



Office of the
Washington
State Auditor
Pat McCarthy

In the Know with SAO

Washington Public Ports Association
June 7, 2023

Deena Garza, Audit Manager
Statewide Program Manager for Ports and IDCs

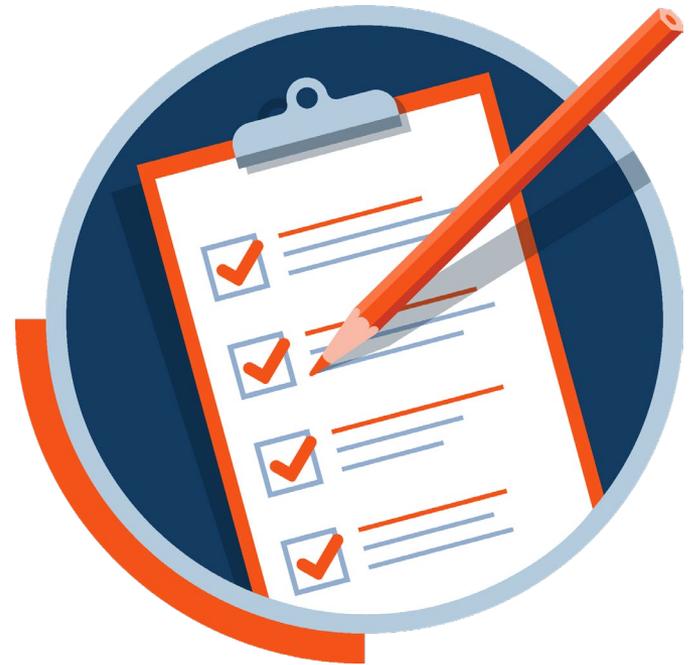
Josh Stohr, Assistant State Auditor
Statewide Subject Matter Expert for Ports and IDCs

Sarrah Superville, CFE, Program Manager
Special Investigations – Fraud

Agenda



- Overview of SAO
- Frequent audit recommendations
- Key resources to improve controls
- Fraud Investigation Program
- Questions



About SAO



**State Auditor
Pat McCarthy**



SAO's Center for Government Innovation offers tools and services to help your port



- Customized Lean facilitations and trainings
- Teambuilding workshops
- Online resource library
- Cyber checkups
- Financial Intelligence Tool (FIT)



The Center's resource library can help you manage your port's day-to-day business



Accounts payable & receivable

Cash receipting

Payroll

Assets

Cybersecurity

Federal funds



Fraud prevention

Procurement

Public records & OPMA

GAAP & cash-basis financial reporting

Revenues & expenditures

Technology

Smart ports know cyber health is key. Sign up a free checkup today!



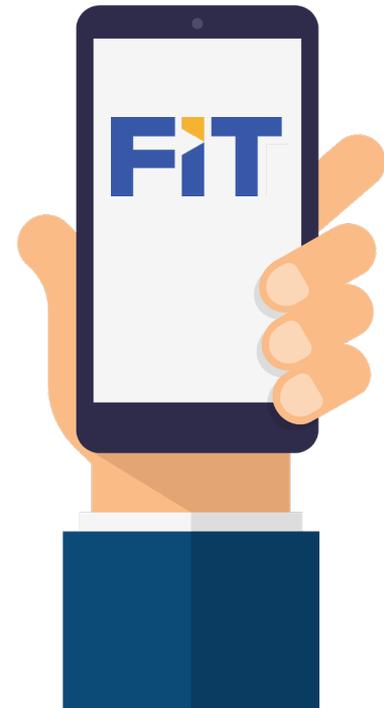
The Center's cyber checkups provide a fast, free and independent assessment of your port's vulnerability to common threats.

A cyber checkup will help you:

- Understand cybersecurity safeguards and why they're important
- Identify cybersecurity gaps and prioritize improvements
- Begin building a cybersecurity program if you don't have one already
- Connect to free and low-cost resources to improve your cyber health



Find the data you need to help your port make better business decisions and improve its financial position



Earn CPE with the Center's free,
on-demand training



Audits and findings, by the numbers for fiscal year 2022



2,566 audits

July 1, 2021 -
June 30, 2022

1,124
audits
79 findings

Accountability audits

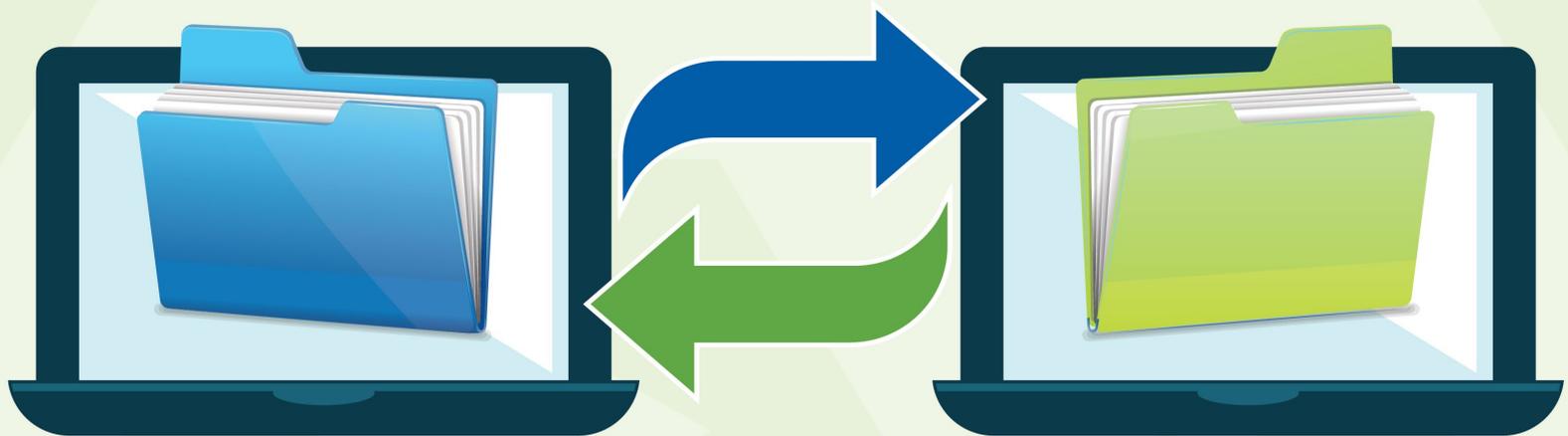
Accountability audits determine whether public funds are accounted for and controls are in place to protect public resources from loss, misappropriation and abuse.

756
audits
72 findings

Financial audits

Financial audits determine whether the financial statements present an accurate picture of a government's finances.

SAOshare: Our new file transfer tool



SAOshare

Simple, secure file transfer



Support for port districts at SAO

Port districts always have support when working with SAO.

- People you can contact:
 - ✓ Ports program manager and subject matter experts (SMEs)
 - ✓ Local audit staff
 - ✓ Client HelpDesk
 - ✓ And more ...
- Plus internal guidance:
 - ✓ Planning guides
 - ✓ Level of reporting



What auditors might emphasize in upcoming port district audits



EFT Controls



Leases

Most frequent audit issues and recommendations for port districts



Issue Area	Findings	Management Letters	Exit Items
Accounting/financial reporting	2	2	32
IT controls	0	0	9
Open public meetings	0	0	9
Federal grants	2	1	3
Procurement/bid/prevaling wage	0	0	6
Safeguarding of assets/property	0	0	6
Payroll/personnel	0	1	4
Purchase cards/procurement cards	1	0	3

Frequent recommendations: Financial statement reporting

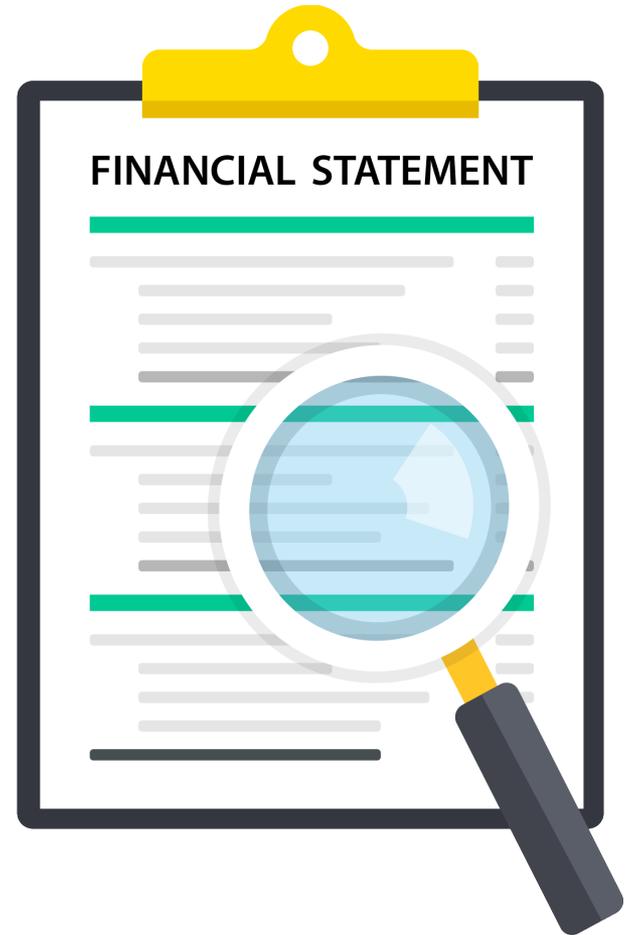


Risks to consider:

- Inadequate review of the prepared financial statements
- Lack of documentation evidencing review performed
- Outdated note disclosures, missing information and numerical errors

Helpful tips:

- Consider using “Checklist for Preparing Financial Statements” for GAAP or cash basis entities for preparation and review
- Always use the most up-to-date version of the BARS Manual



Resource: Financial reporting



Center for Government
Innovation

Checklist for Preparing and Reviewing Cash Basis Financial Statements

Date of Review:				
Completed by:				
Key recommendations:				

Instructions: Use this checklist to help prepare and review financial statements prepared in accordance with the Budgeting, Accounting and Reporting System (BARS) Cash Basis Manual. Complete this optional checklist before filing your annual report with our Office.

