

## Fraud Investigation Preliminary Assessment Worksheet

<b>Fraud Case Number</b>	F-22-487
<b>Client</b>	Washington State Major League Baseball Public Facilities District
<b>Fraud Specialist</b>	Jonathan Smith
<b>Loss Notification Date</b>	12/5/2022
<b>Initial Contact with Entity Date</b>	12/6/2022
<b>Assessment Completion Date</b>	12/16/2022
<b>Team Review-Name and Date</b>	Eileen Du, 12/20/2022
<b>Fraud Manager Review Date</b>	SS-1/3/23
<b>Action/Next Step</b>	Review external investigation

The preliminary assessment worksheet summarizes the pre-planning information needed for the triage meeting. An assessment does not need to be completed on loss reports that do not require action per policy (losses resulting from breaking and entering or property vandalism normally handled by a law enforcement agency or by the entity, or other losses such as reasonable cash-receipting overages/shortages, reasonable inventory shortages or other de minimus losses).

Reported Loss Information		
1	Description of suspected loss or illegal activity	In 2021 and 2022, the PFD Office Manager inappropriately charged personal expenses to the PFD credit card and neglected to deduct from her paycheck the 25% portion of her dependent's dental insurance expenses.
2	How loss was detected and reported	Upon being notified of the employee's resignation, the Executive Director of the PFD, Joshua Curtis, started preparing her final payout. Upon realizing that Ms. Bacon had not been deducting insurance from her paychecks, he began inspecting credit card statements and discovered the fraudulent charges.
3	Type of loss (e.g. cash receipts, disbursements, payroll)	Credit Card expenses and payroll
4	Reported amount of loss	\$3,465.01 of personal credit card charges and \$216.21 for unreimbursed dental insurance expenses.
Information from EIS and Audit Manager		
5	Entity liaison (name and title) and phone number	Joshua Curtis, Executive Director, 206.664.3079
6	Related audit exceptions in EIS? If yes, what was level of reporting (exit item, mgmt letter, or finding)?	There is an issue related to Credit Cards in the current Accountability audit. As of now, the Level of Reporting has not been finalized. See detail of issue below:
7	If applicable, summarize your review of TeamMate audit work related to area of reported loss.	We reviewed the current issue in the AC21-FS21 audit. During the testing, we selected 10 credit card payments and eight of the charges were not supported. Vendors were Amazon, Chick Fil A, 7-Eleven, World Market, Macrina (bakery) and Rite Aid.
8	Summarize any audit manager's concerns about client and reported loss.	Prior to loss, no history of issues with client.  However, during this accountability & financial audit and the issues identified, there are concerns related to the control environment (or lack of one). Having losses in payroll and in credit cards, as well as not following proper policies and procedures, has our office mindful of "what else can go wrong."
9	Normal audit scope and cycle for client?	Annual Accountability and Financial Statement audit.

10	Accountability audit budget?	45 hours Accountability 55 hours Financial total 100
11	Is the audit team currently conducting an audit? If yes, what is the status and scope (financial, single or accountability)? If not, when is the audit scheduled to start?	Yes, current Accountability and Financial audit.
12	Any other relevant information?	None.
<b>Information from Client</b>		
13	Is there a subject of the investigation? If so, does the subject have access to other accounting/financial systems or bank accounts? If yes, list those systems and accounts.	Yes. Part Time Office Manager, Liv Bacon,(working 30 hours per week). Left in July 2022. Currently has no access to any systems or bank accounts.
14	Has the client properly secured records or evidence related to the loss?	Yes. The Executive Director has secured the Credit Card statements and payroll records. Credit Card statements show personal expenses for the employee and the Payroll records show the employee was not deducting partner's dental costs. (PFD only covers 75% of partner's dental). She also was not deducting her 25% payment for health coverage, however this amount was recouped from the employee's last pay check (with the employee's permission).
15	Briefly assess the internal controls over the key system(s) related to this loss. What is the potential for additional undetected losses?	<p>Credit Cards:</p> <p>Moving forward, only the executive director will have access to the credit card. Exec Director sends to Treasurer credit card statements as backup for voucher approval.</p> <p>During the loss, the Executive Director was trusting of the employee. The Executive Director, as part of the voucher review, was not reviewing the credit card detail prior to approval.</p> <p>Payroll:</p> <p>Moving forward, the bookkeeper (independent contractor, not district employee) will run payroll for the PFD. All employees will send support to the bookkeeper to ensure payroll is accurate. Bookkeeper will set the employee up in the payroll system as well, any new employee will not have access to the payroll system.</p> <p>During the loss, the initial set-up of the payroll was done by the employee and the Executive Director did not catch the incorrect set-up.</p> <p>Once the employee resigned, she tried to cut herself an in-cycle paycheck. The Executive Director caught this and stopped the payment. The Executive Director then cut her access to all systems and cancelled the credit cards.</p>
16	Potential for additional loss or other areas of risk for loss - "What Else"? If yes, summarize.	No. Executive Director did go back and review vendor payments (voucher payments) to ensure all of those were accurate. He also reviewed bank statements to ensure no wire transfers were sent by the employee. Also got back laptop that was assigned to the staff.
17	When was the individual hired by the client (month and year)?	Hired on April 4, 2021.
18	Has the individual been in different job positions with the client and has there been any employment history issues? If yes, list the position, time-period and issues.	Part Time Office Manager for the entirety of employment.

