

A close-up photograph of a computer keyboard. A red arrow points to the 'ASIN' key. The keyboard is black with white and blue keys. The background is blurred, showing other parts of the keyboard and some colorful elements.

Clark County Auditor's Office Professional Seminar Series

**Cybercrime and You: 2014**



# Download the Presentations

Go to:

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- Other Reports (menu on left)
- Other Events (at the bottom of the page)
- 2014 Fraud & Best Practice Seminar



# Administration

- ⦿ Breaks
- ⦿ Food & Coffee
- ⦿ If you have to leave early...
- ⦿ Downloading the presentation
- ⦿ Evaluation of the program



# Agenda

(8:30) (5 min) Opening by Auditor Greg Kimsey

(8:35) (60-75 min) Anatomy of a Cybercrime

**(9:50) (10 min) Break**

(10:00) (45 min) Internal Control Review Report & Quiz.

(10:45) (45 min) Analyzing Duties, Risk & Controls

**(11:30) (10 min) Break**

(11:40) (45 min) Situational Ethics: What would you do?

(12:25) (5 min) Closing by Finance Director Mark Gassaway

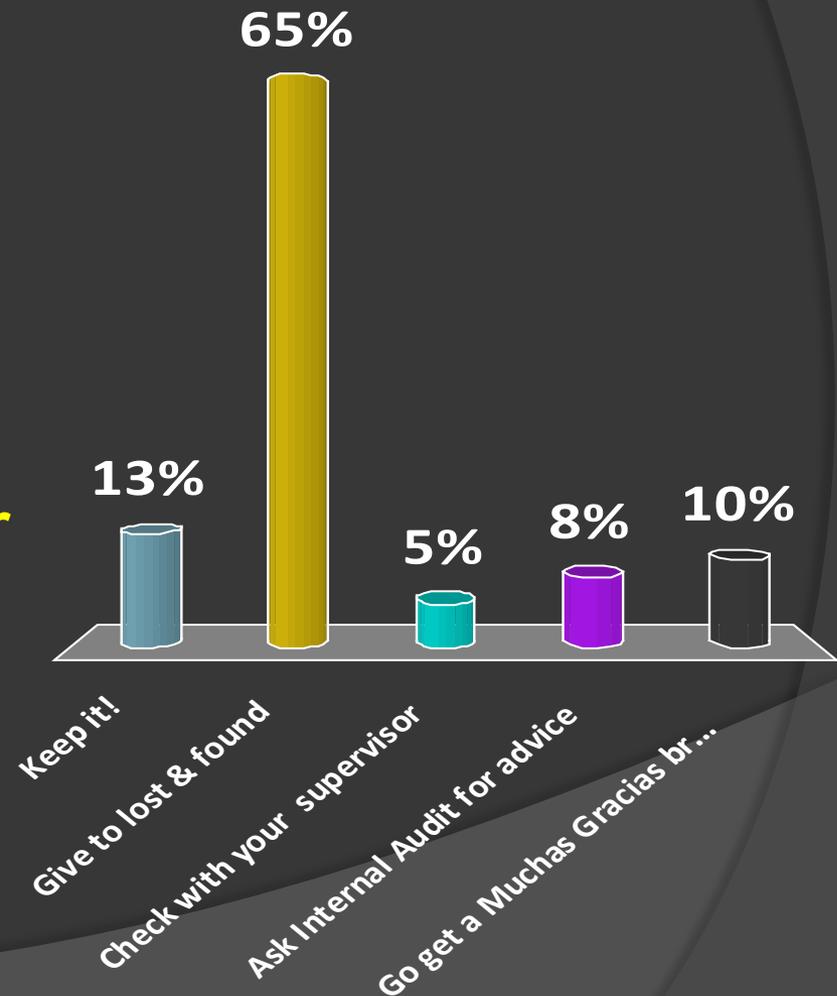
# Wireless Polling

- Anonymous...
- Point anywhere, push 3x
- Votes tally in corner box
- Vote when the corner box is green
- You can change until box is red
- Results show on screen



# Test: You found \$10 on the WREC floor today. What do you do?

1. Keep it!
2. Give to lost & found
3. Check with your supervisor
4. Ask Internal Audit for advice
5. Go get a Muchas Gracias breakfast





## 56 million cards compromised in Home Depot breach

By **LEON STAFFORD**  
*The Atlanta Journal-Constitution*

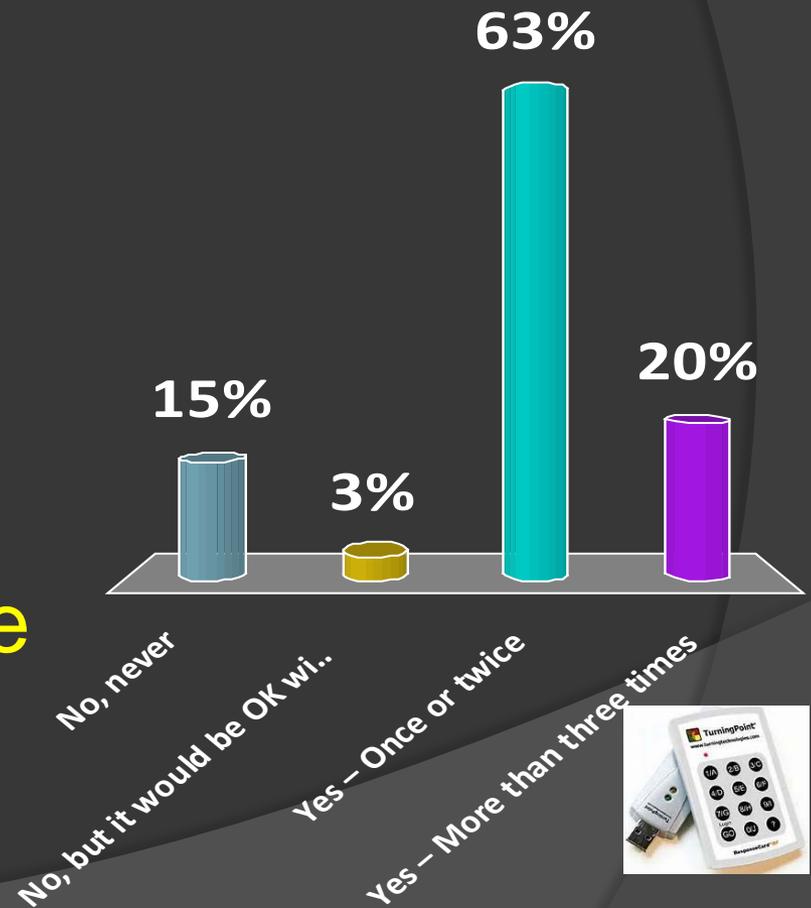
Home Depot said Thursday that a recent cyber attack put an estimated “56 million unique” credit and debit cards used at its stores at risk.