Question	Yes	No	N/A	Comments
General ledger reconciliation				
1 Does your government have a process in place to ensure that all journal entries are completed, supported and reviewed by someone other than the preparer?				
2 Did someone verify that the general ledger reflects all of your government's cash and related activity? For example, if the court has a separate bank account, then the cash and related activity should be included in the general ledger and the financial statements.				
3 Did someone reconcile each month's general ledger ending cash and investment balances to third-party documents, such as bank statements or county treasurer reports? (BARS 3.1.9.5)				
4 Did someone reconcile each month's general ledger revenues to total cash receipts as per third-party documents, such as bank statements or county treasurer reports?				
5 Did someone reconcile each month's general ledger expenditures to total cash payments as per third-party documents, such as bank statements or county treasurer reports?				
6 Did someone reconcile each month any subsidiary ledgers to the general ledger? Note: A subsidiary ledger, such as a utility billing and receipting module, provides transactional data for the general ledger; reconciliations can identify discrepancies or posting errors.				
7 Did someone other than the preparer verify the reconciliations were completed, accurate and performed on time?				
BARS changes				
8 Did someone review the "Overviews of Changes" section in the BARS Manual and any BARS Alerts sent out during the year?				
9 Have appropriate staff attended a recent BARS training? Note: SAO offers an in-depth BARS Cash training at WFOA.org (under non-conference education) and an annual update of changes found at https://sao.wa.gov/bars-annual-filing-filing-training-and-workshops#elearnings				

- Updated annually to include new BARS requirements and other accounting changes
- Covers several aspects of the financial statements, including funds structures, cash and investments balances, required schedules, and more



Frequent recommendations: Open Public Meetings Act (OPMA)



Helpful tips:

- Provide adequate notice of meeting days and times (and access codes for virtual meetings)
- Hold the regular board meetings at the regularly scheduled time
- Admit members of the public into virtual meetings in a timely manner
- Document the voucher approvals for disbursements and payroll (BARS Manual, 3.8.5)
- Post meeting minutes in a timely manner so it is available to the public
- Adequately document executive sessions to comply with the OPMA



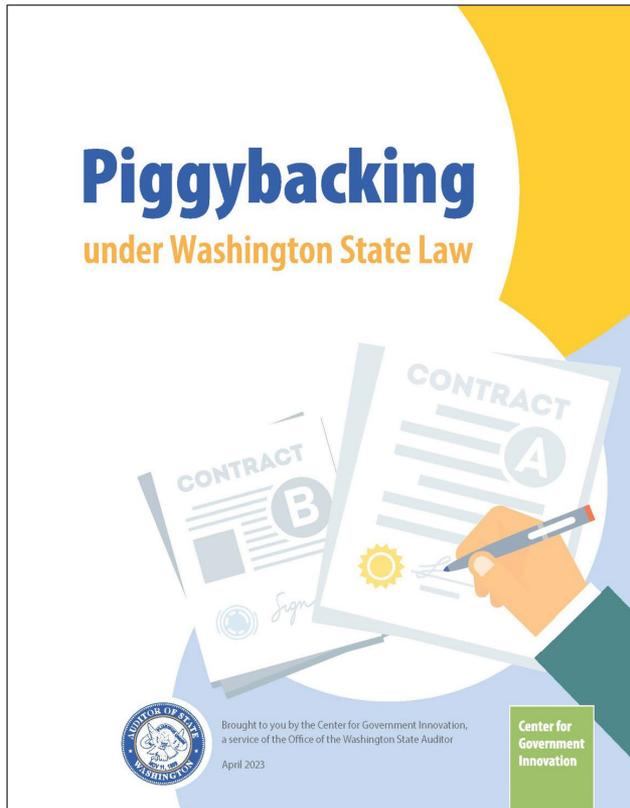
Frequent recommendations: Procurement

- Awarding bids through purchase cooperatives (“piggybacking”)
- Use of sole-source exemption to competitive bidding
- Verifying responsible bidder status





Resource: Piggybacking



Risks to consider:

- Ensure the awarding entity is a public agency or group of public agencies
- Ensure contract awarded by cooperative/other government meets its own government's competitive bid requirements (this has changed in the last couple of years)
- Ensure interlocal agreement is created before purchase
- ✓ Keep records of how you met this before letting the contract



Procurement: Sole source



Risks to consider:

- Not eligible for purchases made with federal funds
- Name-brand specification is not the same as the sole-source exception; name-brand specification is allowable if the information is included in the specifications and call for bids.
- ✓ You must clearly document why only one manufacturer's equipment is necessary to meet the operational needs and why it cannot be adequately substituted by another manufacturer's equipment.



Procurement: Responsible bidder criteria

A bidder must meet responsibility criteria in accordance with RCW 39.04.350 to be considered a responsible bidder and be qualified to be awarded a public works contract.

- ✓ Criteria include being a registered contractor, having industrial insurance coverage, and not being debarred by the state from bidding on public works projects.
- ✓ The district must also obtain a signed statement from the bidder verifying the bidder is in compliance with responsible bidder criteria requirements.
- ✓ **Effective July 1, 2019:** Have received training, provided by the Department of Labor and Industries or by a provider whose curriculum has been approved by L&I, on the requirements related to public works and prevailing wages. However, bidders that have completed three or more public works projects and maintained a valid business license in Washington for at least three years are exempt from this requirement.

Resource: Is this Bidder Responsible?



Is this Bidder Responsible?

Evaluation checklist for public contracts

To qualify to be awarded a public contract, a bidder must be both responsive and responsible:

- A responsive bidder is one that has responded to all bid items and has included all required elements in their bid submittal – this is fairly straightforward
- A responsible bidder is one that meets a set of “responsibility criteria” as defined in state law and this can be complex to evaluate

To help you navigate whether your bidder meets the responsibility criteria, we have compiled a checklist that you may use to walk through this evaluation. We have also included answers to frequently asked questions that we receive. We hope that you find all of this information helpful in navigating this challenging topic!

April 2021

Center for
Government
Innovation

Office of the
Washington
State Auditor

How to Evaluate Responsible Bidders | 1

Responsible Bidder Checklist

Local governments must ensure a bidder qualifies as responsible, under state law, before awarding a public works contract. Use this optional checklist to evaluate whether a bidder meets responsible bidder criteria.

Checklist Item	Evaluation (answers must be all “yes” to qualify as a responsible bidder)
1. Is the vendor a registered contractor at the time of bid submittal, as required by Chapter 18.27 RCW? Or, is the vendor exempt from the registration requirements, such as for a nonpublic contract? <small>Note: This can be checked at https://www.dnr.wa.gov/contract/. Verify that the status is “Active,” that the “effective date” is on or before the bid opening deadline, and that the “expiration date” is not before the end of the contract period.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.
2. Does the contractor have a current state Unified Business Identifier (UBI) number? <small>Note: You can check this at the Department of Revenue website at https://www.dor.wa.gov/ by clicking the “Lookup a business” tab.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.
3. Does the contractor have industrial insurance coverage, as required by RCW 51.02, or is it certified to cover its own workers’ compensation costs? <small>Note: Workers’ compensation premium status can be checked at https://www.wa.gov/contract/. The status should be “Account in current, firm has voluntarily requested and paid their premium” or show the firm is self-insured.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.
4. Does the contractor have an Employment Security Department number, as required by RCW 50.02? (This does not apply if the contractor does not have any employees.) <small>Note: This information is not available online. The local government should have a process to obtain the information from the contractor. A local government might be able to ask bidders to include this information in their bid submittal.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.

¹ [RCW 18.06.060](#)
 April 2021

How to Evaluate Responsible Bidders | 2

² [RCW 49.04.010](#) and [RCW 49.04.020](#)
 April 2021

5. Does the contractor have a state excise tax registration number, as required by Title 49 RCW, or meet one of the exceptions in statute? <small>Note: You can check this at the Department of Revenue website at https://www.dor.wa.gov/ by clicking the “Lookup a business” tab.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.
6. Is the contractor free of debarment by Washington (It has not been debarred)? <small>Note: Violations can be found at https://www.dnr.wa.gov/contractor/contractor-debarment. State debarment also shows in the Verify a Contractor tool at https://www.dnr.wa.gov/verify/verify-false. This is for state debarment, not federal. The local government must search results to prove the contractor was not debarred.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.
7. Has the contractor been debarred from participating in public works projects under the contracting agency a signed order or notice of assessment from Labor Standards and Labor Standards Enforcement (LSLE) for violations of labor standards and labor standards? <small>Note: This information is not available online. The local government should have a process to obtain the information from the contractor. A local government might be able to ask bidders to include this information in their bid submittal.</small>	<input type="checkbox"/> YES. Continue to next question. <input type="checkbox"/> NO. STOP. Bidder is not responsible.

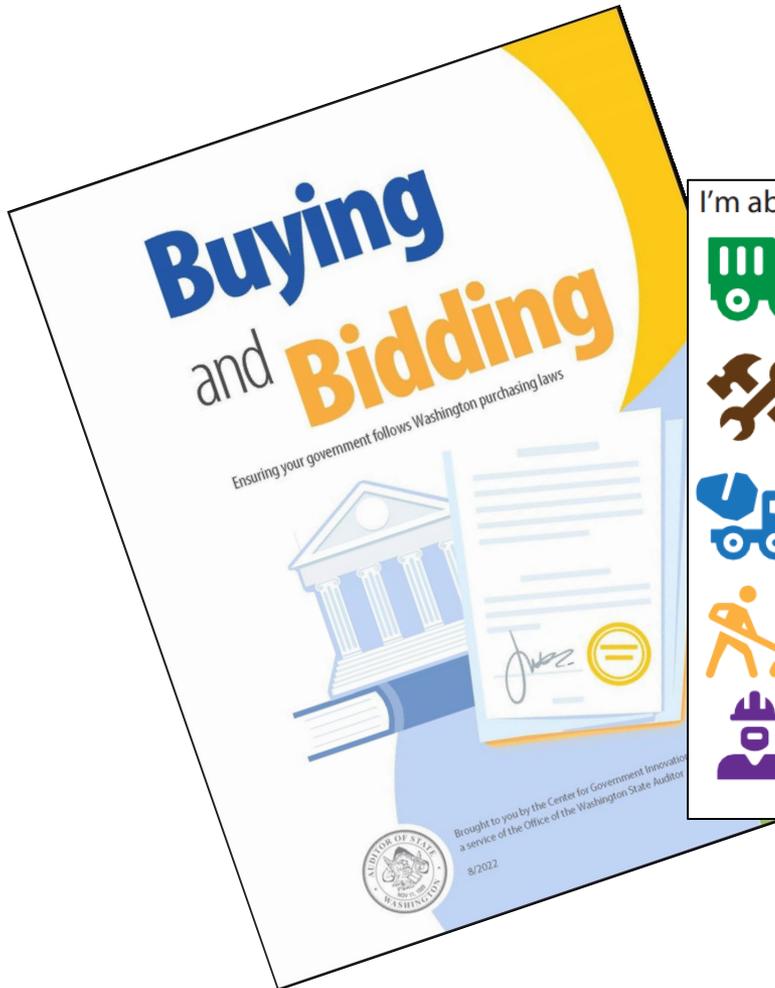
³ [RCW 49.04.010](#) and [RCW 49.04.020](#) outline instances in which a contractor may be exempt from having a state excise tax registration number.
⁴ The agency would either obtain a separate sworn statement, which could be obtained after the bid submittal and should be included in the bid specifications, or some agencies have a space in the bid form where the bidder can sign the sworn statement, which is printed on and is part of the bid form.
 April 2021

How to Evaluate Responsible Bidders | 3





Resource: Buying and Bidding



I'm about to spend money! How do I know which laws apply?



It's something tangible like a van, but it isn't associated with my public works project or my ordinary maintenance work.

It's a purchase. [See pages 7-12.](#)



It's maintenance work performed by our employees.

It's ordinary maintenance, not addressed by this guide. See [WAC 296-127-010 \(7\)\(b\)\(ii\)](#)



It's a construction project, and we'll hire an outside company to do the work. (And we'll need materials and equipment, too).

