

Status of Resolution of Reported Frauds

December 2009

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report:	2008 F
Finding Number:	002
Finding:	Food Assistance public funds were misappropriated at the Department of Social and Health Services' Economic Services Administration.
Fraud Amount:	\$74,460
Recovery to Date:	\$20,000
Resolution/Status:	<p>The Department took the following steps to prevent an incident such as the one noted in the finding from happening again:</p> <ul style="list-style-type: none">• In the initial stages of the internal investigation, the Economic Services Administration (ESA) ran a query that included characteristics of the misappropriation case by running and reviewing the "date processed" report to see if there were any questionable timeframes. No additional cases were identified from the report.• In addition to mandatory monthly random supervisory audits and the Basic Food Program management evaluation audits, ESA now requires supervisors to run and review a monthly "date processed" report to see if there are any questionable timeframes. Cases are reviewed and appropriate action taken if a questionable timeframe is identified. Each of the six regions is required to report monthly that offices in their region have completed this requirement. The first report was due on April 10, 2009. All regions report monthly to headquarters when they have completed the review.• On February 25, 2009, the Department sent a memo to the field reminding all field staff about:<ul style="list-style-type: none">◦ The state law and Department policy requiring staff to promptly notify the State Auditor's Office of any known or suspected loss of public funds.◦ Department policy regarding allegations of employee criminal activity.◦ Department policy regarding standards of ethical conduct for employees. <p>After the statewide single audit has been distributed at the federal level, federal agencies will be in a position to work with ESA to determine if the questioned costs identified in the audit need to be adjusted or repaid.</p>
Criminal Action Taken:	Criminal charges were filed and judgment entered for full restitution to the Department. Initially, the ex-employee was charged with welfare fraud, a felony, but was allowed to plead guilty to second-degree attempted theft, a gross misdemeanor, by promising to pay back the money.

Status of Resolution of Reported Frauds

December 2009

Personnel Action Taken: The employee resigned.

Amount to be Recovered: \$78,531 (includes amount of the misappropriation plus \$4,071 in related audit and investigation costs)

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2008 F

Finding Number: 010

Finding: Federal funds were misappropriated at the Department of Social and Health Services' Division of Children and Family Services.

Fraud Amount: \$2,250 *

Recovery to Date: \$0

Resolution/Status: Effective internal controls in this case, which involved a two level review, resulted in discovery of the misappropriation. The supervisor referred the travel reimbursement request to the area administrator due to the amount requested. The area administrator reviewed case entries and contacted clients to confirm whether the social worker actually made home visits as claimed. This led to the discovery of the employee's falsified records.

During June 2009, Children's Administration (CA):

- Contacted the federal agency and determined the appropriate amount to be repaid.
- Submitted financial information to OFR for collection of the misappropriated amount. The collection process will automatically return the federal portion to the granting agency.

The fraud has made CA staff more aware of the need for vigilance when reviewing travel reimbursement requests from staff.

Criminal Action Taken: The individual was charged with theft in the second degree, but did not appear for the scheduled trial.

Personnel Action Taken: Disciplinary action resulted in the termination of the employee involved.

Amount to be Recovered: \$3,780 * (includes amount of the misappropriation plus \$1,530 in related audit/investigation costs)

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* Amounts displayed are preliminary. Final amounts to be determined.

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Department of Social and Health Services (DSHS)

Agency: 300

Audit Report: 2008 F

Finding Number: 014

Finding: Child Care public funds were misappropriated at the Department of Social and Health Service's Economic Services Administration.

Fraud Amount: \$130,377

Recovery to Date: \$0

Resolution/Status: Economic Services Administration reviewed internal controls and implemented an automated process to strengthen existing internal controls. The new process went into effect June 1, 2009, and requires a supervisor review of authorization requests prior to authorizing exception payments.

Annually, all Department employees are required to review and sign the Employee Annual Review checklist that covers the Department's policy on standards of ethical conduct for employees.

Refer also to the resolution for audit report 1001539 finding number 003 on page 27.

Criminal Action Taken: The Office of the Inspector General turned over the entire prosecution packet to the U.S. Attorney's Office. The U.S. Attorney agreed to take the case and prosecute the two nonpermanent employees on criminal charges (fraudulent use of social security numbers when they defrauded the Childcare Program). The agent assigned to the case advised there likely will be no action until early 2010.

Personnel Action Taken: The following personnel actions were taken:

- The two non-permanent employees were dismissed from state service on January 8, 2008.
- The permanent employee was placed on home assignment from January 16, 2008 through February 1, 2008, while the case was investigated by the Washington State Patrol (WSP). The WSP found no wrongdoing on the part of the employee. The employee returned to work February 2, 2008.

Amount to be Recovered: \$134,202 (includes amount of misappropriation plus \$3,825 in related audit/investigation costs). This is the recommendation that will be submitted during the penalty phase of the investigation/prosecution.

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December 2009

Department of Social and Health Services (DSHS)

Agency: 300

Audit Report:	2008 F
Finding Number:	019
Finding:	Public funds were misappropriated at the Department of Social and Health Services' Division of Developmental Disabilities.
Fraud Amount:	\$99,290
Recovery to Date:	\$0
Resolution/Status:	<p>In response to this finding, the Department enhanced oversight of payments and authorized services. In July 2009, the Division of Developmental Disabilities (DDD) implemented changes to its Social Services Payment System (SSPS) monitoring policy to specify monitoring roles and documents that require review. On a monthly basis, supervisors now review payment output reports, one of which was designed to highlight possible duplicate authorizations. The supervisors document their findings in the SSPS Report Reviews database. Findings are retained for at least three years and include documentation of follow-up action taken when problems are noted.</p> <p>Supervisors review one case file per case resource manager (CRM) per year for non-waiver clients and one case file per CRM per quarter for waiver clients. DDD Central Office selects the files to be reviewed either randomly or based on specific criteria, depending on the client's program. Files are monitored for appropriateness of services currently authorized. Any suspected fraud is reported to the Central Contract Services Office and the Division of Fraud Investigations or Medicaid Fraud Control Unit (MFCU) as appropriate.</p> <p>The Department is seeking to recover the amount misappropriated by the employee and the home health agency as well as all investigative costs.</p> <p>Refer also to the resolution for audit report 1001539 finding number 003 on page 27.</p>
Criminal Action Taken:	In February 2008, the Department referred the employee who misappropriated \$8,290 and the home health agency that received approximately \$91,000 to the Attorney General's Office and MFCU. Charges have been filed and all parties pleaded guilty.
Personnel Action Taken:	The employee resigned.
Amount to be Recovered:	\$99,290

State of Washington

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