

# **Washington State Auditor's Office**

## **Fraud Investigation Report**

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### **Grant County**

Investigation Period  
**January 1, 2013 through December 31, 2013**

**Report No. 1012423**

Issue Date  
**September 2, 2014**



**Washington State Auditor**  
**Troy Kelley**

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## Washington State Auditor Troy Kelley

September 2, 2014

Board of Commissioners  
Grant County  
Ephrata, Washington

### ***Report on Fraud Investigation***

Attached is the official report on a misappropriation at the Grant County Fairgrounds. On December 26, 2013, the County notified the State Auditor's Office of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation over cash receipting at the County Fairgrounds from January 1, 2013 through December 31, 2013. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

Questions about this report should be directed to Sarah Walker, Fraud Manager, at (509) 454-3621.

**TROY KELLEY**  
STATE AUDITOR

cc: Mr. Jacob Taylor, Chief Accountant

# **Fraud Investigation Report**

**Grant County**  
**January 1, 2013 through December 31, 2013**

## ***INVESTIGATION SUMMARY***

The Chief Accountant notified our Office on December 26, 2013, regarding a potential loss of public funds, as required by state law (RCW 43.09.185).

The County initiated an investigation and provided its files to us. We reviewed the County's investigation, performed an expanded review, and concluded a total of \$16,382.37 was missing in cash receipts, \$150 was missing in petty cash funds, and a total of \$1,127.59 in warrants addressed to Grant County Fairgrounds were signed by the fairgrounds manager and office coordinator but were not properly deposited. Our review focused on the period of January 2013 through December 2013.

The County has discussed this with law enforcement; however, a formal loss report was not filed, due to unclear assignment of responsibilities.

## ***BACKGROUND AND INVESTIGATION RESULTS***

The County operated on an annual budget of approximately \$97 million in fiscal year 2013, including about \$1.2 million for the Grant County Fairgrounds department. Fairgrounds revenue comes from multiple activities including event hosting, facility rentals, an onsite campground, fair week, and miscellaneous merchandise sales. A fairgrounds manager oversees daily operations with the support of an office coordinator and two fairgrounds coordinators. Most cash receipting occurs at the fairgrounds main office. Payments are receipted by way of cash, check, or credit card, and are recorded and reconciled in the fairgrounds accounting system.

The County's investigation initially focused on the following department activities:

- Cash receipts from July 2013 to November 2013. The County compared payments recorded in the accounting system to amounts deposited with the County. A total of \$16,382.37 in cash payments were identified as being receipted but not deposited.
- General disbursements, including credit card transactions, from January 2013 through November 2013. A total of \$1,127.59 in warrants made payable to Grant County Fairgrounds for replenishing petty cash and credit card service fees were signed for by the fairgrounds manager and office coordinator but could not be traced to County deposit records. Due to the weak controls, determining who was responsible for the loss of the cashed warrants was not possible.

- Fairgrounds petty cash account. The petty cash account was closed by the County in December 2013 and was found to be \$150 short of the \$1,000 beginning balance.

In order to determine if any additional misappropriations occurred, we examined the following areas:

- Cash receipts from January 2013 to June 2013. We compared cash drawer reconciliations to the accounting system deposit detail and to the amounts deposited with the County. No additional missing cash receipts were identified.
- Records relating to the \$16,382.37 in cash receipts identified by the County as receipted but not deposited. Receipts related to event hosting do not go through the same receipt and reconciliation process as other fairground receipts. Event funds receipted are placed into the fairgrounds office safe, which several employees have access to. As such, we could not assign responsibility for the losses identified.

Our review of additional areas over cash receipting did not find additional misappropriation; however, we did identify additional internal control weaknesses.

## ***CONTROL WEAKNESSES***

Internal controls at the County were not adequate to safeguard public resources. We found the following weaknesses that allowed the misappropriation to occur:

- The office coordinator responsible for bank deposit preparation and bank reconciliations also receipted payments.
- Access to the fairgrounds office safe was not limited based on need. Rather, all fairgrounds office staff, including the fairgrounds manager, were provided the combination.
- Payments receipted for event hosting were recorded in the accounting system but not reported or included on the daily cash drawer reconciliation form. Until the bank deposit was prepared, these funds were placed into the fairgrounds office safe where all staff had access.
- The fairgrounds manager did not complete a review of bank reconciliations prepared by the office coordinator.
- Fairgrounds staff responsible for cash receipting, data entry, bank depositing, and reconciliation had the ability to make adjusting entries in the accounting system. The fairgrounds manager did not review adjusting entries.

## **RECOMMENDATION**

We recommend the County strengthen internal controls over fairgrounds cash receipting procedures to ensure adequate oversight and monitoring to safeguard public resources and compliance with County policies. Improvements should include ensuring the following:

- Appropriate segregation of duties and monitoring over cash receipting, bank deposit preparation, and bank reconciliations.
- All receipted payments including event hosting are properly recorded on daily cash drawer reconciliation forms to ensure an accurate reconciliation and tracking of receipted funds.
- An independent review by management of accounting system adjusting entries to ensure the appropriateness of the adjustment.
- Limiting access to the fairgrounds office safe.

## **COUNTY'S RESPONSE**

*First and foremost, we would like to thank the Washington State Auditor's Office (SAO) for its professionalism, courtesy and thoroughness during the recent fraud investigation at the Grant County Fairgrounds.*

*Secondly, we have addressed the following issues identified during the investigation and final report and we have taken the following actions to correct the deficiencies:*

- *Appropriate segregation of duties and monitoring:*
  - *Employees process daily payments in the Point of Sale (POS) cannot process interim events through Quickbooks (QB). They are limited to this process only. The Fairgrounds Coordinator processes all interim events through QB and does not process deposit. The Office Manager processes all deposits and reviews payments through QB and POS. The Director reviews and approves all transactions ultimately.*
- *All receipted payments including event hosting recorded:*
  - *All daily transactions are processed through a (POS) and managed on a daily basis. Interim events are process through QB and managed on a weekly basis based on approval through the Grant County Treasurer and County Commissioners. Deposits and reconciliations are processed weekly and double verified by the Office Manager and the Director.*

- *Independent review:*
  - *The Office Manager reviews all accounting adjustments and keeps the Director informed. The Director reviews the adjustment reports through QB on a quarterly basis (SAO recommendation).*
- *Limiting safe access:*
  - *The Fairgrounds changes safe combinations now on a quarterly basis or whenever there is an employee change that has access to the safe. The Fairgrounds is in the process of purchasing a new safe to take in the daily receipts. Employees who take in daily receipts will only have access to this safe and not the main safe, The Office Manager and Fairgrounds Director will have access to the main safe for depositing and payable purposes.*
- *All employees with access to cash will have background checks conducted through the Grant County Human Resource Office.*

### ***STATE AUDITOR'S OFFICE REMARKS***

We thank County officials and personnel for their assistance and cooperation during the investigation.



## **ABOUT THE STATE AUDITOR'S OFFICE**

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The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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