It's a public works project. See [pages 13-23](#) and [page 26.](#)



It's construction work (or an alteration, repair or improvement), and our employees will be doing the work.

This is a public works project done by in-house staff or day labor. [See page 27.](#)



I need the services of an architect or a consultant. They won't be employees.

They are engaged as service providers. [See pages 24-25.](#)



Frequent recommendations: Small and attractive assets (theft-sensitive assets)

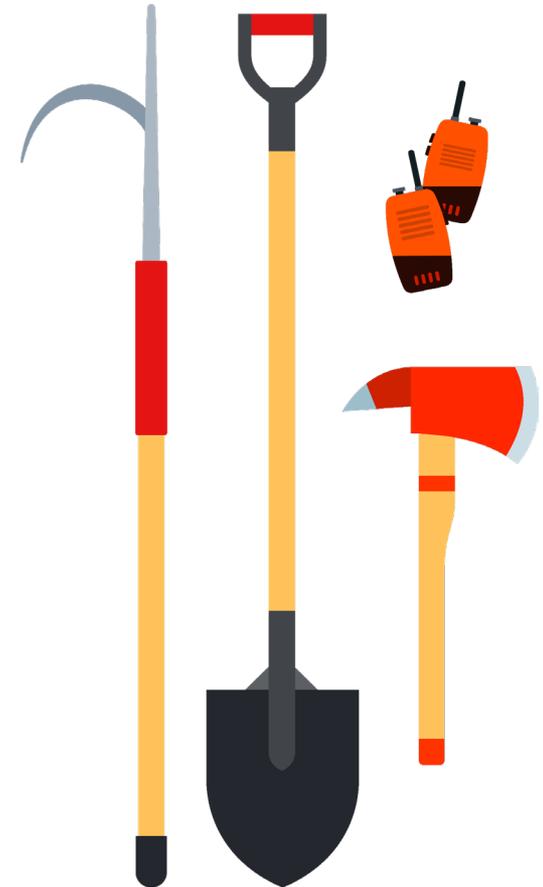


Risks to consider:

- Public assets may go missing or be unaccounted for without being detected timely
- May not be able to properly report missing assets if information like serial numbers, acquisition dates, cost and other information is not properly maintained

Common recommendations:

- Have a small and attractive asset policy and/or procedure in place
- Tag assets or provide detailed information, such as serial numbers, on the asset listing





Resource: Small and attractive assets

Best practices:

- Have a policy in place:
 - ✓ Establish expectations about asset tracking
 - ✓ Segregation of duties or oversight
 - ✓ Inventory process requirements
 - ✓ Addition and disposal procedures
- Assets should be tagged or marked with an asset number that traces back to an inventory list
- Inventory assets and document results



Frequent recommendations: Payroll

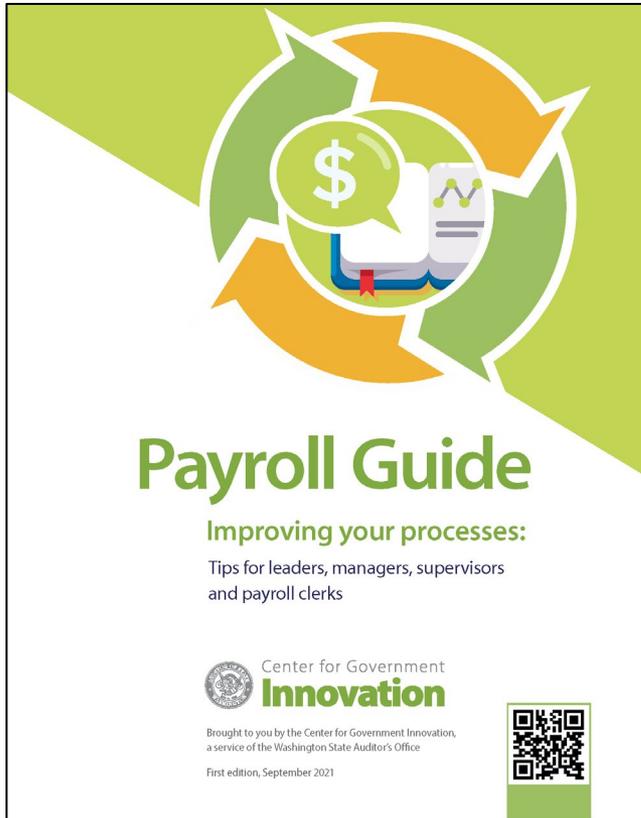


Risks to consider:

- Payment amounts not agreeing to source records
- Lack of documentation to support pay amounts
- Inadequate leave tracking can lead to noncompliance with district policies and/or collective bargaining agreements
- Commissioner compensation amounts not in accordance with RCW 53.12.260 or commission-approved amounts



Resource: Payroll Guide



Helpful tips:

- Maintain adequate documentation to support payroll amounts paid
- Written procedures to ensure pay is processed consistently and accurately
- Segregating conflicting duties within the payroll process





Credit cards

Why use credit cards?

- Process efficiencies
- Vendor payment timeliness
- Immediate payment needs
- Convenience



Risks with credit cards

- Noncompliance
- Inappropriate purchases
- Fraud



Requirements for credit cards



State laws:
RCW 43.09.2855
RCW 42.24.115



BARS Manual:
3.8.4



**Local policies
& procedures**

Resource: Credit card programs



- Require cardholder agreements
- Require detailed support for all charges
- Cardholders reconcile card activity
- Supervisors approve cardholder activity
- Enforce your policy



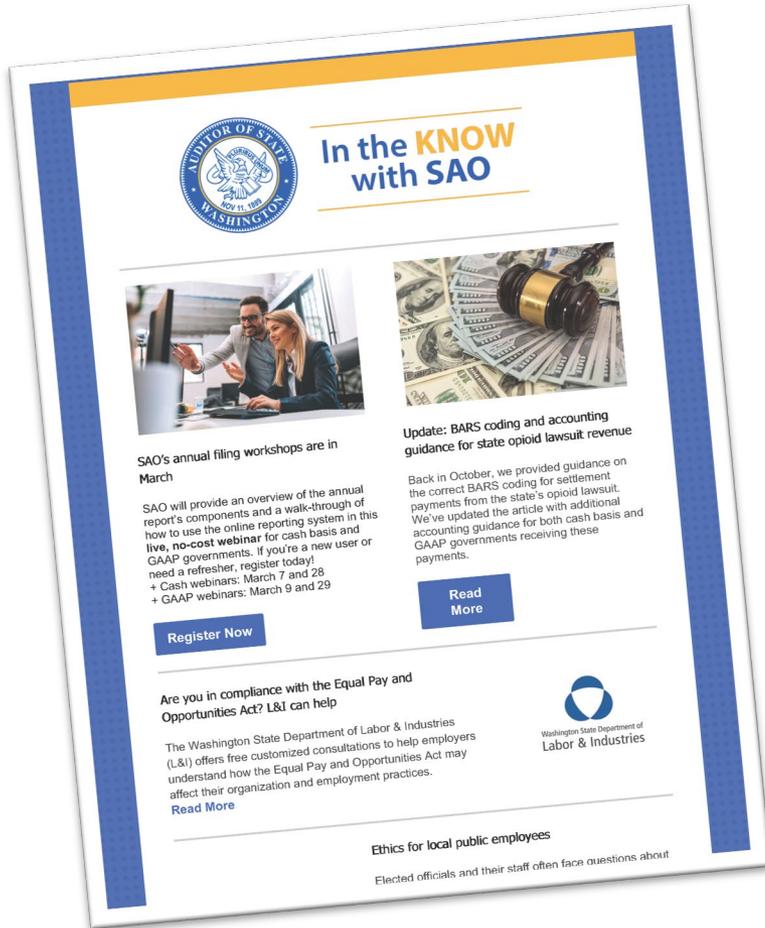
Subscribe to SAO's biweekly newsletter: "In the Know with SAO"



Two ways to sign up:

1. Via SAO's website at sao.wa.gov, then click on the Audit Connection blog at the top of the page. Fill in your information in the ribbon on the left.

2. Or scan this QR code with your phone, and fill in your information.



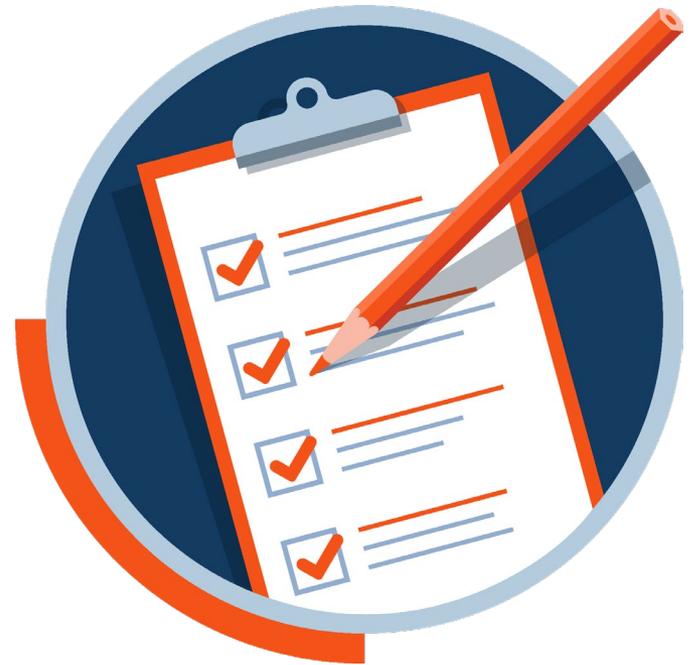
Questions



Agenda



- Fraud Investigations Program
 - ✓ Program overview
 - ✓ Trends and risks
 - ✓ Case studies
 - ✓ Resources
- Questions





SAO

A magnifying glass with a blue handle and a yellow tip is positioned over the letter 'O' in the 'SAO' acronym. The lens of the magnifying glass is a light blue circle that enlarges the letter 'O' and shows some reflections on its surface.

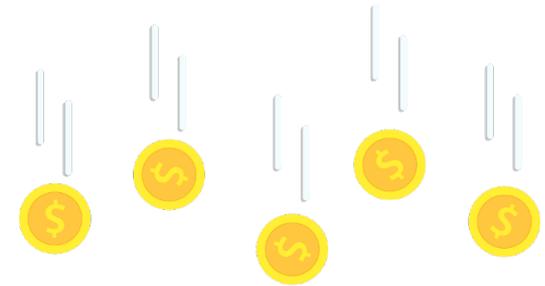
Fraud Investigations Program

Reporting losses to SAO

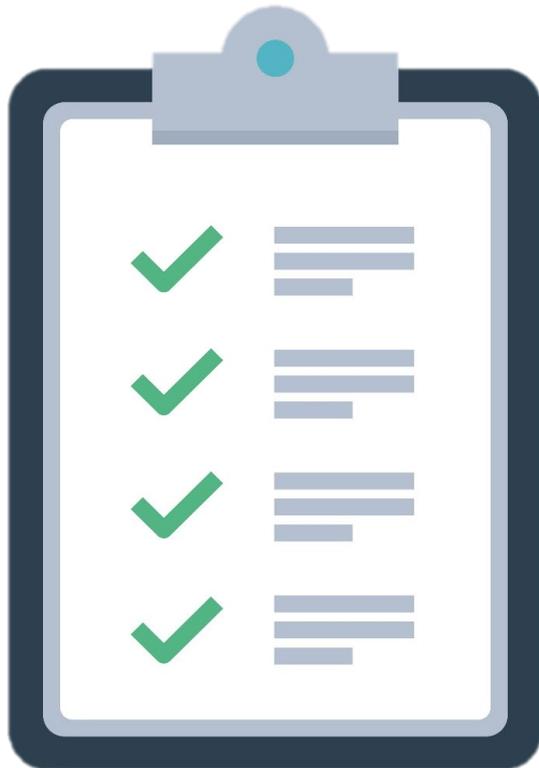


“State agencies and local governments shall immediately report to the state auditor’s office known or suspected loss of public funds or assets or other illegal activity. The state auditor must adopt policies as necessary to implement this section.”

