CASEWARE™ MONITOR HELPS COUNTY GOVERNMENT IDENTIFY DUPLICATE PAYMENTS, TIGHTEN CONTROLS AND TAKE A PROACTIVE STANCE AGAINST FRAUD

Highlights

- Solution acts as a "virtual employee" that reviews 100% of transactions

- Identification of duplicates resulted in savings and stronger internal controls

Primary Applications

- SAP®
- IDEA® - Data Analysis Software

Challenge

Washoe County, covering Reno, Nevada and many square miles of high plains and forest, felt the recent economic crunch more than most counties in the U.S. Property tax revenue impacted by the mortgage crisis and sales tax revenue linked to high unemployment had a combined drop of approximately 15% since 2007. The State of Nevada planned to divert $48.5 million in pledged funds over the same period. In addition, the county had 2 frauds prior to 2010 totaling millions of dollars in loss.

Washoe County's management was forced to take action including:

- $123 million in spending cuts over a four-year period
- 725 job cuts (16% of workforce) plus pay cuts of 2.5% or more
- Fewer than 6 full-time employees (FTEs) per 1,000 population [national average is 10 FTEs per 1,000]

Staff reductions included the internal audit department, leaving Alison Gordon, CPA, CFE, with the sole responsibility of addressing high-risk issues such as disbursement controls, segregation of duties, continuity of existing business procedures and the prevention of fraud. IA needed a tool to detect and eliminate disbursement errors despite organization-wide resource reductions.

> **CaseWare Monitor helped us identify true duplicates and research the root causes, which uncovered a disbursement procedure that needed adjusting for strong controls. We've taken that success and secured more county agencies to participate in reviewing their own duplicates. Each agency is doing its part to combat fraud, waste and abuse.**
>
> **Alison Gordon**, CPA, CFE
> Internal Auditor
> Washoe County

Solution

The CaseWare Monitor solution provides

- Customized business logic to identify duplicate payments within the Washoe County environment
- Fully automated and scheduled testing
- Comprehensive review of disbursement transactions for a rolling 12-month period
- Immediate reporting of duplicates to assigned persons in the specific department
- Tracking and oversight of timely response and resolution, and
- Capability to fine-tune and modify the business logic as desired

Results

Continuous monitoring provides a "virtual employee" to identify anomalies and review of 100% of transactions. The "virtual employee" highlights risk and control issues within a given audit area and lets her respond in a timely manner.

Key outcomes with CaseWare Monitor Solution:

- Washoe County is reviewing payments on a proactive basis with approximately 20-25 issues reported each month.
- Management receives early notification and has been able to recover payments within thousands of dollars since the beginning of 2012.
- Data collection, storage and management is combined into a single solution and readily available for analysis.
- Based on root cause analysis, process controls requiring modification have been identified and recommendations are in discussion.
- Additional departments are participating and receive their own exception reports for review.

Washoe County is forecasting a modest 1% increase in sales taxes in 2013, however property taxes are forecast to drop another $2.5 million in the upcoming year due to the continued decline in Nevada's housing market. CaseWare Monitor was selected in part for its flexibility to add more reports with ease. As Washoe County continues to respond to predicted shortfalls, additional business units can participate in strengthening controls. The new business logic will expand the business areas and processes that are monitored to ensure proper use of limited funds. Washoe County is gathering the requirements for exceptions in the next focus area.

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