

Spokane County Risk Management Department
Fraud/Theft Training
October 2018

Explanation on how theft occurred:

- 1st party verses 3rd party claims:
 - ✓ 1st party claims are county-owned property loss claims (auto physical damage, fire damage, water damage, equipment loss, etc.) Payments under this type of claim are made to vendors performing the repair and/or replacement.
 - ✓ 3rd Party claims are submitted by the public that allege County liability. Spokane County is provided 3rd party liability coverage through its membership in the Washington Counties Risk Pool (Pool). With the exception of non-covered claims, the Pool issues all payments to claimants and then invoices the member county up to their deductible per claim.
- The Claims Tech position was responsible for 1st-party claims processing.
- The Claims Tech created fictitious 3rd Party claim files:
 - ✓ Used fake and/or repeat claim numbers.
 - ✓ Used family members and acquaintances as claimants.
 - ✓ Created fake Support Documents to justify payment.
 - ✓ Created fake Settlement & Release documents.
- The Claims Tech would submit payment request forms (w/ fictitious claim file) to a “back-up” signatory, on dates that I was absent from the office.
- Back-up signatories reviewed and verified that all documents associated with the claim file matched the payment request and authorized.
- The Claims Tech would write “Please Expedite...Will Pick-up” across the top of the payment request and submit to the Auditor’s Office.
- Once notified, the Claims Tech would pick up the checks and work with the fake claimants to cash the checks
- Finally, the Claims Tech would destroy the associated fictitious claim file and manually adjust the electronic claims program financials to balance with the liability-property fund expenditures for that year.

Loss of public funds recovery:

County procures Crime/Employee Dishonesty Insurance Policy.

- Notice to the insurance carrier upon discovery of the theft
- Provided all required documentation supporting the claim.
- Claim currently being investigated & adjudicated by the insurance claims adjuster.
- No time estimate of when the insurance carrier will provide claim payment to the County
- Anticipate full payment of the claimed loss minus our \$25,000 deductible on the policy

Safeguards

As a result of the internal investigation, we enhanced our internal control procedures by revising and implementing a Departmental Payment Authorization and Signatory Policy that:

- Enhances procedures to verify the validity & accuracy of liability payments vouchers
- Establishes the RM Department director as the primary approver for payments
- Limits when the designated backup may approve payment vouchers
- Requires the RM Director to document review of all voucher request and credit card payments for the preceding month
- Requires staff training (claim processes & payment process)