RCW 43.09.185



What to report



- **Cash receipting:** Missing deposits, unexpected shortages or adjustments, unusual variances
- **Payroll:** Employees paid for time not worked, using leave not earned, unallowable cash outs, unauthorized extra compensation
- **Disbursements:** Altered checks, fraudulent ACH activity
- **Credit and fuel cards:** Personal purchases, unauthorized or disputed charges
- **Assets/Inventory:** Personal use, position advantage

What to report



- **Cyber concerns:** Incidents that involve finances or financial records/systems in any way.
- Example: Staff relies on a fraudulent email to change banking information, and an EFT is sent to a criminal, instead of to a vendor or employee, even if your insurance company covers the loss, or the bank is able to recover your funds.

What not to report



- Normal and reasonable “over and short” situations from cash receipting operations
- Reasonable inventory shortages identified during a physical count
- Unauthorized credit card attempts and/or transactions determined fraudulent by the bank and refunded

What not to report



- Breaking and entering or vandalism of property
- Loss of cellphones, tablets, laptops, or similar asset by an external party
- Non-sufficient funds (NSF) checks and counterfeit currency accepted by government
- Cybersecurity issue unrelated to financial activity

Not sure if you should report it?



Contact Special Investigations at fraud@sao.wa.gov



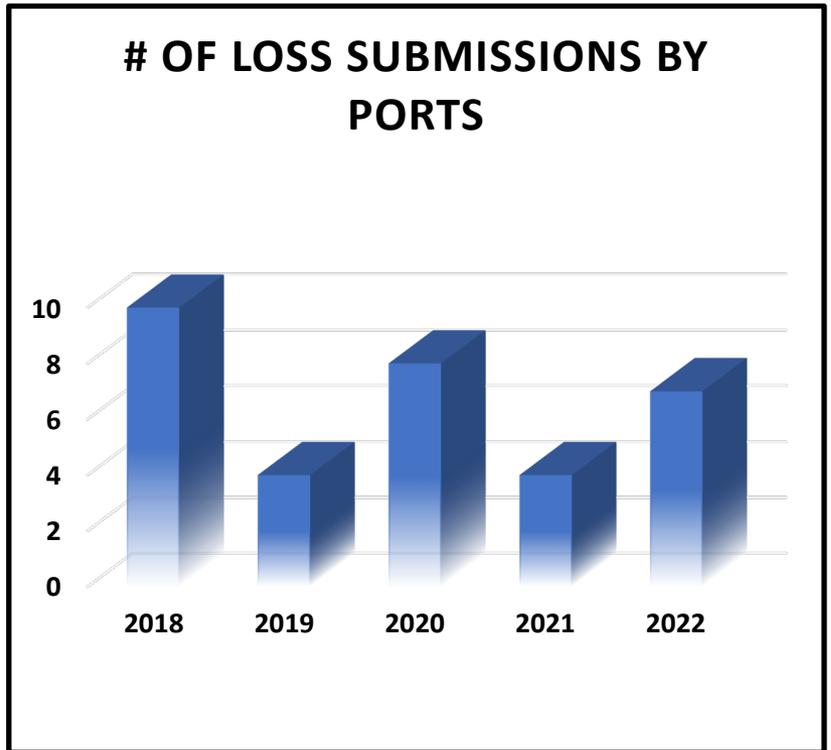
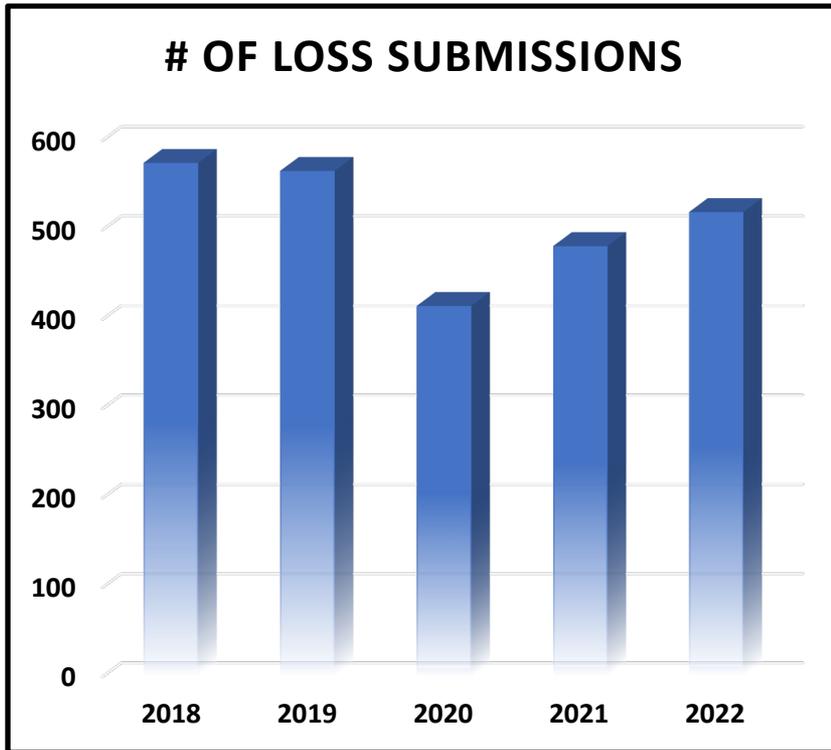


SAO



Fraud Trends & Risks

Fraud statistics from 2018–2022



Top five loss types for ports and all other types of government



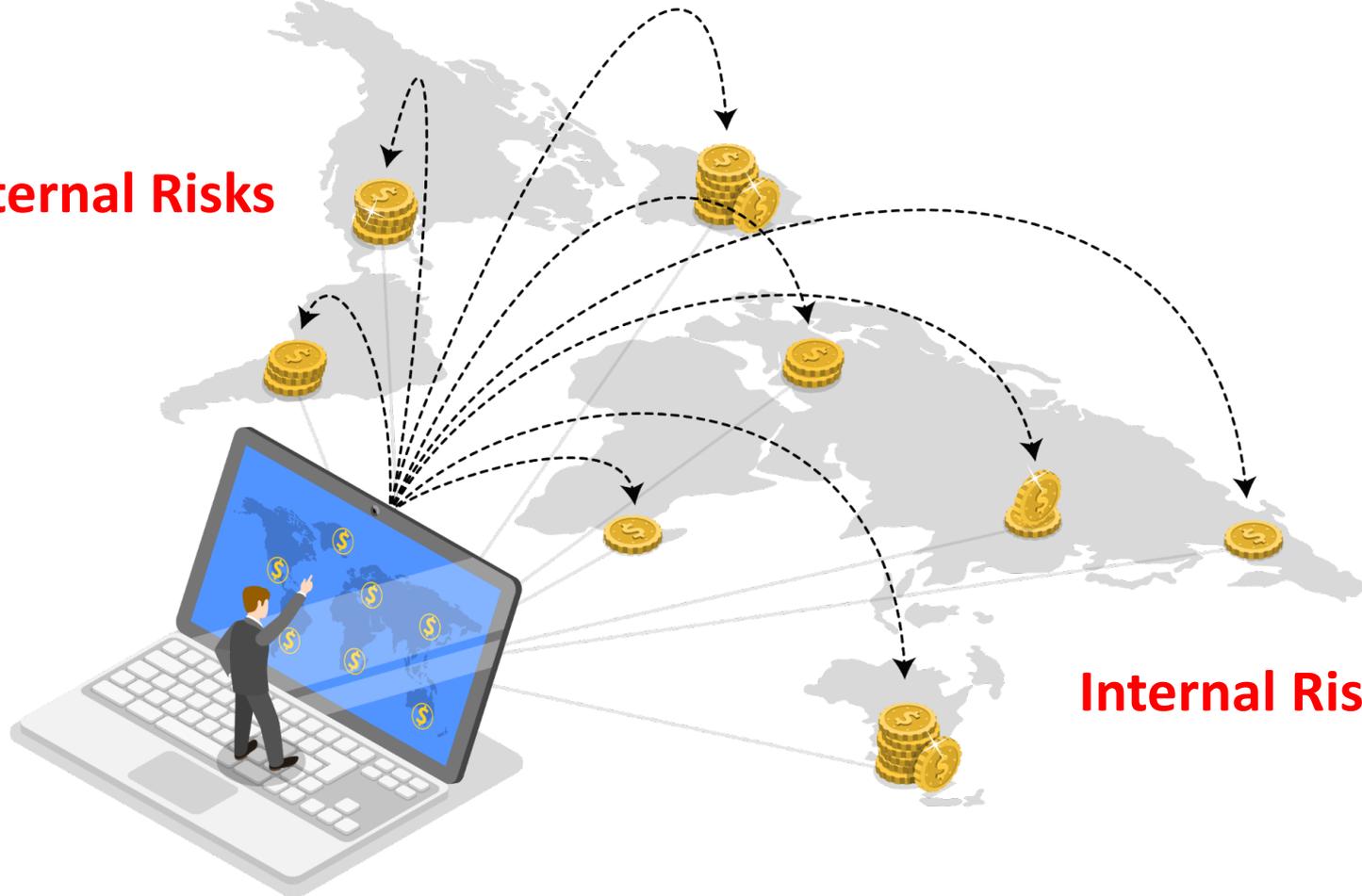
All Entity Types			Ports		
#	Loss Type	# of Submissions	#	Loss Type	# of Submissions
1	Theft of property	836	1	Theft of property	15
2	Other**	632	2	Breaking/entering	4
3	Purchase card	236	3	Purchase card	4
4	Cyber concerns	199	4	Cyber concerns	4
5	Cash disbursements	191	5	Other**	3

***Other means the loss does not fit into just one category*

Electronic disbursements



External Risks



Internal Risks

How do external frauds start?



- Phony email address
- Compromised email account (BEC)
- Phone call
- Fax
- Interoffice mail
- Online form

How are external fraud schemes perpetrated?



- Change payroll direct deposit bank account
- Change vendor bank account
- Send wire to pay an urgent bill
- Purchase gift cards and email the codes





How are external frauds successful?

