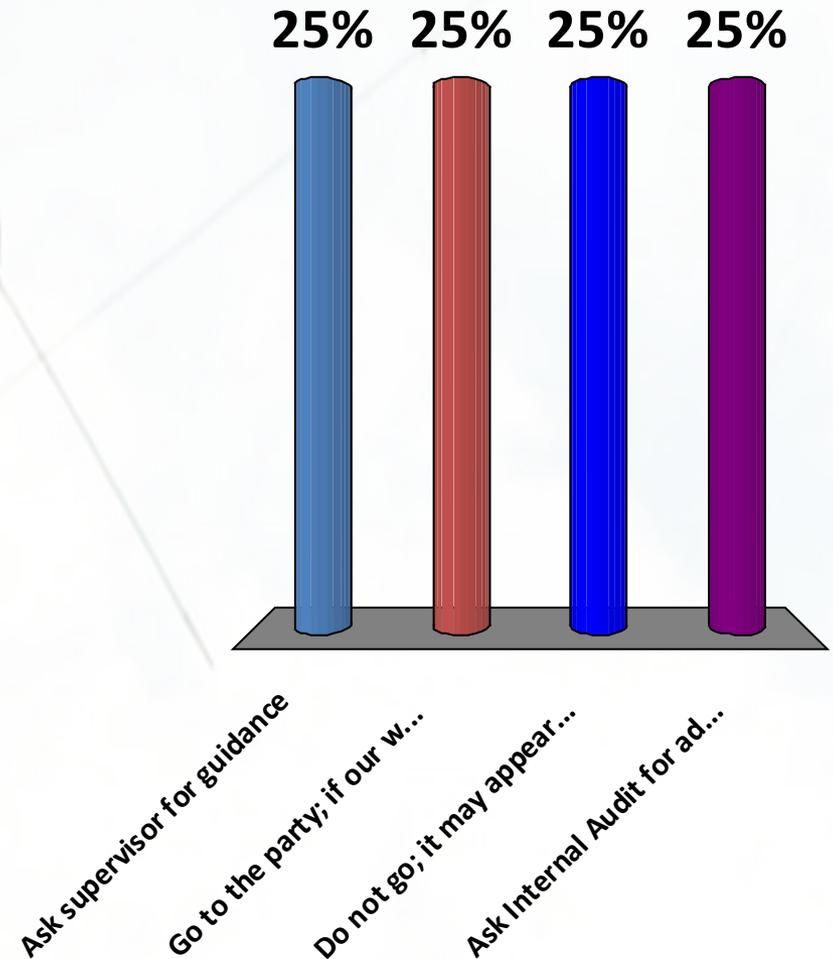


# Ethics #4: Party Perk

- A local company uses your office a lot for transactions. You see them almost daily.
- They let you know that your office can have free tickets to their employee event which includes food, drinks, parking, and viewing of a holiday event. Value about \$35 per person.
- It is only open to your office group and your immediate families.

# Party Perk: What do you do?

1. Ask supervisor for guidance
2. Go to the party; if our whole office can go it is ok
3. Do not go; it may appear that they are “buying” our favor
4. Ask Internal Audit for advice



# Closing Remarks

Mark Gassaway



# How was your experience today?

- Exceptional
- Useful information and entertaining
- Overall worthwhile
- Ok, I guess
- Did not meet my needs
- Disappointing overall

