



Exit Recommendations
Pacific County
Audit Period Ending:

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Fraud:

VEBA Contributions

On October 3, 2022, the County notified our Office regarding a potential loss of public funds as required by state law (RCW 43.09.185). The County hired an external investigator to perform an investigation. We reviewed the external investigation and performed additional procedures. We determined a total misappropriation of \$1,385.70 occurred between November 2019 and April 2022. Amounts misappropriated related to VEBA payments the Chief Accountant personally benefited from, as these were contributions from other employees that were deposited into the Chief Accountant's VEBA account instead of their own accounts. Additionally, due to weaknesses at the County, we could not confirm the final paycheck amounts paid out to the Chief Accountant when she left employment were accurate or if there was further loss that occurred.

Internal controls at the County were not adequate to safeguard public resources. Specifically we found the following weaknesses:

- A lack of adequate supporting records were not maintained over employee time reporting, comp time, leave usage, and payroll compensation payments in the Accounting Department. Additionally, there is a risk these weaknesses may be occurring with other County departments.
- There was no documentation to support who entered or determined amounts to be paid to the Chief Accountant for her final paycheck.
- The County employee responsible for processing employee VEBA contributions is also responsible for processing their own contribution and then reconciling all amounts paid without a secondary review.

We recommend the County strengthen internal controls over payroll operations including time reporting, comp time tracking, leave usage and maintain adequate supporting documentation for payroll disbursements.

We also recommend the County seek recovery of \$1,385.70 from the former Chief Accountant and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the County must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260).