The company said the criminals used malware not previously seen in other attacks and that it had been present between April and September of this year.

The Atlanta-based home improvement giant began investigating the breach Sept. 2 after being notified by banks and law enforcement.

# Has your credit or debit card been replaced because of compromise?

1. No, never
2. No, but it would be OK with me if they were cut off!
3. Yes – Once or twice
4. Yes – More than three times



# Guest Speaker: Aaron Sparling

- ⦿ Computer Forensics Expert
- ⦿ Criminal Intelligence Unit, Portland Police Bureau
- ⦿ US Secret Service Electronic Crimes Task Force
- ⦿ “Good Guy”



# Break 1: Ten Minutes



# Internal Control Reviews (ICRs)

- ⦿ Where to Find Current ICR Reports
- ⦿ General ICR Process
- ⦿ 2014 Results in Review
- ⦿ Trends
- ⦿ Practice Scenarios

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## Audits

Published Audit Reports are available on the County web site or on request ([Click Here](#))

## Internal Control Reviews (ICR)

Reviews are prioritized based on risk factors; management responses are included when provided

- (GenSvcs) Infrastructure Services Surplus Sales - Follow-up, October, 2014
- (GenSvcs) Tri-Mountain Golf Course #540, August, 2014
- (PublicWorks) Parks Survey Fund #539, August, 2014
- (GenSvcs) Fairgrounds #538, August, 2014
- (GenSvcs) Fairgrounds #537, August, 2014
- (Sheriff) Inmate Trust Fund
- (Prosecutor) Juvenile Dept. Inmate
- (Prosecutor) Child Support Check
- (Sheriff) Drug Task Force Review
- (Sheriff) Inmate Imprest Check
- (Sheriff) Evidence Facility Fire
- (Sheriff) Alarm Fund, #530, August
- (GenSvcs) Fairgrounds ATM Machine
- (Prosecutor) Juvenile Dept. Medical
- (CommunitySvcs) Access to
- (CommunitySvcs) Receipting
- (Sheriff) Tactical Detectives Unit
- (Prosecutor) CJC Petty Cash Fund, #524, March 2014
- (Prosecutor) PA Checking Account #523, February 2014
- (GenSvcs) GIS Mapping Change Fund, #522, February 2014
- (Auditor) Elections Change Fund, #521, February 2014
- (DistCourt) Drug Court Prepaid Card Program, #520, February, 2014
- (Clerk) Trust Fund Checking Account, #519, January 2014
- (Treasurer) Vault Review, #518, January 2014

## Location of ICRs

- “Auditor Office” page
- “Audit Services” link
- Current Year ICRs

- 2013 ICR Summary Report
- 2012 ICR Summary Report
- 2011 ICR Summary Report

# General ICR Process

- Average of @ 20-30 visits per year
- Team of two internal auditors, unannounced
- Three year cycle, adjusted for risk
- Examine cash and “cash equivalents”
- Controls, safe handling and storage focus
- Identify issues, make recommendations
- Written response or action plan
- Follow-up in 4-6 months (visit or informal)

# 2014 Results Summary

## By the Numbers

- ◎ 24 Reviews
- ◎ 45 Recommendations
  - ◎ Half of the reviews (12) had no recommendations
  - ◎ Four reviews had four or more recommendations to address
- ◎ Six on-site follow-ups of previous year high risk activities

# 2014 Internal Control Review Summary

## ◎ 12 Low Risk Issues

- ◎ Math / Records Errors
- ◎ Receipt Documentation / Handling

## ◎ 17 Medium Risk Issues

- ◎ Insufficient Written Procedures
- ◎ Account Over/Short

## ◎ 16 High Risk Issues

- ◎ Management Review / Oversight Weak
- ◎ Segregation of Duties

# Exercises and Scenarios

- All scenarios were based on 2014 ICRs
- You are responsible for controls
- Any resemblance.....



# 1. Project Funding: Process

- ⦿ A cash withdrawal form is used to request funds for a short term project (under 30 days)
- ⦿ The manager approves project funding, and both of them sign & date the withdrawal form indicating cash was removed
- ⦿ The manager gives the employee the funds
- ⦿ The transaction is supposed to be logged in a ledger book at the time of withdrawal



# 1. Project Funding: Scenario

- ⦿ An employee requests cash for a project.
- ⦿ The manager approves and provides the funds.
- ⦿ The project was cancelled before it began.
- ⦿ The employee informally hands the funds to another employee for a different project that was not yet approved, and lets management know verbally after the fact.

*As a table group, take ten minutes to identify two major weaknesses and two controls that would be effective in addressing them...*



# Internal Controls:

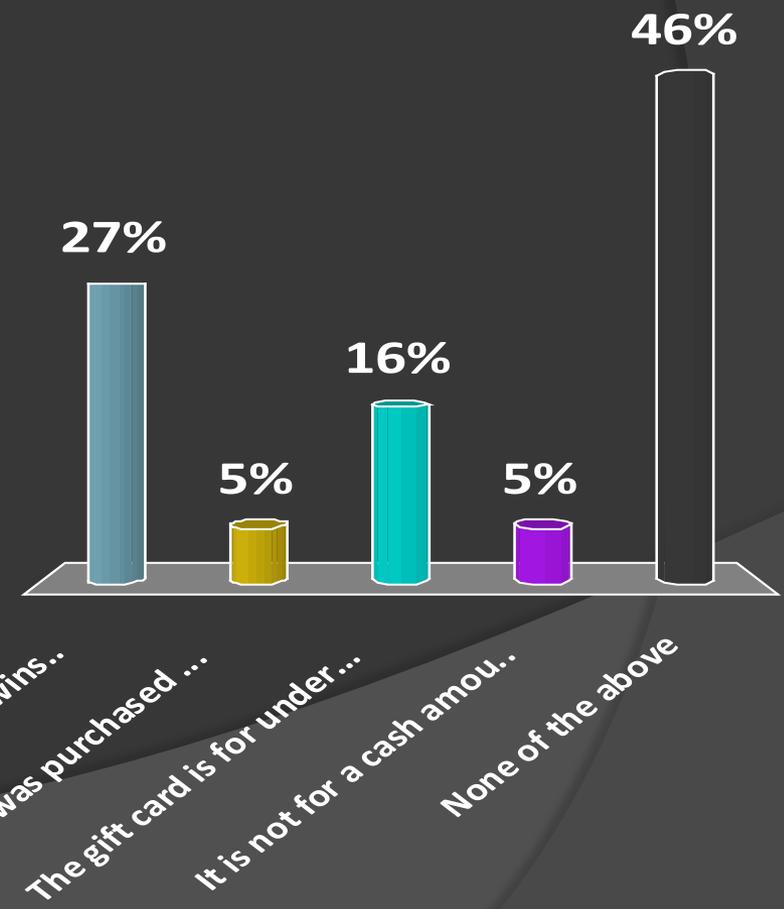
What would you do?