- Conducts research beforehand
 - ✓ Read minutes and news articles to understand vendors and projects
 - ✓ Hack into government and vendor email accounts and watch activity
- Strategic in their execution
 - ✓ Patiently wait for the right time to strike
 - ✓ Pose as management, vendors, etc.
 - ✓ Creates urgency for payment





Do's and don'ts

DO

Call the person who wants to make the ACH/EFT change by using a previously known phone number before making the change.

DON'T

Call the person who wants to make the ACH/EFT change by using the phone number listed in the email or responding to the email.

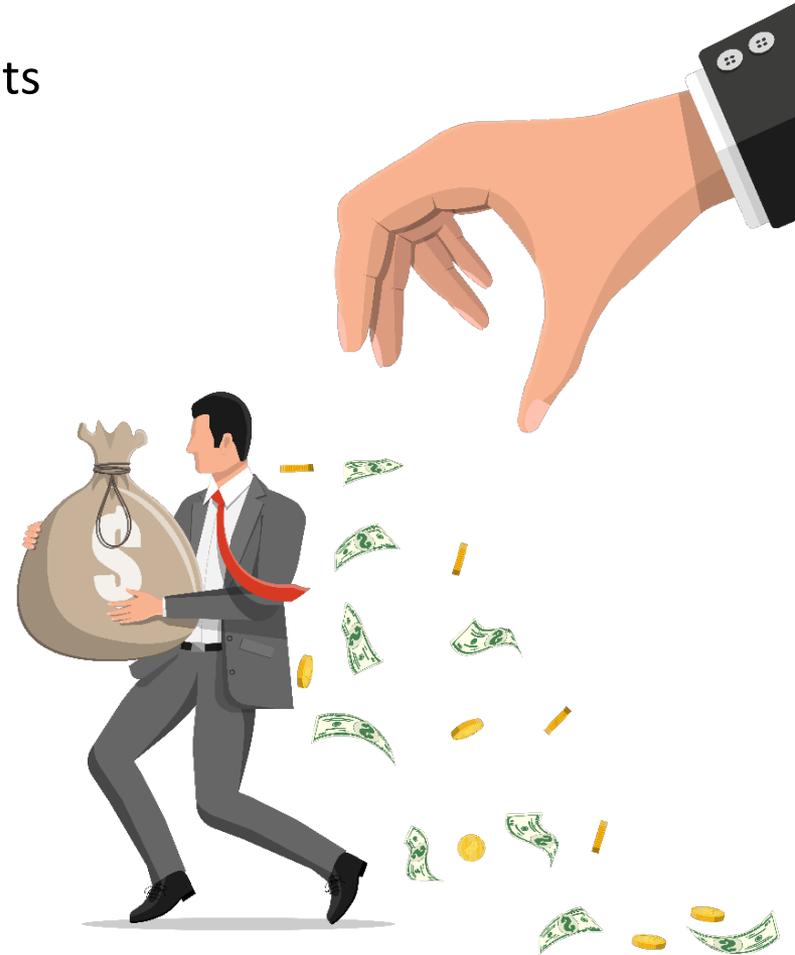
DON'T

Make the ACH/EFT until you are certain the intended person is the one requesting the change.

How do internal frauds start?



- Employee has access to:
 - ✓ Government bank account and statements
 - ✓ Make changes in vendor system
 - ✓ Make changes in payroll system



How are internal fraud schemes executed?



- Employee uses access to route payment to their bank account
 - ✓ Change payroll direct deposit bank account
 - ✓ Change vendor bank account
- Employee uses access and authority to:
 - ✓ Edit ACH transaction file to bank
 - ✓ Initiate and approve ACH or wire transactions

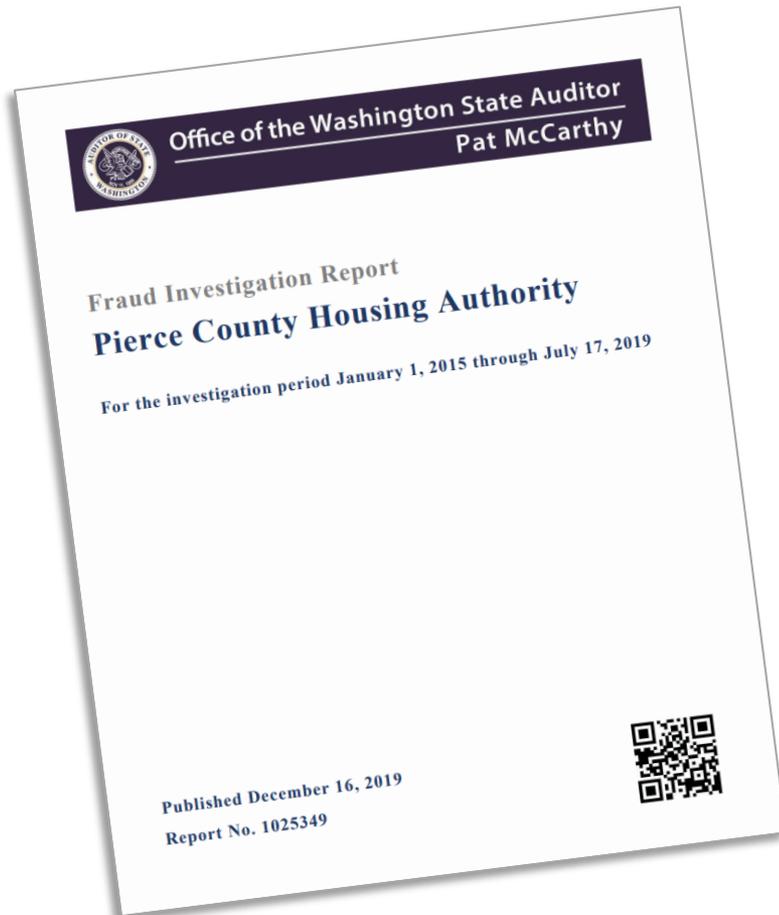


SAO



Fraud Case Studies

Case study



- Pierce County Housing Authority
- March 2016 to July 2019
- Type of loss: Electronic disbursements—internal risk



Detection

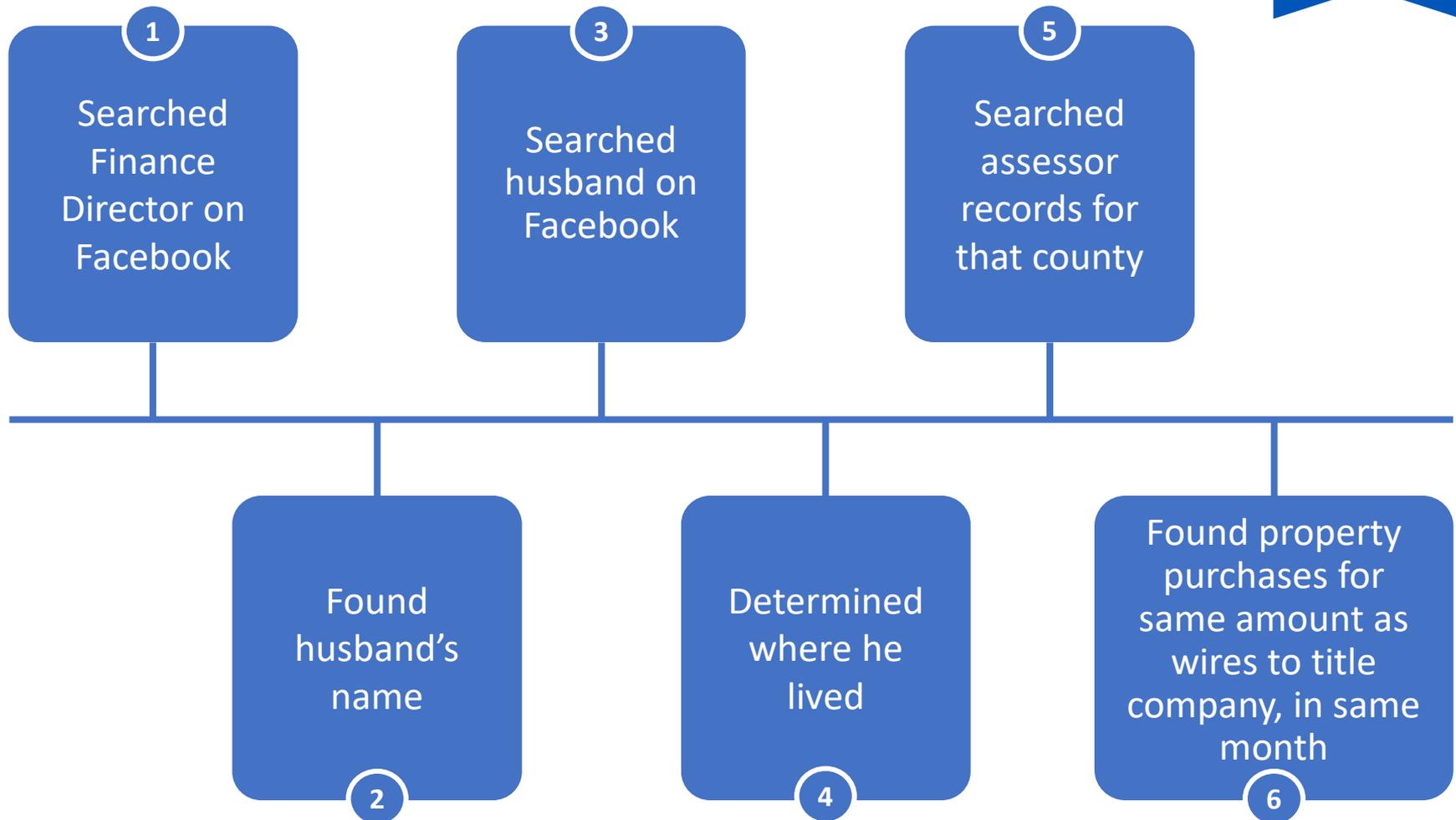
- Auditors discovered the fraud during a routine, annual financial statement audit.
- The housing authority's statements showed unusual wire transfers to a title company and an out-of-state bank.

