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**Department of Natural Resources (DNR)**

**Agency: 490**

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**Audit Report:** 1012889

**Finding Number:** 001

**Finding:** On December 9, 2013, the Department's internal audit manager notified the State Auditor's Office(SAO) regarding a potential loss of public funds, as required by state law.

The Department conducted an investigation into the matter and determined that a violation of Department policies did occur at the Larch Corrections Center equipment maintenance shop, which led to an estimated loss to the state of approximately \$63,000 between July 1, 2011 and November 30, 2013. SAO reviewed the Department's investigation and agree with the conclusions.

The Department shared the results of its investigation with the state Executive Ethics Board.

**Fraud Amount:** \$63,000

**Amount to be recovered:** \$68,340 (includes \$5,340 audit costs)

**Recovery to Date:** \$0

**Resolution/Status:** Corrective action on the auditor's recommendations was initiated prior to the publication of the audit report. As of September 2014, the Department created a new shop operations manager position to address many of issues identified in the investigation.

In late 2014, the new shop operations manager began monitoring and auditing inventory purchases made by all Department equipment repair shops. In addition, each repair technician and supervisor is held responsible for ensuring purchases comply with existing purchasing rules and authorities. The supervisors and technicians received ongoing training on both the Department's existing purchasing policies and procedures and their roles and responsibilities. In light of the implementation of a replacement fleet management system in November 2015, additional training was provided on inventory management and parts processing. Inventory and parts processing procedures will be updated to align with the new system, and training on the new procedures will be completed in the first half of 2016.

By early 2015, the new shop operations manager established stock levels and ensured that purchased items were properly recorded in inventory records. The shop operation manager ensures the annual physical inventory of the parts storerooms is properly conducted according to Department procedures, and includes a reconciliation to the state's accounting system. By November 2016, the agency's parts inventory procedures will also be updated to accommodate the new fleet management system. Stock levels will be re-evaluated and established in the new system.

## Status of Audit Resolution

December 2015

The new shop operations manager periodically audits the Department's vehicle maintenance records to ensure excessive or inappropriate repairs have not taken place. This includes ensuring that the type of part purchased corresponds to the type of vehicle it was purchased for as well as monitoring for unusually excessive repairs to a vehicle.

The Executive Ethics Board is currently performing an investigation to determine if fines or restitution will be assessed on behalf of the Department. The Department's internal auditor has reviewed the corrective action measures and has indicated that they adequately address the auditor's recommendations.

- Personnel Action Taken:** The individuals involved have been reassigned.
- Criminal Action Taken:** This case was referred to the Clark County Prosecuting Attorney's Office.
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