We will show and describe two situations, each followed by a question about the best answer

- ⦿ “Vote” on your choice of solution
- ⦿ Discuss the most popular answer vs. the best answer (if they are different)
- ⦿ Let’s begin...

## 2. Gift Cards: Which gift card is not taxable according to the IRS?

- A. Your non-adult child wins a \$25 card during your organization day party
- B. The card was purchased with your manager's personal funds or a grant
- C. The gift card is for under \$50 so it is de minimus
- D. It is not for a cash amount but for a specific item
- E. None of the above

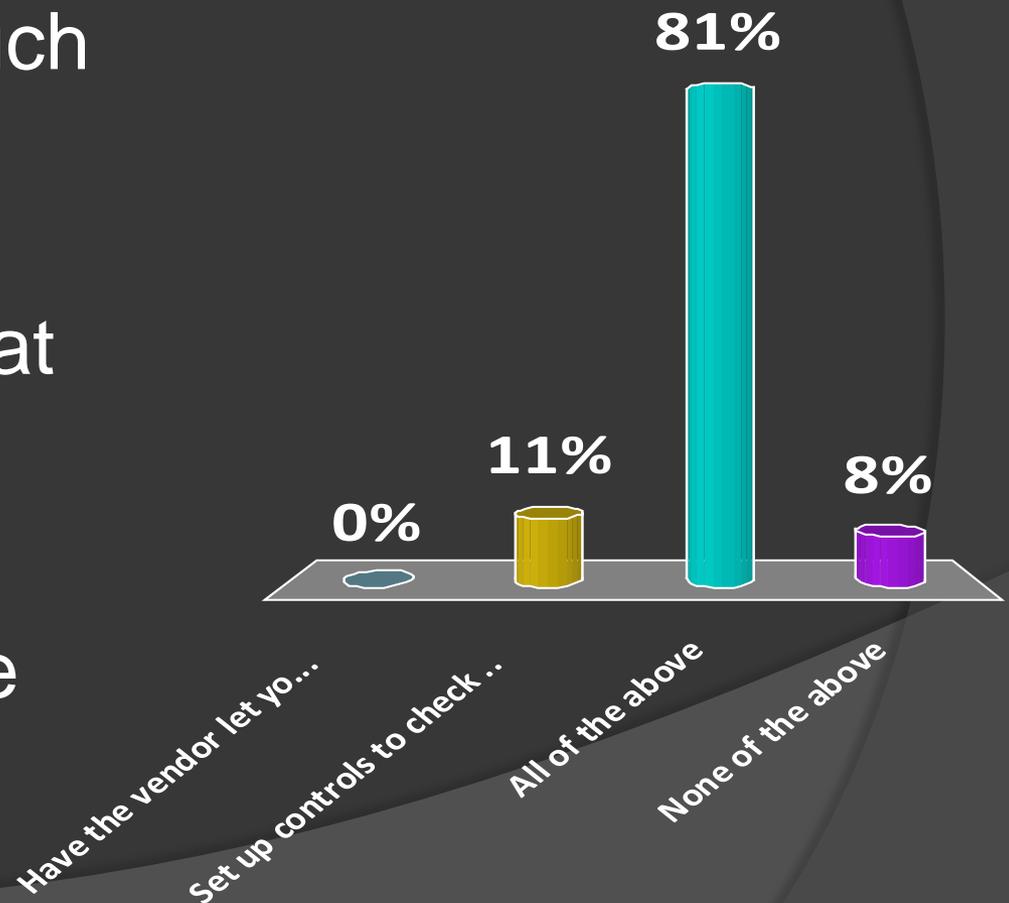


# 3. Prepaid Services

- A department prepays for a service based on vendor telling them how much service will be used.
- How would you control the use of this service? (ready to answer on next page)

# 3. Use of Prepaid Services

- A. Have the vendor let you know how much service is used
- B. Set up controls to check or audit what they tell you
- C. All of the above
- D. None of the above



# Summary

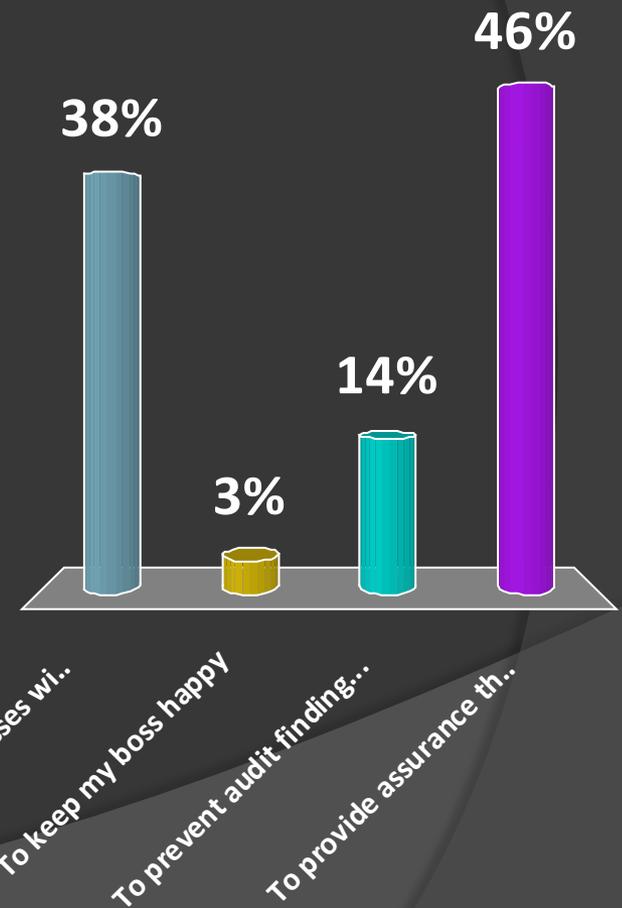
# Analyzing Duties, Risk & Controls

## Chasing Recommendations



# What is the purpose of an Internal Control?

1. To align my processes with best practices
2. To keep my boss happy
3. To prevent audit findings (aka keep the auditors happy)
4. To provide assurance that my organization's objectives will be achieved