2018 bank statements

<i>Withdrawals</i>	<i>Date</i>	<i>Serial #</i>	<i>Location</i>	
9-19	4268	Wire Withdrawal	██████████ Title 8295	200,000.00
11-19	6963	Wire Withdrawal	██████████ Title 8295	160,000.00
12-18	8886	Wire Withdrawal	██████████ Bank 0304	275,000.00



Detection timeline





Investigation: Bank statements

- Examined additional bank records and identified wires listing the Finance Director as beneficiary in 2018 and 2019
- Obtained wire detail from bank to confirm

<i>Withdrawals</i>	<i>Date</i>	<i>Serial #</i>	<i>Location</i>	
	2-1		Direct Withdrawal, Greystone Se 03 Debits	\$66,650.00
	2-1		Direct Withdrawal, Greystone Se 03 Debits	29,600.00
	2-1		Direct Withdrawal, Greystone Se 03 Debits	22,139.00
	2-1		Direct Withdrawal, WA Dept Ret Sys Drs Epay	2,628.91
	2-5		Direct Withdrawal, Pierce County Hsdirectpay	142,292.32
	2-13		Direct Withdrawal, Pierce County Hsdirectpay	38,004.88
	2-14	8563	Wire Withdrawal Cova Campbell 2158	250,000.00
	2-14	3344	Wire Withdrawal Adp Client Trust 4934	11,145.72
	2-14	3426	Wire Withdrawal Adp Client Trust 5673	580.25
	2-14		Direct Withdrawal, Voya Nat Trst182Spnsr P/R	315.00
	2-15		Direct Withdrawal, WA Dept Ret Sys Drs Epay	2,678.03
	2-19		Direct Withdrawal, Pierce County Hsdirectpay	23,964.23
	2-25		Direct Withdrawal, Pierce County Hsdirectpay	12,890.28

Investigation: Bank statements



Date	Bank Statement description	Amount	GL Description
9/14/2018	Executive Title	\$ 200,000.00	Investments
11/19/2018	Executive Title	\$ 160,000.00	Investments
12/18/2018	Triad Bank	\$ 275,000.00	Investments
1/15/2019	Cova Campbell 2158	\$ 275,000.00	Book Transfer Credit B/O Keybank Natl
2/14/2019	Cova Campbell 2158	\$ 250,000.00	Book Transfer Credit B/O Keybank Natl
2/28/2019	Cova Campbell 2158	\$ 200,000.00	Book Transfer Credit B/O Keybank Natl
3/11/2019	Cova Campbell 2158	\$ 500,000.00	Book Transfer Credit B/O Keybank Natl
3/27/2019	Cova Campbell 2158	\$ 375,000.00	Book Transfer Credit B/O Keybank Natl
4/10/2019	Cova Campbell 2158	\$ 500,000.00	Book Transfer Credit B/O Keybank Natl
5/1/2019	Cova Campbell 2158	\$ 400,000.00	Book Transfer Credit B/O Keybank Natl
5/8/2019	Cova Campbell 9465	\$ 250,000.00	PCHA wire
7/9/2019	Cova Campbell 9465	\$ 150,000.00	PCHA wire
7/17/2019	Cova Campbell 9465	\$ 150,000.00	PCHA wire
		\$ 3,685,000.00	



Investigation: Vendor payments

Disbursement Request Form

Vendor Information Set Up Required? Yes No

Vendor Set Up: Temporary Permanent 5299 Plan 1029 Plan

Set Up Completed By _____

Set Up Verified By _____

Bank Account

General Operating LIPM Mgmt SR FSS LIPM FSS

Other (List) _____

Payable To Mailing Address _____

City Tacoma State WA

Amount \$61,215.00

Invoice Number WFF 2016-2017

Comment (Will Print On Checks) _____

Description/Reason For Disbursement \$25,734.74 1-400-076-122-10-0000-00-00-00

GL Expense Classification \$19,257.10 1-400-016-122-10-0000-00-00-00 \$17,183.16 1-400-074-122-10-0000-00-00-00

Direct Deposit Advice to Coma please

**78 ACH transactions:
\$3,237,712**

Finance Director used seven valid vendors to conceal misappropriation:

- ACH payment detail from bank showed payments routing to Finance Director's personal bank account.
- Invoices were either altered or falsely created to support these payments.

Investigation: Vendor payments



Bank statement

Subtractions

(con't)

<i>Withdrawals</i>	<i>Date</i>	<i>Serial #</i>	<i>Location</i>	
	7-7	2875	Wire Withdrawal Adp Payroll Tax 3170	14,755.04
	7-7		Direct Withdrawal, Voya Ret Ann 580Voya Dbit	300.00
	7-8		Direct Withdrawal, WA Dept Ret Sys Drs Epay	2,089.53
	7-11		Direct Withdrawal, Pierce County Hsdirectpay	9,651.43
	7-15	9201	Wire Withdrawal Adp Payroll Tax 3170	179.64
	7-18		Direct Withdrawal, Pierce County Hsdirectpay	15,606.70
	7-21	2833	Wire Withdrawal Adp Payroll Tax 3170	14,445.59
	7-21	6502	Wire Withdrawal Nextitle 4710	8,528.03
	7-21		Direct Withdrawal, Voya Ret Ann 580Voya Dbit	300.00
	7-22		Direct Withdrawal, WA Dept Ret Sys Drs Epay	2,128.05
	7-25		Direct Withdrawal, Pierce County Hsdirectpay	67,320.10
	7-25	7780	Wire Withdrawal Adp Payroll Tax 3170	179.64
<i>Transfers</i>	<i>Date</i>	<i>Serial #</i>	<i>Destination</i>	
	7-6		Funds Transfer To DDA Account 61812400	\$64,073.80
	7-20		Funds Transfer To DDA Account 61812400	61,176.57
	7-26		Trf To DDA 0000000061812400 4731	150,000.00
			Total subtractions	\$896,325.91

Investigation: Vendor payments



Entity's general ledger (GL) records

Source	Date	Vendor Name	Amount	Description	Details
HAB AP (GL)	7/25/2016	Access Windows & Glass LLC	\$ 152.68	11259	DM 160003 E106
HAB AP (GL)	7/25/2016	DOMO Inc	\$ 46,350.00	10036952	Fin 160086 2 of 2
HAB AP (GL)	7/25/2016	Lakewood Hardware & Paint Inc	\$ 923.95	477240	CR 160002
HAB AP (GL)	7/25/2016	Les Froembling	\$ 8,500.00	NoteInstall 8/2016	108th St Note Installment 8/2016
HAB AP (GL)	7/25/2016	Office & Prof Employees Int'l UnionLoc#8	\$ 894.47	Union Dues 7/22/16	PPE 7/15/16
HAB AP (GL)	7/25/2016	Pierce County Housing Authority LIPH FSS	\$ 1,016.00	FSESCROW-201607	LIPH S8 FSS Monthly Escrow
HAB AP (GL)	7/25/2016	Pierce County Housing Authority-FSS	\$ 7,953.00	FSESCROW-201607	S8 FSS Monthly Escrow
HAB AP (GL)	7/25/2016	Rainbow International Restoration & Clea	\$ 70.00	161862CPT	CR 160002 R308
HAB AP (GL)	7/25/2016	Serendipity Cleaning Services	\$ 1,420.00	12966	LV 160005 Cabana
HAB AP (GL)	7/25/2016	South Sound 911	\$ 40.00	FP Reim 7/25/16	FP card for HCV background check
			\$ 67,320.10		

Investigation: Vendor payments



Supporting invoice



DOMO, Inc.
772 E Utah Valley Dr
American Fork UT 84003-9773
United States

POSTED
2016

1-001-070-514-20 41-01
FIN 160086
TOTAL 297

Invoice

#100-3695-
07/06/2016

Bill To: Pierce County Housing Authority
1525 108th St S
Tacoma WA 98444
United States

Ship To: Pierce County Housing Authority
1525 108th St S
Tacoma WA 98444
United States

\$46,350.00

Due Date: 06/05/2016

Terms	Due Date	PO #	Sales Rep	Contract Start Date	Contract Term
Net 30	06/05/2016	Contract	1163 Zachary West	01/06/2016	14

Qty	Item	Rate	Amount
1	DOMO Domo Annual Subscription Fee	\$35,000.00	\$35,000.00
0	Discount Item Discount - Promoted + EGY discount	(\$8,500.00)	(\$8,500.00)
1	DOMO Domo Annual Subscription Fee- Full Access Users	\$1,750.00	\$1,750.00
0	Discount Item Discount - Promoted Full Access	(\$250.00)	(\$250.00)
14	DOMO Domo Annual Subscription Fee - View Only Users	\$875.00	\$12,250.00
0	Discount Item Discount - Promoted View only + EGY discount	(\$4,750.00)	(\$4,750.00)
1	DOMO Remote Implementation - 50 hours of Pro Services	\$9,850.00	\$9,850.00
1	DOMO 8 Mo Training	\$1,000.00	\$1,000.00

I hereby certify that the services furnished, the services rendered, and the work done is a just, due and unpaid obligation of Pierce County Housing Authority.

By: _____
Date: _____

Subtotal \$46,350.00

Tax (0%) \$0.00

Amount Paid \$0.00

Total Due \$46,350.00

Writing Instructions

Pay To: SIL VLY BK SJ
3003 Tasman Drive, Santa Clara, CA 95050
121140399

Routing & Transit #: Domo, Inc.

Account Name: 772 East Utah Valley Drive

Address: American Fork, UT 84003

I hereby certify that the services furnished, the services rendered, and the work done is a just, due and unpaid obligation of Pierce County Housing Authority.

By: _____
Date: _____

Investigation: Vendor payments



Electronic remittance records

Xact	Date	Reference Num	Comment	Amount	Discount	Net Amt						
206763	7/6/16	10036952	Fin 160086 2 of	46,350.00	0.00	46,350.00						
Remit To DOMOINC DOMO Inc												
Xact 68755	DirDep# 3632	7/25/16	Totals	0.00	46,350.00							
DIRECT DEPOSIT - VENDOR ADVICE												
<table border="1"><thead><tr><th>Date</th><th>Dir Dep#</th><th>Dir Dep Amt</th></tr></thead><tbody><tr><td>7/25/16</td><td>3632</td><td>46,350.00</td></tr></tbody></table>							Date	Dir Dep#	Dir Dep Amt	7/25/16	3632	46,350.00
Date	Dir Dep#	Dir Dep Amt										
7/25/16	3632	46,350.00										
XXXXXX0760-XXXXXX2158												
<u>Deposited For:</u> DOMO Inc Dept CH 10704 Palatine, IL 60055-074												

Investigation: Vendor payments



Vendor profile

Vendor Information		Miscellaneous Vendor Info	
Vendor Code	DOMOINC	Last Invoice date	12/15/18
Vendor Name	DOMO Inc	Last Payment date	12/17/18
Address	Dept CH 10704		
City	Palatine		
State	IL	Postal Code	60055-074
Country			
Telephone	801-899-1000 ext9437	CRC	
Start Date	1/21/2016	Date Modified	8/8/2018
Use Distribution		Setup	
HUD Acct			
		Type	(A)ctive
		Terms	(3)Net 30 Days
		Trade	() (none)
Options			
<input type="checkbox"/> Hold Payment		<input type="checkbox"/> Take Discount	
<input type="checkbox"/> PO Hold		<input type="checkbox"/> Suppress PO cost	
DD Acct Type			
<input checked="" type="radio"/> Checking Acct		<input type="radio"/> Savings Acct	
Bank Routing #		██████████0760	
Bank Account #		██████████2158	
Account No		121140399	
Customer Code		3300848483	
Fax number		801-891-7200 cell	



Investigation: Vendor payments

Source	Date	Vendor	Total	Account on remittance advice or bank file if no invoice
HAB AP (GL)	1/25/2016	DOMO Inc	\$ 46,350.00	*8483
HAB AP (GL)	7/25/2016	DOMO Inc	\$ 46,350.00	*2158
HAB AP (GL)	1/17/2017	DOMO Inc	\$ 35,500.00	*8483
HAB AP (GL)	4/17/2017	DOMO Inc	\$ 23,640.00	*8483
HAB AP (GL)	5/1/2017	DOMO Inc	\$ 35,500.00	*2158
HAB AP (GL)	5/25/2017	DOMO Inc	\$ 43,640.00	*2158
HAB AP (GL)	8/28/2017	DOMO Inc	\$ 43,640.00	*2158
HAB AP (GL)	9/18/2017	DOMO Inc	\$ 65,500.00	*2158
HAB AP (GL)	12/28/2017	DOMO Inc	\$ 68,640.00	*2158
HAB AP (GL)	2/5/2018	DOMO Inc	\$ 36,920.00	*8483
HAB AP (GL)	3/21/2018	DOMO Inc	\$ 45,500.00	*2158
HAB AP (GL)	8/8/2018	DOMO Inc	\$ 46,870.00	*2158
HAB AP (GL)	10/11/2018	DOMO Inc	\$ 45,500.00	*2158
HAB AP (GL)	11/6/2018	DOMO Inc	\$ 45,500.00	*2158
HAB AP (GL)	12/17/2018	DOMO Inc	\$ 23,640.00	*2158
			\$ 652,690.00	

\$510,280 misappropriated

Summary of loss



Former Pierce Co. Housing Authority finance director pleads guilty to stealing \$7 million from organization

By Associated Press | Published January 17, 2021 | News | Associated Press



TACOMA, Wash. - A woman who stole almost \$7 million from the Pierce County Housing Authority pleaded guilty to wire fraud Friday, the U.S. Attorney's Office said.

