

**Status of Resolution of Reported Fraud Findings**

December 2010

**Department of Social and Health Services (DSHS)****Agency: 300****Audit Report:** 1003241**Finding Number:** 001**Finding:** Employee misappropriated at least \$13,852 in public funds from the Department between October 1, 2007, and April 23, 2008. Accounting records were falsified in an attempt to conceal these losses.**Fraud Amount:** \$13,852**Recovery to Date:** \$0**Resolution/Status:** When the misappropriation of funds was discovered, the Department contacted the Washington State Patrol (WSP) and the State Auditor's Office (SAO). The WSP initiated an investigation. Additionally, the manager of the office in which this occurred contacted the Department's Internal Audit program and requested a review of internal controls. The Department immediately began implementing the recommendations made by the Internal Audit program. These changes were in line with the recommendations made by SAO in their investigation report. All corrective action was completed by April 2009.

In response to issues regarding processing expedited warrants, the Department implemented the following procedures:

- Social Service Payment System (SSPS) requires that expedited payments are reviewed and signed by a program manager and the SSPS Operations Manager prior to submission for issuance. The Operations Manager only signs in blue ink as directed by the SAO.
- The original expedited request form must be mailed to SSPS at the time the fax is sent to SSPS.
- Payment registers and warrants are reconciled against processed expedited payment requests by at least two other Customer Support Unit (CSU) staff members (not including the person who created the payment request).
- CSU employees put the warrant into the mail under the direct supervision of at least one other person.
- The negotiables database automatically logs the staff processing warrants from their system login.

In response to issues concerning the handling of negotiables, including undeliverable warrants, the following actions were taken:

- CSU acquired and is using a safe as well as a locking mail receptacle for storing negotiables. Access is limited to the operations manager, program manager supervisor, CSU supervisor, and CSU leadworker.
- Procedures were developed that require the handling of negotiables under direct supervision of the CSU Supervisor, utilization of the safe, and automated identification of staff processing warrants.

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- Staff was trained in the negotiable handling process and procedures, and provided input on how best to manage the process. Also, the process was updated in staff desk manuals.
- Two or more CSU staff members are required to open mail and log warrants into a database that automatically identifies the staff processing the warrants from their logon IDs. A third person secures the warrants in a secure cabinet or the safe in the presence of the two warrant processors.
- The warrants remain locked in secure storage until research has been completed and they are ready for disposition.
- A third person retrieves the warrants from secure storage for the CSU staff members who will mail the warrant.
- A fourth person oversees the staff member that logs disposition and mails the warrant.
- A monthly reconciliation of all incoming and outgoing warrants and warrants remaining in secure storage is performed by two program managers, signed and dated by the CSU supervisor, and reviewed and signed by the operations manager prior to being filed. Any discrepancies are accounted for with no exceptions.

**Criminal Action Taken:** The employee was convicted of theft in the first degree on January 14, 2009, and ordered to pay restitution.

**Personnel Action Taken:** The employee was terminated from her position by the Department.

**Amount to be Recovered:** \$17,694 (\$13,852 misappropriation plus \$3,842 investigation costs)

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