19	What is the current employment status of the individual (e.g. administrative leave on XX date)?	Not employed as of July 6, 2022.
20	Has the client conducted an investigation? If yes, summarize results.	<p>Upon identifying some personal expenses, the Executive Director hired a new bookkeeper and had them conduct a forensic analysis of the organization's financial' s beginning at the date of hire for Ms. Bacon. Went through all credit card statements to identify any/all personal expenses.</p> <p>Executive Director tried to obtain receipts for Amazon purchases from the employee, however the employee only provided receipts for business purchases via Amazon and no other support for other Amazon expenses.</p> <p>In addition, Mr. Curtis, in consultation with the PFD's legal counsel and board leadership, filed a claim in King County Small Claims Court (ongoing)</p>
21	Has a police report been filed? If yes, is law enforcement investigating?	No, there was no police report filed.
22	Is any other outside party (FBI, OIG, LEAs or other investigator) conducting an investigation?	PFD's HR Legal Counsel (Arete Law Group) is currently advising the Executive Director and helping facilitate communication between the PFD and the subject.
23	Has the client established a time table of events that occurred up to the reported loss? (If not, recommend they document the key events.)	<p>Once the employee resigned, she tried to cut herself a final paycheck. The Executive Director caught this and stopped the payment. The Executive Director then cut her access to all systems and cancelled the credit cards.</p> <p>Once access was cut, the Executive Director reviewed past credit card statements and payrolls back to the employee's hire date, and identified losses.</p> <p>Executive Director then had a new bookkeeper (started late July 2022) to review the past credit card statements and payroll from the subjects employment to see if they could identify any other losses.</p> <p>Executive Director then contacted the PFD's legal counsel for advise, and eventually to facilitate communication between the PFD and the subject.</p> <p>Currently, pursuing the loss in small claims court. Subject has not been served yet.</p>
24	Is there fixed responsibility?	Yes, the former part time office manager is responsible for the loss.
25	Who within the client has been notified of the loss (commissioners, board, elected officials, etc.)?	Board of Commissioners, Bookkeeper and Executive Director.
26	Has the County Prosecutor been notified?	No.
27	Has any legal counsel been obtained by the individual?	<p>Yes. Executive Director contacted the PFD's HR Legal Counsel.</p> <p>Currently pursuing loss in small claims court.</p>
28	Has the client entered into any restitution agreements?	The subject agreed to and paid the portion of the their health coverage which should have been deducted from their pay during employment (\$2,025.41). However, no agreements or recoup of personal credit card expenditures and partner dental.

29	Any other relevant information?	<p>Credit card controls: Per the Credit Card use policy 5.7, The Executive Director shall establish a procedure for the prompt payment of credit card bills on or before the due date. Credit cards statements will be reviewed and verified before payment is made. Each purchase will be documented with a detailed receipt.</p> <p>During the Accountability audit, we reviewed ten credit card charges (totaled \$1,186) under Joshua Curtis, Executive Director's cards. We were not able to obtain supports/receipts for eight out of ten transactions (\$874). Per Joshua, although the card was under his name, the previous office manager had physical possession of his card. Per Joshua, Liv Bacon, the previous office assistant was using his card between to December 2020-November 2021 to make purchases on behalf of the District. After having to share the credit card to make purchases, the Executive Director decided it would be more beneficial if the office manager have her own credit card to make purchases for the District. She received her own credit card November of 2021.</p>
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