Cova Campbell put the money into her own accounts between March 2016 and July 2019 when she was working as the organization's finance director,

- \$3.6 million in wire transfers (including property purchases and directly into a personal bank account)
- \$3.2 million in ACH payments to personal bank account
- \$25,000 in personal credit card purchases
- **\$6,948,277 in total public funds loss**

Addressing weaknesses



Weakness	Control
<ul style="list-style-type: none">• Access to vendor profile banking information• Full access to all bank accounts• Ability to complete electronic transfers with no oversight	<ul style="list-style-type: none">• Review supporting records for electronic disbursements• Limit access for employees to change vendor banking information• Independent secondary bank statement reviews

Case study



- City of Tenino
- March 2020 to June 2020
- Type of loss: Electronic disbursements— external and internal risks

Phishing email



1st email to Clerk

From: [REDACTED]
Sent: Thursday, March 19, 2020 10:23 AM
To: [REDACTED] <clerktreasurer@ci.tenino.wa.us>
Subject: RE: ATTN

[REDACTED],

Would you be able to complete an assignment on behalf of the Board, And get reimbursed? Kindly acknowledge .

Regards,

[REDACTED]

WMCA President

Phishing email



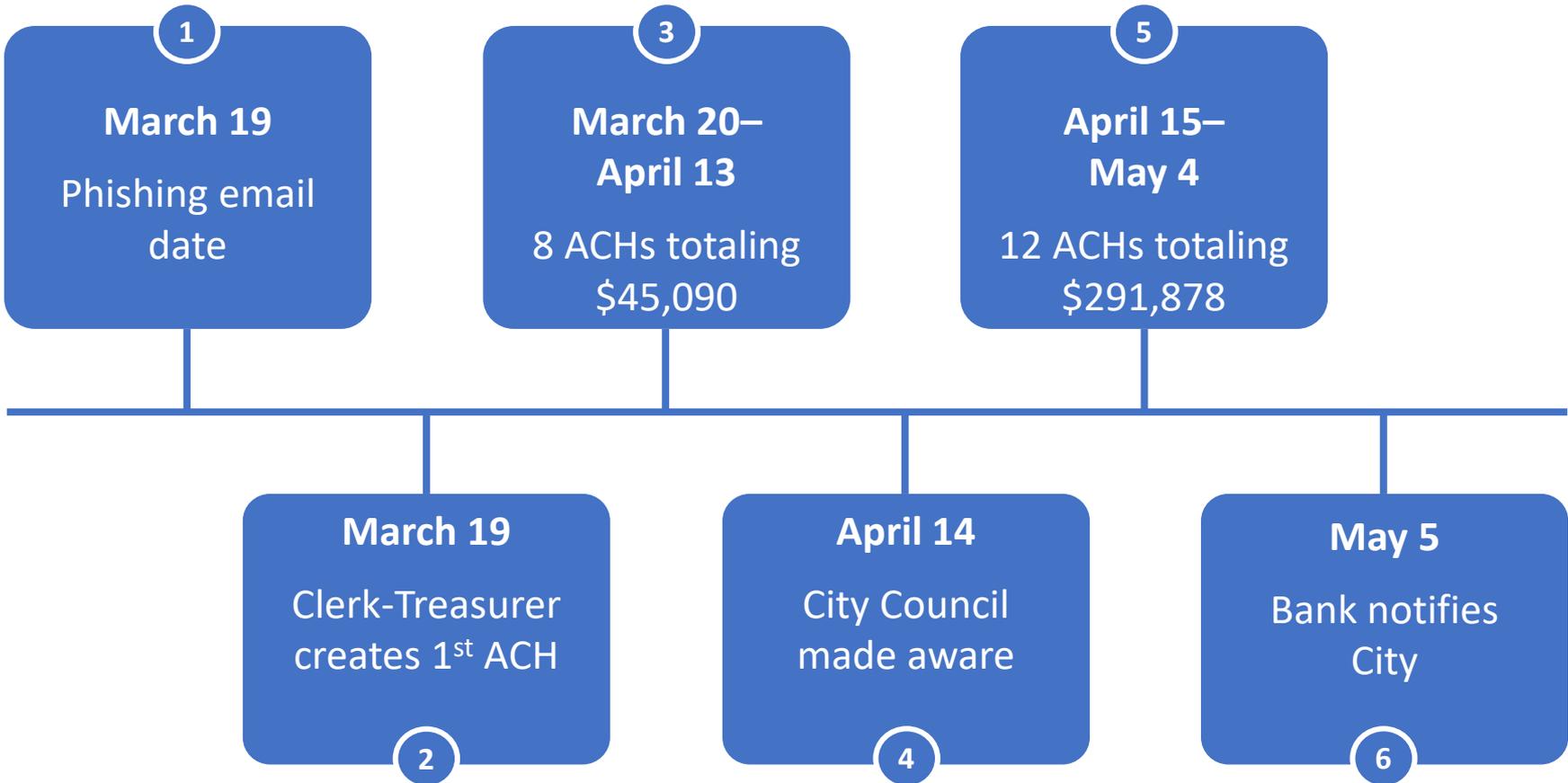
2nd email to Clerk

From: [REDACTED]
Sent: Thursday, March 19, 2020 10:35 AM
To: [REDACTED] <clerktreasurer@ci.tenino.wa.us>
Subject: RE: ATTN

[REDACTED],

Would you help in paying a Merchant and get reimbursed by [REDACTED]? [REDACTED] not available today due to health reasons, But promised a swift reimbursement before the week runs out. It's imperative and it's \$6,890. I was able to sent out \$4000 from my daily savings limit. Get back to me if you can send the remaining \$2,890 via Zelle & CashApp as requested by the merchant. It concerns "WMCA 50th Annual Conference".

Timeline of loss



Bank statement



CHECKS AND WITHDRAWALS		
Date	Description	Amount
4/01	PAYMENT RLMS FEE ACH CCD	5.00-
4/01	ACH BATCH CITY OF TENINO PPD	10,223.53-
4/02	PAYMENT RLMS FEE ACH CCD	10.00-
4/02	EOM Fees MerchantServices CCD	406.83-
4/02	ACH BATCH CITY OF TENINO PPD	5,940.00-
4/02	ACH BATCH CITY OF TENINO PPD	5,940.00-
4/03	PAYMENT RLMS FEE ACH CCD	11.25-
4/03	ACH BATCH CITY OF TENINO PPD	1,470.33-
4/03	ACH BATCH CITY OF TENINO PPD	19,989.53-
4/06	PAYMENT RLMS FEE ACH CCD	11.25-
4/06	INS PREM NORTHWEST ADMINI PPD	9,167.00-
4/06	PAYMENT USDA RD DCFO CCD	52,512.00-
4/07	PAYMENT RLMS FEE ACH CCD	21.25-
4/07	ACH BATCH CITY OF TENINO PPD	5,940.00-

Summary of loss



Audit Report, State Patrol Investigation Shed Light on Fraud That Cost Tenino \$280,309 in 2020



Tenino City Hall
FILE PHOTO

Posted Friday, January 14, 2022 3:03 pm

By Emily Fitzgerald / emily@chronline.com

While initial reports indicated the City of Tenino lost roughly \$270,000 to scammers in 2020, Washington State Patrol (WSP)'s fraud investigation and the Washington state Auditor's report have revealed the actual amount was \$336,968 — of which only \$56,659 has been credited back to the city, resulting in an overall loss of \$280,309.

- \$336,968 in total ACH transactions
- \$56,659 reversed by bank
- **\$280,309 in total public funds loss**

What did we find?



The investigation concluded:

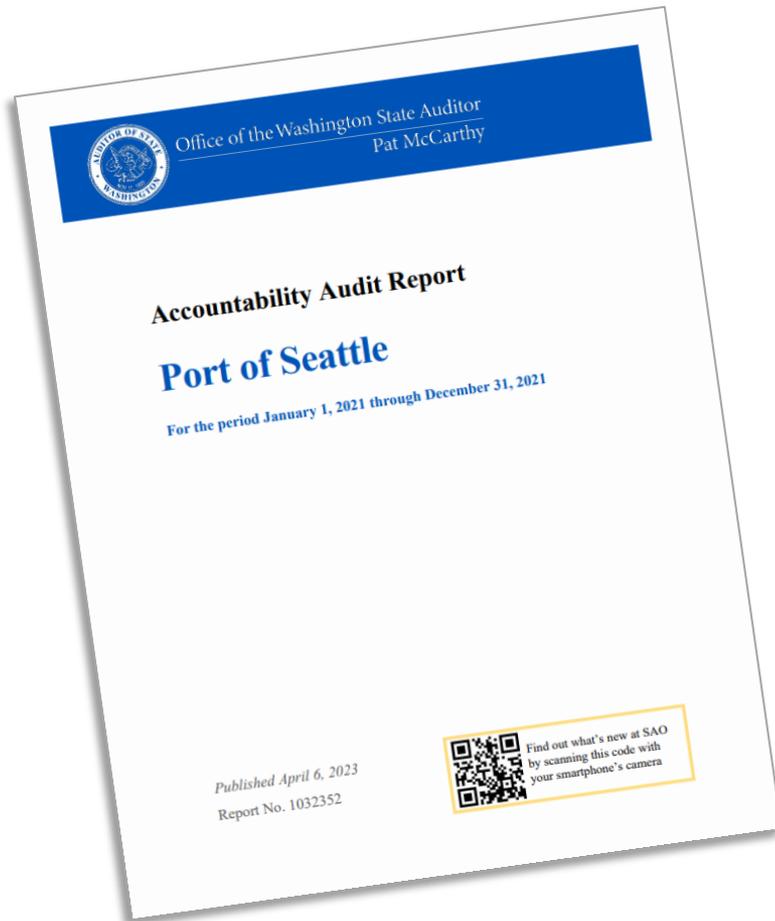
- Email account holder for phishing email was from out of the country.
- Clerk-Treasurer's past employment history questionable.
- Could not conclude whether the Clerk-Treasurer had personally benefited or not