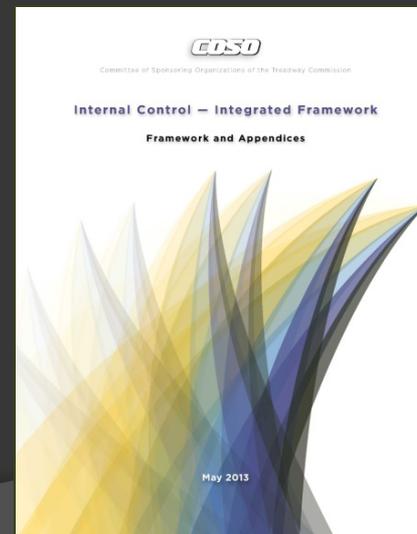
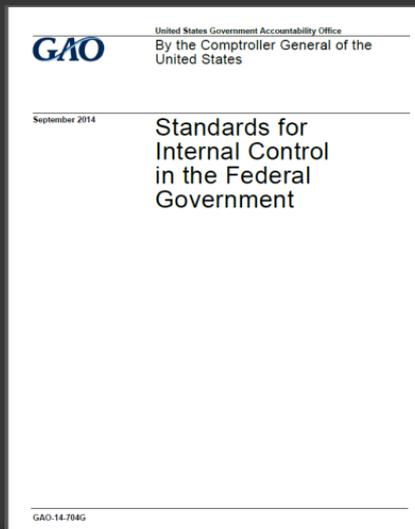
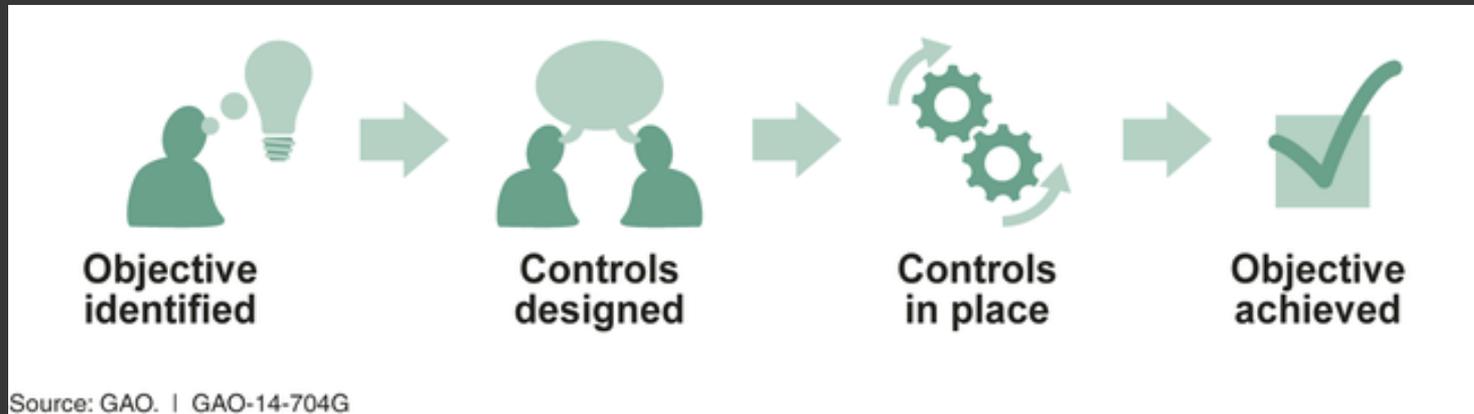
# Internal Controls

*“Internal control is what a department does to see that the things they want to happen will happen ... and the things they don’t want to happen won’t happen.”*

