



To: Ryan Gustafson, Director of Human Services

From: Katelyn Kleidosty, Internal Audit Manager
kkleidosty@washoecounty.gov; (775) 830-2550

CC: Pamela Mann, Division Director – Human Services
Sheila Gerhard, Human Services Program Specialist
Eric Brown, Washoe County Manager
Abbe Yacoben, Chief Financial Officer
Cathy Hill, Comptroller

Date: July 1, 2024

Subject: Fraud Tip Received by Internal Audit – Missing Money Bag

Summary of Complaint Reported and Follow-Up

On May 6, 2024, the Internal Audit Division received an anonymous tip that a money bag containing approximately \$40.00 in donations for the Senior Services Congregate Meal Program was reported missing from the Sun Valley location. An investigation was performed by the Human Services Agency (HSA) with the assistance of the Internal Audit Division. Internal Audit interviewed all persons involved in the handling of the money bag, including management responsible for oversight, except for the food delivery driver, who separated employment shortly after the bag was reported missing. As a result, Internal Audit was unable to locate the money bag, nor determine whether there was intent for theft or if it was simply misplaced.

Internal Controls Regarding Cash Handling

During the investigative process performed by HSA, the internal auditors noted significant deficiencies in the internal controls surrounding cash handling. As a result, the internal auditors observed the processes for cash handling from the donation boxes at the congregational meal sites through the count process by the Senior Center administrative staff. The following observations were noted:

- Not all sites are utilizing a triplicate form to report donations and/or soup payments.
- Not all sites are utilizing a locked cabinet to store donations overnight.
- Not all sites are utilizing a locked box for donations and/or soup payments.
- Not all sites had money bags to place the money in at the end of the day. Note: The money bags had been picked up by a driver on Monday morning and observations occurred on Tuesday morning.
- Money bags containing donations and soup payments were left unsecured on a desk after business hours. Note: This procedure has since been rectified by management, but it was causing an erosion of controls that could have led to the missing money bag.
- Not all sites have two people to verify the funds prior to completing a deposit, leading to an increased risk of opportunity for theft.
- If a triplicate form is used, the white and pink copy are both sent to the HSA fiscal division at Center Street and a copy is not retained by the Senior Center (9th Street) who

compiles the deposit. The lack of retention of a copy at the Senior Center (9th Street) makes it difficult to track when there's a discrepancy or error in recordkeeping.

- Not all sites are comfortable with counting and being responsible for Washoe County donations and soup payments as they are not all Washoe County employees.
- There were no cameras in the area in which the money is counted.
- Observation of the counting procedures noted there were several instances of the money being passed back and forth in an attempt to count and verify, which caused confusion on what had been counted and which money belonged to the various bags.
- A discussion with employees at the Senior Center disclosed that the safe combination and locks have not been changed when personnel have separated employment.
- An observation of the door for the room that contains the safe was left unsecured. A second door was secured with a keypad entry but all employees at the Senior Center can access this door and the code has never been changed after personnel have separated employment.

Recommendations

The Internal Audit Division recommends the following item be considered and implemented as it would be considered best practice:

- It is strongly recommended that the sites utilize a locked metal box with a single slot not large enough to remove funds after deposit, such as the one in the picture. Additionally, it is recommended that the sites do not count the funds, instead have a runner pick-up the full box on a set day(s), provide an empty box upon pick-up, and return the boxes to the Senior Center (9th Street) for the funds to be counted by at least two Washoe County employees.



If the department does not implement the recommendation above, the Internal Audit Division would recommend the following items be considered and implemented in lieu of the best practice recommendation:

- It is recommended that each location that counts money retains one part of the triplicate form. For example, current procedures are that money is counted at the site location (yellow should stay at the site), then counted by the Senior Center administrative staff at 9th Street (pink should stay at 9th Street), and then the one copy should follow the deposit (white should go to Center Street).
- It is recommended to establish consistent procedures for all drivers to follow for transport of the money bags.
- It is recommended that each location have a minimum of two bags and when a bag is picked up, it is immediately replaced by an empty bag.
- At locations that offer soup, it is recommended that Washoe County provide a locked container to secure the payment collected for soup during operating hours.

The Internal Audit Division recommends that the following items be considered and implemented regardless of the manner in which the money is collected and counted:

- It is recommended to establish standard operating procedures (SOPs)/internal controls for cashing handling; print a copy for all locations participating in the procedures. Note: review the [Internal Control Procedures Manual: Revenue and Cash Receipts Internal Control Procedures](#) established by the Comptroller's Office for County-wide policies and procedures. All SOPs/internal controls should remain in line with the *Internal Control Procedures Manual*.
- It is recommended that the SOPs/internal controls specifically outline procedures for reporting a missing bag (or box), procedures if there is a discrepancy in the count, or any instance of impropriety in the cash handling process.
- It is recommended to provide training on any new procedures implemented. Additionally, it is recommended that at least annually employees review the SOPs/internal controls and receive follow-up training.
- It is recommended that one employee count an entire money bag, before passing the money to the second person to verify the count; this reduces the amount of passing money back-and-forth.
- It is recommended that the money bags (or boxes) be picked up on the same day(s) every week, whether there is money or no money. Note: Washoe County Code 15.190 (1) requires daily deposits. If a deposit is not being performed daily, the department would need to ask for an exception from the Washoe County Treasurer's Office.
- It is recommended that the 9th Street administrative staff verifies that a bag (or box) has been received by every location and whether there were any cash donations or soup payments.
- It is recommended to label each bag (or box) with the site location and a number. It is also recommended to conduct a bag (or box) inventory on a periodic basis. As well as perform a period key inventory of all the keys that can open the bag (or box).
- It is recommended that cameras be installed in the room where the money is counted or move the location of the count to a secure area with adequate camera coverage.
- It is recommended the safe combinations and locks be changed especially when personnel leave employment.

Conclusion

Even though this information was received via the Fraud Hotline, the Internal Audit Division cannot conclude that fraud was committed by an employee, volunteer, or contracted person. Additionally, follow-up to the report noted opportunities for improvements with the intent to protect the County from additional liability or fraudulent activity.