Addressing weaknesses



Weakness	Control
<ul style="list-style-type: none">• Full access to all City bank accounts• Ability to complete electronic transfers with no oversight• Responsible for the bank statement reconciliation with no oversight	<ul style="list-style-type: none">• Perform secondary reviews of bank statement activity and reconciliations• Review supporting records for electronic disbursements

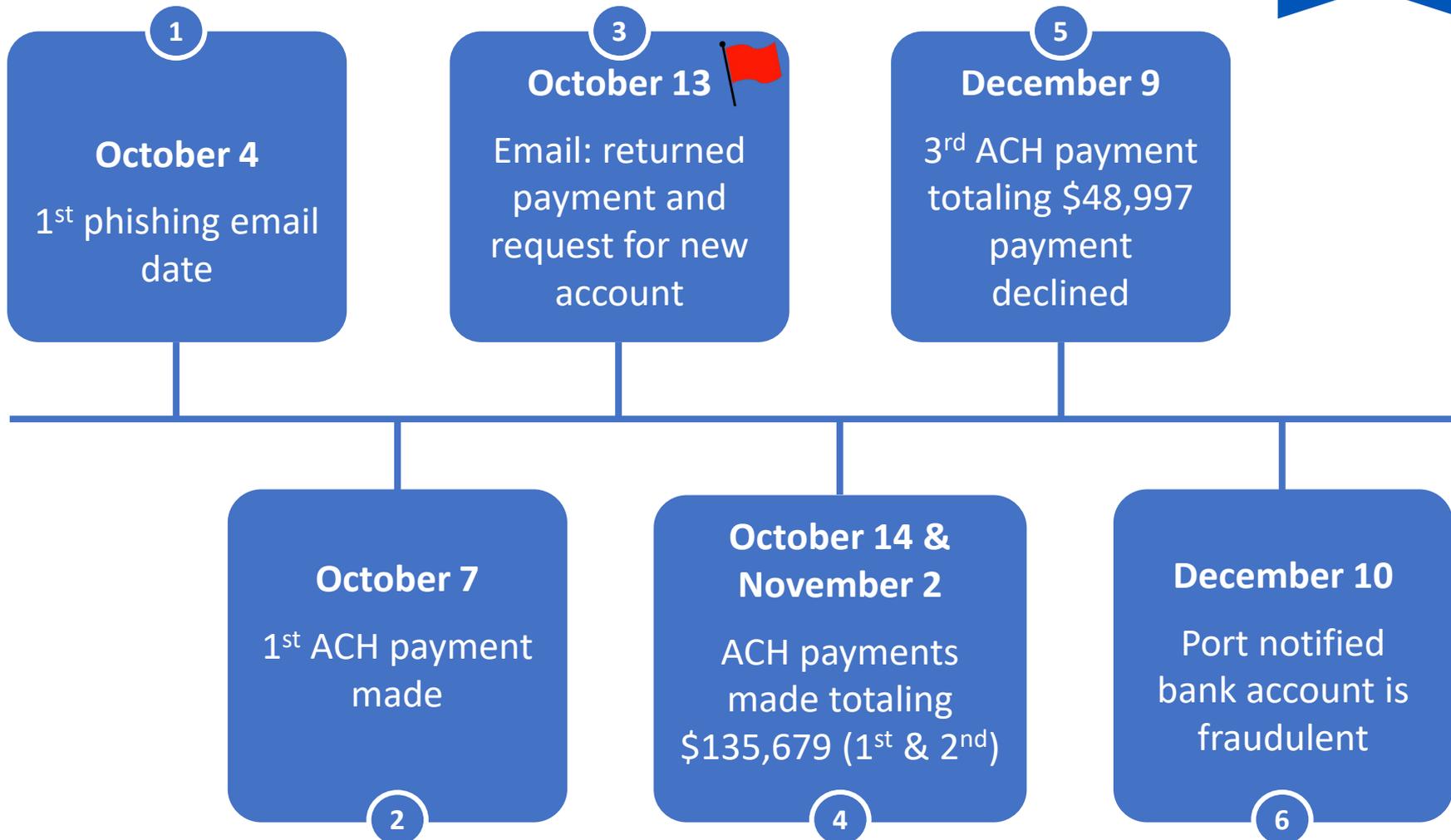
Case study



- Port of Seattle
- October 2021 to January 2022
- Type of loss: Electronic disbursements—external risks



Timeline of loss: First incident



Phishing email



Re: [EXTERNAL] P-00320769 - SPF Invoice and Report August 2021

 [\[redacted\]@seattlepraksfoundation.org](mailto:[redacted]@seattlepraksfoundation.org)

To: [redacted]

Cc: [redacted]@seattlepraksfoundation.org

Hi Peter,

The details we use last week can't receive payment for now that's why payment was returned.

You can use the ACH detail below for tomorrow and all future payment.

ACH PAYMENT ONLY :

Bank Name : Dollar Bank
Account Number : [redacted]
Routing Number : [redacted]

Kindly confirm details are well receive, we will keep you posted once we receive funds on Friday.

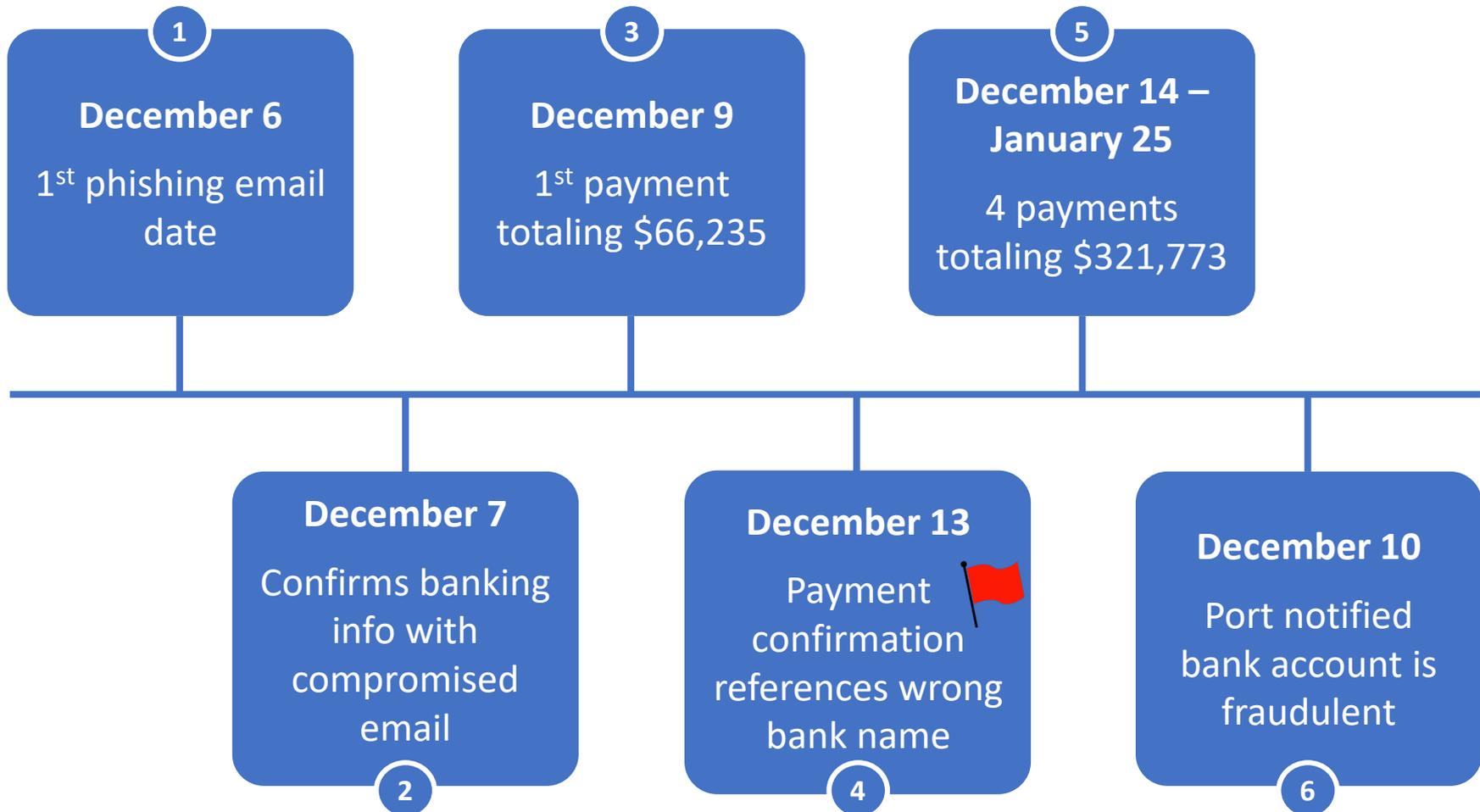
Thanks.

Annotations:

- Compromised Email (points to the sender's name and email address)
- Poor Grammar (points to the phrase "are well receive")
- Spoofed Domain Name (points to the email address "@seattlepraksfoundation.org")



Timeline of loss: Second incident



Bank letter



Urban League of Metropolitan Seattle

RE: BANK VERIFICATION

This letter certify that Urban League of Metropolitan Seattle owns and maintains the Following Bank account with Citi Bank.

BANK NAME: Citi Bank

ROUTING NUMBER: [REDACTED]

ACCOUNT NUMBER [REDACTED]

ADDRESS: 3535 N. Central Ave Chicago, IL 60634

This letter is not to be quoted or referred to without the bank's prior consent. The bank has no duty and undertakes no responsibility to update or supplement the information set forth in this letter. Citibank will only prepare this document upon customer request.

Sincerely,
Client Service Officer
Darren Roehrich

Poor grammar

Citibank should be one word (misspelled).

This paragraph would not be typical in a request to change banking information.

Signature does not say Darren Roehrich and is below name.

Summary of loss



Port of Seattle loses more than \$500,000 in public funds to phishing scams, audit shows

Out of the \$572,683 that was lost to the scams, the Port of Seattle was able to recover \$522,683.



- \$184,676 in ACH payments (Incident 1)
- \$388,007 in ACH payments (Incident 2)
- \$522,683 recovered by banks and insurance
- **\$50,000 in total public funds loss (deductible)**

Addressing weaknesses



Weakness	Control
Verification process did not make sure changes to vendor or employee bank account information were legitimate	Confirm changes through known phone number (or face-to-face contact if possible)

SAO's fraud-prevention resources



- Trust, but verify: A guide for elected officials & appointed boards to prevent fraud
- Best Practices for Sending Wire Transfers
- Best Practices for ACH Electronic Payments



Questions?



Contact information



Deena Garza

Team Bellingham Audit Manager

Port Program Manager

Deena.Garza@sao.wa.gov

(360) 676-2165

Josh Stohr

Port Subject Matter Expert

Joshua.Stohr@sao.wa.gov

(564) 444-6621

Sarrah Superville

Special Investigations Program Manager

Sarrah.Superville@sao.wa.gov

(425) 510-0494