*- State of Vermont*

# Internal Controls

## Internal Control Process



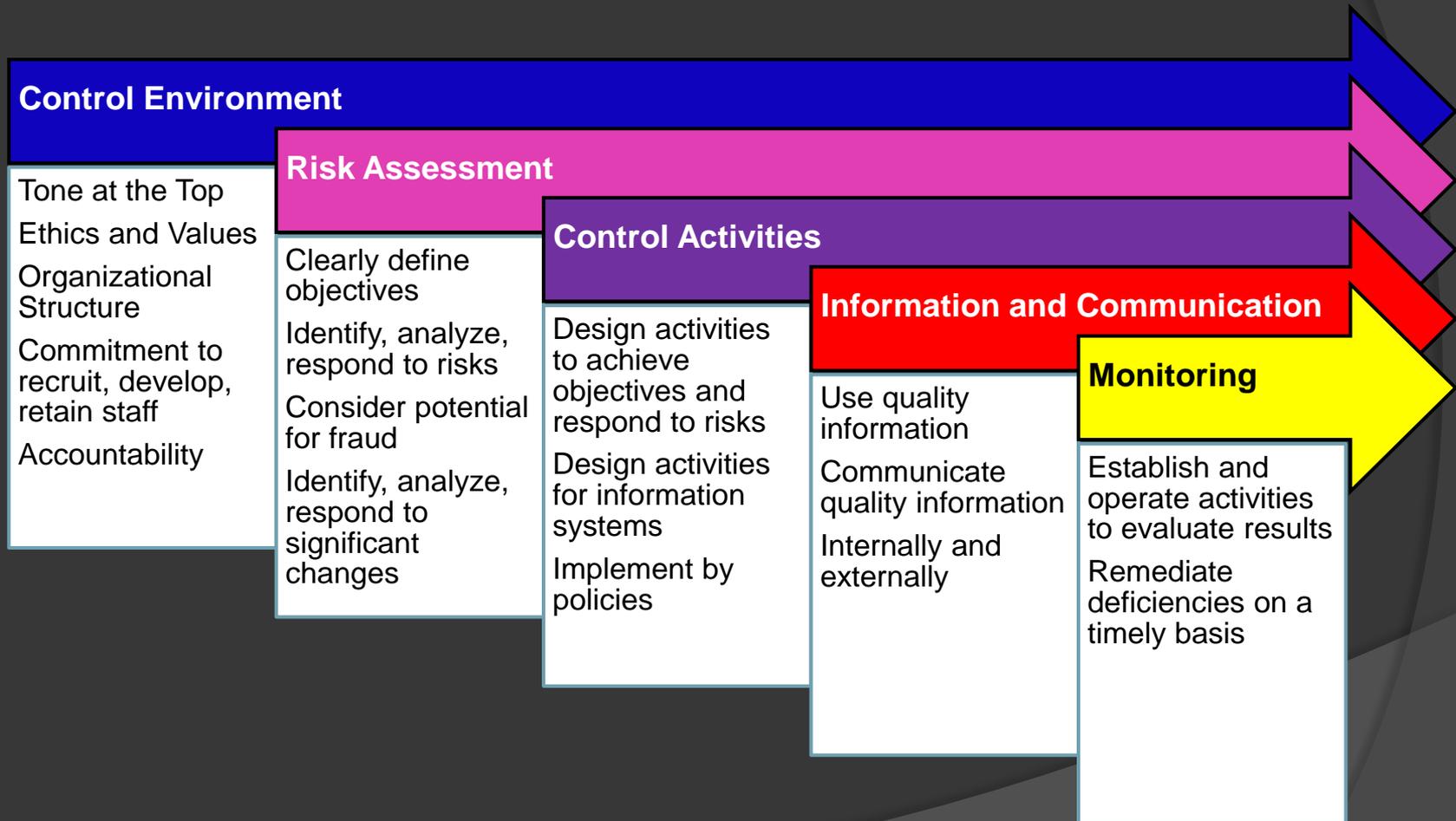
# Internal Controls

## Categories of Objectives

1. Operational
  - Effectiveness
  - Efficiency
  - Safeguarding against loss
2. Reporting
  - Internal
  - External
3. Compliance

# Internal Controls

## Internal Control Framework



# Internal Controls

## Limitations and Considerations

1. Reasonable, not absolute assurance
2. Benefits and costs
  - Allocation of resources vs risk tolerance
3. One size doesn't fit all
  - Large vs small entities
    - Formal vs informal systems
    - Segregation of duties
  - Best practice and mitigating controls

# Internal Controls

## Exercise – Real life example

### Background:

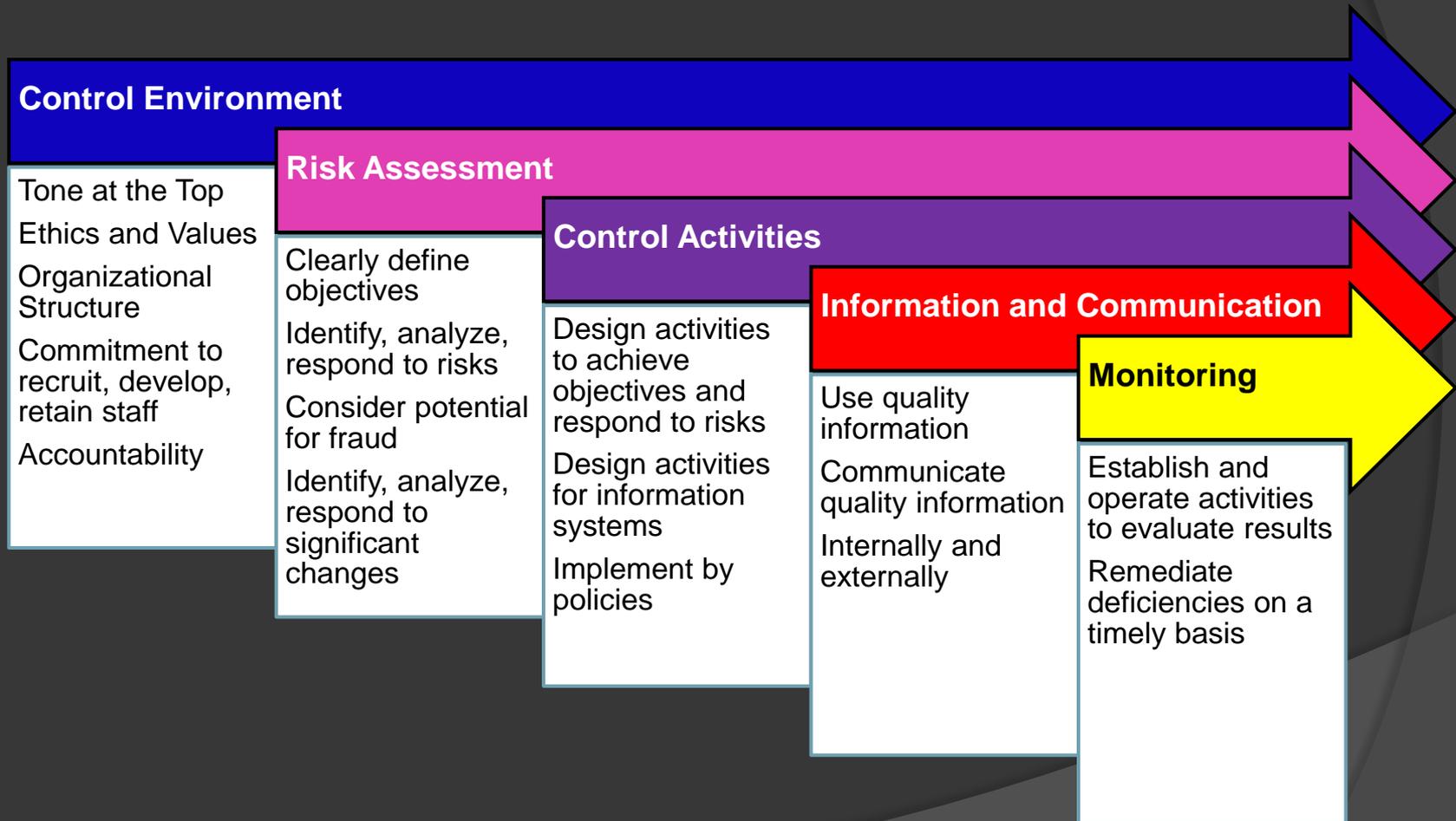
1. Receipting Operation
2. Third Party Credit Card Vendor
3. Four staff members available

### Your Task:

In the next ten minutes discuss and complete the first two components required for a system of internal controls

# Internal Controls

## Internal Control Framework



# Internal Controls

*Hear From Your Peer Discussion*

Clerk's Office: Baine Wilson



# Break 2: Ten Minutes



**Ethics: Wait, Wait Don't Tell Me!**

# Notable Quote

- “Ethics generally refers to a conflict between personal interests and job requirements. Unethical behaviors are those in which **the professional role is used to pursue a personal interest**. These may range from personal use of an office phone to steering a major construction contract to a friend or relative.” – *Clark County Human Resources Manual*

