Office of Administrative Hearings (OAH) — Agency: 110

Audit Report: 6657

Finding Number: 001

Finding: The Office of Administrative Hearings does not have adequate internal controls over payroll which resulted in a misappropriation of $55,360.

Fraud Amount: $55,360

Recovery to Date: $71,185 ($55,360 plus $15,825 in audit costs)

Resolution/Status: The Office of Administrative Hearings (OAH) agrees with the auditor's findings and has taken the following actions:

- The payroll functions have been separated to strengthen internal controls. The accounting manager verifies changes in the payroll system by reviewing changes made by the OAH Human Resources office and any changes requested by employees. A fiscal analyst inputs the leave, attendance, and hours worked into the payroll system and compares to reports from the OAH internal timesheet system. This information is verified by the accounting manager.
- The financial manager reviews and certifies the payroll register to ensure that employees are receiving the correct salary amount each pay period. This certification strengthens internal controls by providing an independent review of the payroll.
- A payroll cancellation report is run and reviewed by the financial manager each pay period to ensure that no warrants are canceled without the approval of the financial manager.
- The incoming mail is now distributed to each section of the fiscal unit by a designated mail person. The payroll checks are distributed to a fiscal analyst.
- Finally, the new state payroll system only allows one check per pay period for each employee. Duplicate and/or additional payroll checks cannot be input into the system.

OAH committed to conducting an internal audit to ensure continued compliance with the recommendations of the auditor. The internal audit was completed, and it verified that OAH implemented the recommendations of the auditor. OAH improved the internal controls for the payroll process by the separation of duties in the fiscal office to ensure that no single person has security or responsibility for the entire process and to require that certain reports be reviewed and verified by staff other than the accounting manager.

OAH has worked closely with the Thurston County Prosecutor's Office to seek restitution from the former accounting manager for the $55,360 plus the $15,825 in audit costs. The Superior Court collected the full amount of $71,185 and sent the amount to OAH in July 2007.

Criminal Action Taken: In May 2007, the former employee was charged in Thurston County Superior Court by the Thurston County Prosecutor's Office with one count of theft in the first degree for multiple occurrences. She entered a plea arrangement that requires her to perform community service, remain crime free for one year, and make full restitution.

Personnel Action Taken: The employee was terminated by the agency.

Amount to be Recovered: The total amount of $71,185 was recovered from the former employee.

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