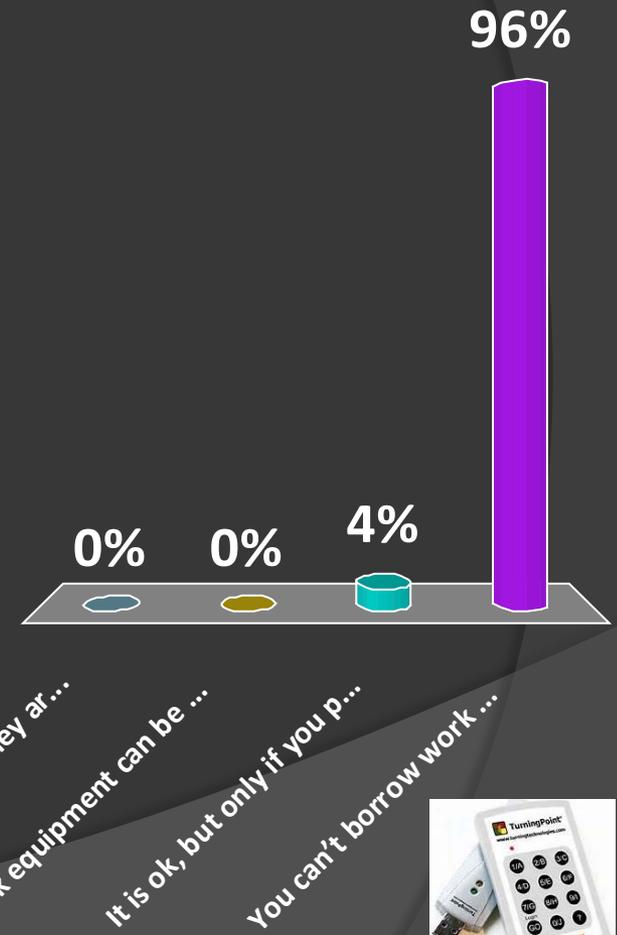


# Ethics #1a: Tools & Equipment

- ◎ Issue: You borrow some tools over the weekend for a project
- ◎ Description: From work, you borrow a wheelbarrow and a few hand tools for a weekend project. You return the tools clean and sharp on Monday morning so nobody is inconvenienced.

# Ethics #1b: Tools & Equipment

1. It is ok so long as they are returned before needed
2. Work equipment can be used at home if it is assigned to you
3. It is ok, but only if you pre-approve it with your boss in writing
4. You can't borrow work equipment for any personal use



# Notable Quote

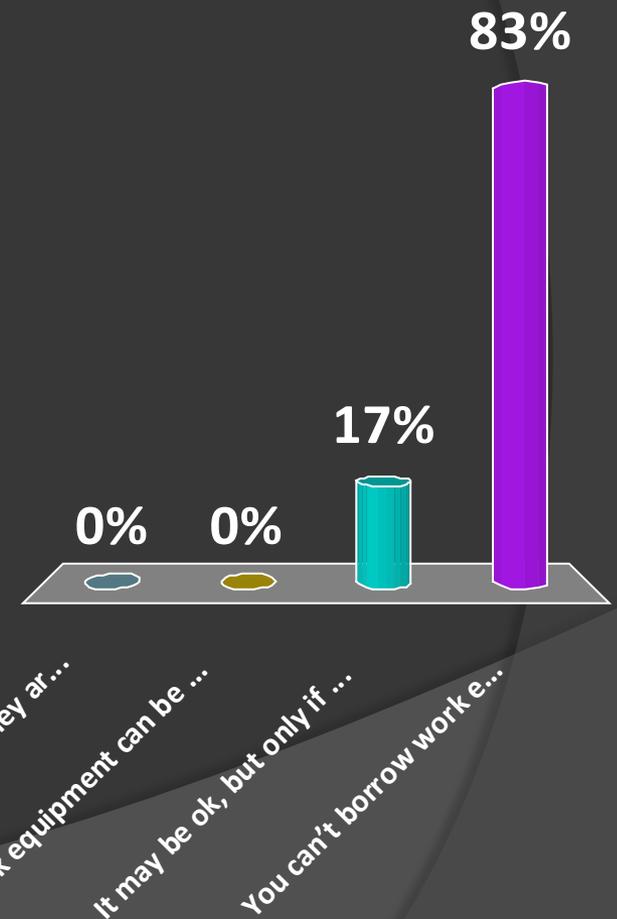
“If you don't have integrity, you have nothing. You can't buy it. You can have all the money in the world, but if you are not a moral and ethical person, you really have nothing.” - *Henry Kravis*

# Ethics #2: Tools for Non-profit

- ◎ Issue: You borrow some equipment over the weekend to help a non-profit agency
- ◎ Description: From work you borrow a wheelbarrow and a few hand tools for a weekend project to help a non-profit agency that helps the homeless. You return the tools clean and sharp on Monday.

# Ethics #2: Tools for Non-profit

1. It is ok so long as they are returned before needed
2. **Work equipment can be used at home if it is assigned to you**
3. It may be ok, but only if you clear it with your boss in writing first
4. **You can't borrow work equipment for any use**



# Notable Quote

“Educating the mind without educating the heart is no education at all” – *Aristotle*



# Ethics #3: Short Days

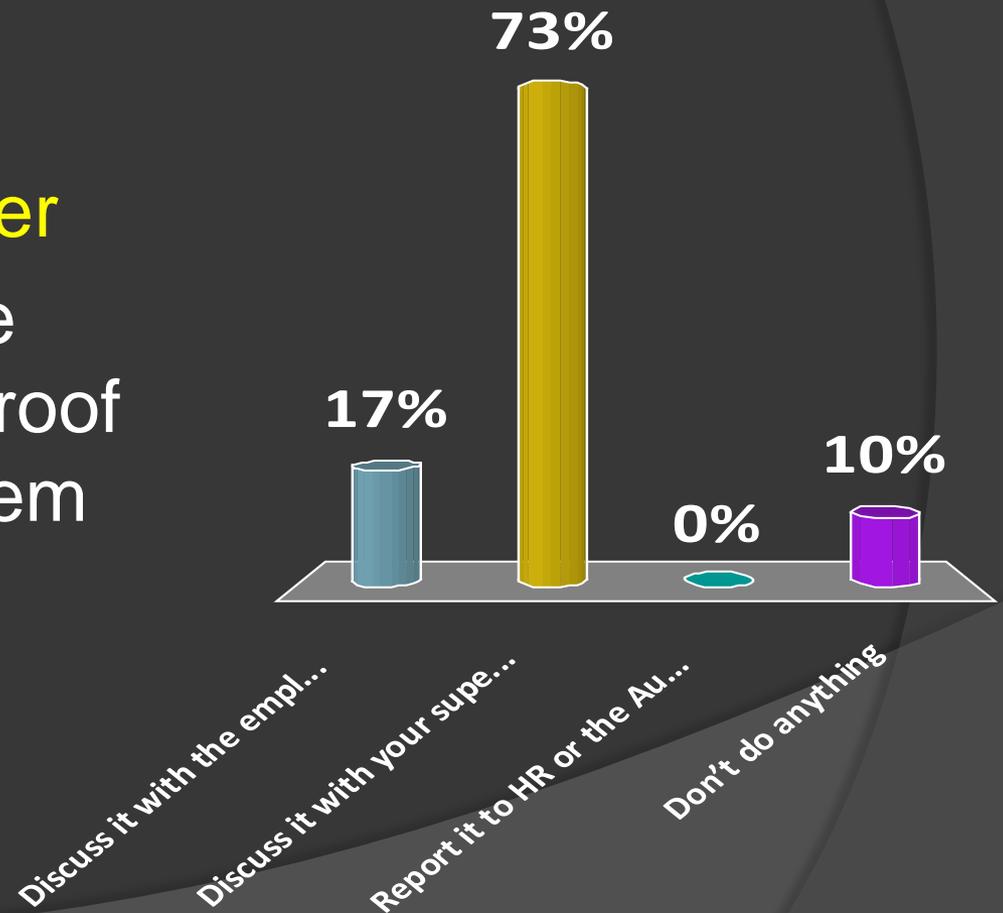
- ◎ Issue: Work Hours

- ◎ Description: You observe that a peer, who is an exempt employee, appears to be working very short days (only three or four hours) a lot lately. It is beginning to affect hourly employees' morale and cause gossip.

# Ethics #3: Short Days



1. Discuss it with the employee
2. Discuss it with your supervisor or manager
3. Report it to HR or the Auditor if you have proof of a continuing problem
4. Don't do anything



# Notable Quote

“Having knowledge of an unethical act and allowing it to continue can spread a contagion that can affect multiple beings in society”

– *Bertrand Russell*



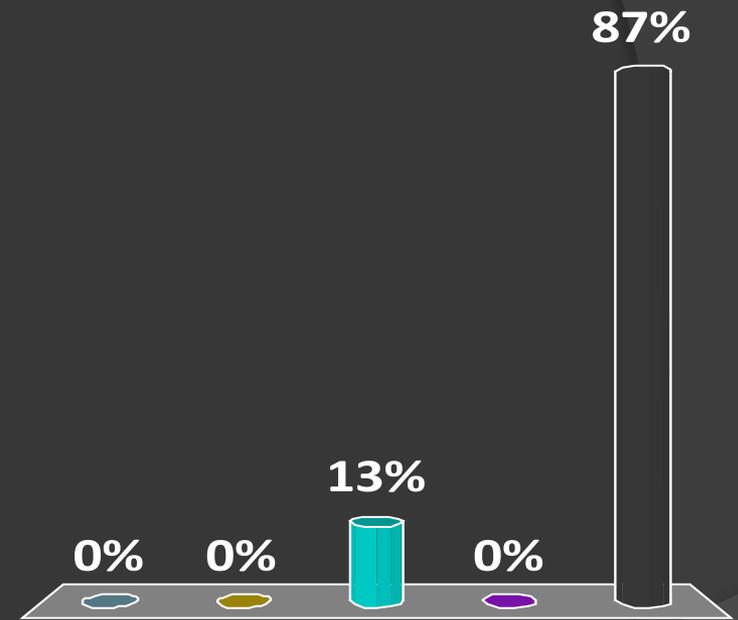
# Ethics #4: Party Tickets

- ◎ Issue: Holiday gifting limits
- ◎ Description: You get invited to a vendor's holiday party, which includes dinner for you and your family. The offer is only for the two employees who they interact with all year round, and it is their way to say "thank you" for exceptional service.

# Ethics #4: Party Tickets



1. It is outside the office, I don't have to say anything to anyone
2. Since there are at least two of us, it is OK
3. Ask your manager
4. I deserve it as a reward for good service
5. Turn it down gracefully



# Notable Quote

“I would rather go out of politics having the feeling that I had done what was right than stay in with the approval of all men, knowing in my heart that I have acted as I ought not to.” – *Theodore Roosevelt*



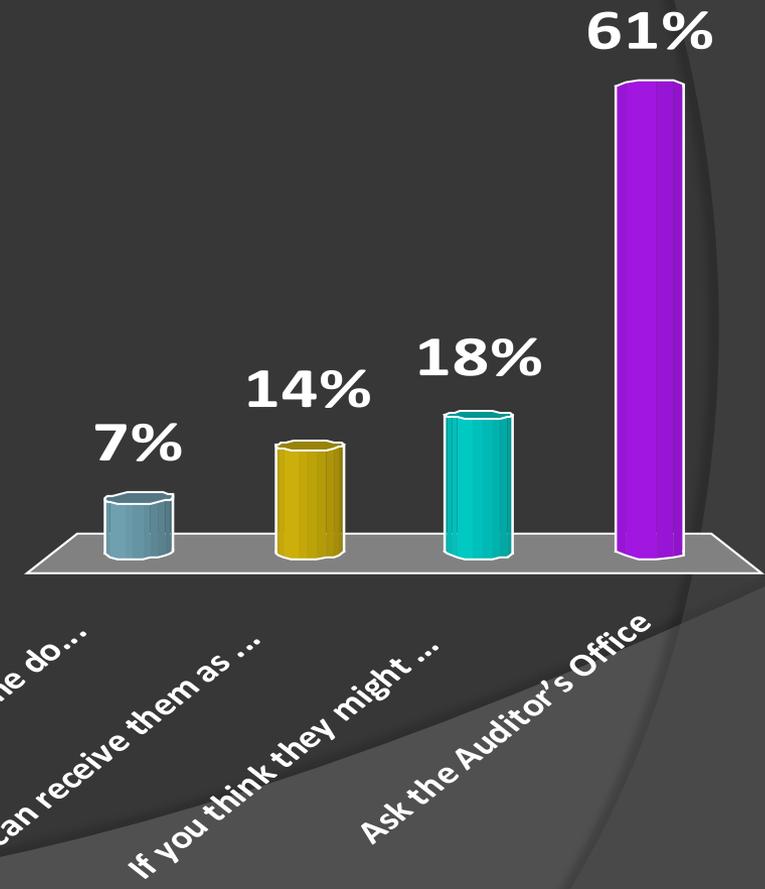
# Ethics #5: Coin Exchange

- ◎ Issue: You see a coworker (a cashier) receive two, one-dollar coins during a transaction with a customer
- ◎ Description: Because your spouse collects dollar coins, you ask to exchange them for \$1 bills when it is quiet and no customers are around

# Ethics #5: Coin Exchange



1. You can trade two one dollar bills for the coins
2. You can receive them as change for a transaction
3. If you think they might have unusual value, notify your manager
4. Ask the Auditor's Office



# Notable Quote

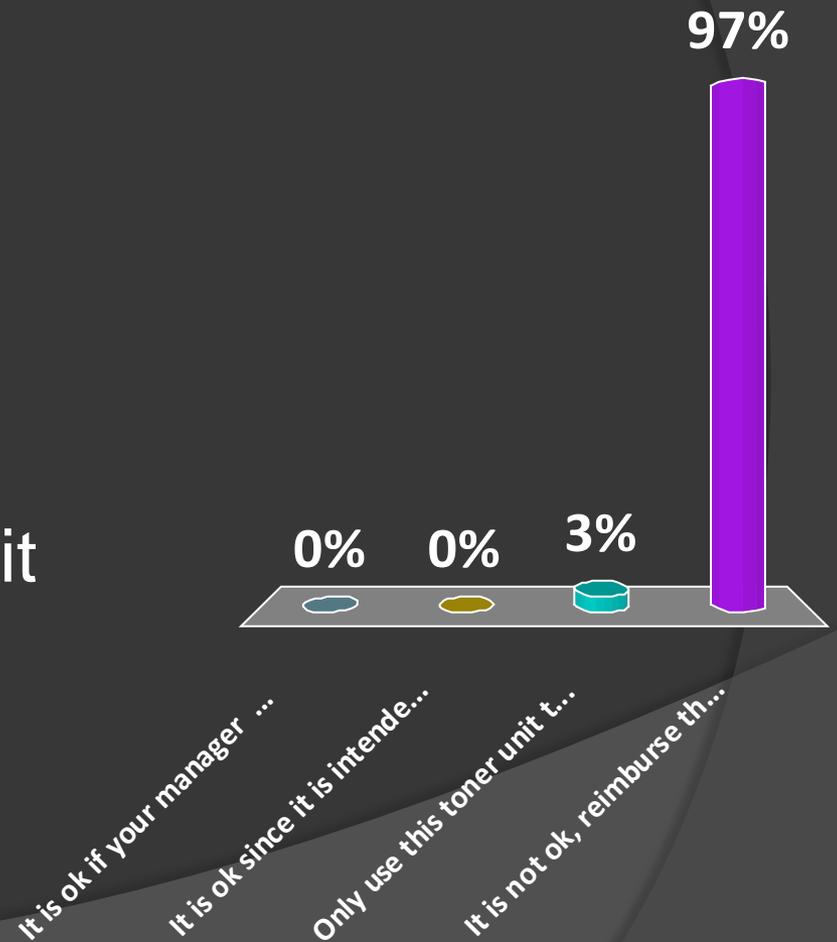
“May we think of freedom not as the right to do as we please but as the opportunity to do what is right.” – *Peter Marshal*

# Ethics #6: Purchasing Card Use

- ◎ Issue: You use a purchasing card to buy office supplies for use at home
- ◎ Description: You use your county purchasing card to buy a new toner cartridge for your home computer's printer to complete a large work job that is due tomorrow at work.

# Ethics #6: Purchasing Card Use

1. It is ok if your manager approved the purchase ahead of time
2. It is ok since it is intended primarily for work
3. Only use this toner unit to print work stuff, and keep it separate from private use
4. It is not ok, reimburse the purchase immediately



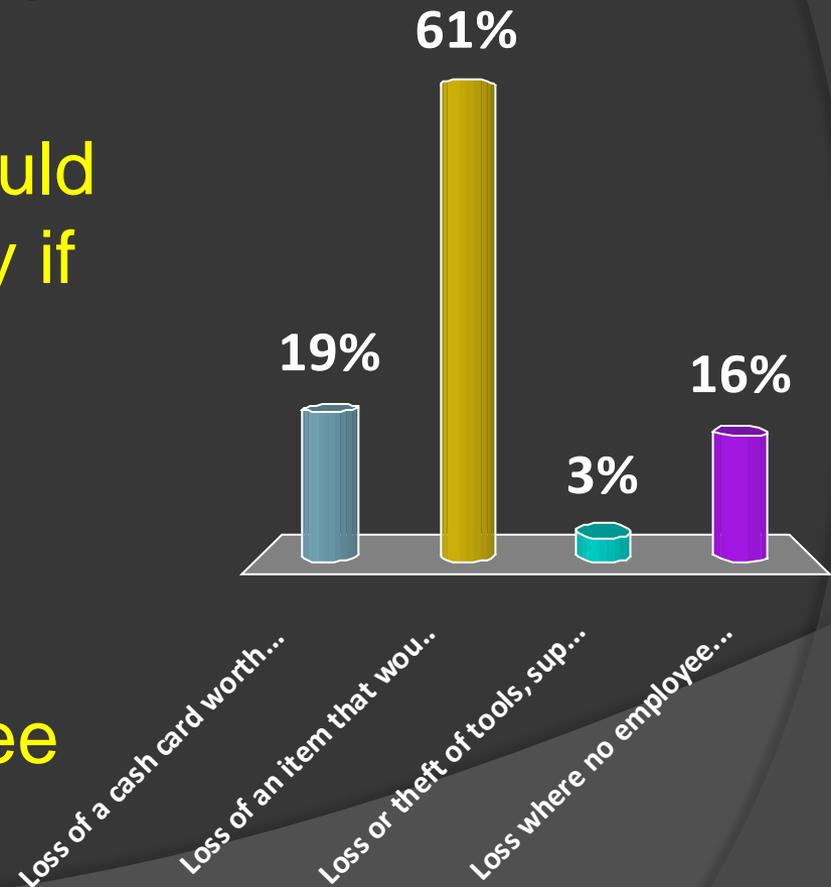
# Notable Quote

“Right is right, and wrong is wrong, and a body ain’t got no business doing wrong when he ain’t ignorant and knows better.”

– *Mark Twain, The Adventures of Huckleberry Finn*

# Ethics #7: Which does not have to be reported to the Internal Auditor's Office?

1. Loss of a cash card worth \$10 or less
2. Loss of an item that would have been thrown away if broken
3. Loss or theft of tools, supplies, or equipment worth under \$50
4. Loss where no employee theft is suspected



# Closing Remarks

Mark Gassaway

- All slides are on the County Auditor's web site
- One last evaluation question with the clickers
- Please put all "clickers" in a pile on your table



# How Was Your Experience Today?

1. Exceptional
2. Useful
3. OK
4. Not so good
5. Didn't meet expectation
6. Thank You..

