

State of Washington  
 Status of Audit Resolution  
 December 2018

Department of Social and Health Services

Agency 300

Audit Report	Finding Number	Finding and Resolution
1020632	001	<p>Finding: The Department of Social and Health Services did not adequately monitor its contracted supported living providers resulting in misappropriation of client funds between March 9, 2013, and March 2, 2015.</p> <p>Fraud Amount: \$15,333</p> <p>Amount to be Recovered: \$0</p> <p>Recovery to date: \$15,333 reimbursed to affected clients by providers</p> <p>Resolution /Status: This fraud finding involved three service providers who misappropriated client funds.</p> <p>As of February 2018, the Department:</p> <ul style="list-style-type: none"> <li>• Issued the three providers Statement of Deficiency letters and performed additional reviews of client funds to ensure there is no risk of additional loss to other clients.</li> <li>• Conducted follow-up reviews with the three providers. The reviews verified and ensured the providers have the following controls in place:             <ul style="list-style-type: none"> <li>○ Implement policies and procedures to adequately safeguard client funds and track all client income and benefits.</li> <li>○ Perform monthly reconciliations of client funds and a second individual reviews the reconciliations to ensure accuracy.</li> <li>○ Require purchases made with, or withdrawals of, client funds to be fully supported by documentation and made only for allowable purposes.</li> <li>○ Complete and maintain updated individual financial plans for all clients in accordance with Department rules.</li> </ul> </li> </ul> <p>The Department will continue to monitor contracted providers' internal controls to ensure they are adequate to prevent client fund misappropriation. In addition, the Department will continue to conduct regular client fund reviews for supported living providers across the state.</p> <p>Personnel            Action Taken: Not applicable</p> <p>Criminal            Action Taken: Not applicable</p> <p>Agency            Contact: Rick Meyer            External Audit Compliance Manager            PO Box 45804            Olympia, WA 98504-5804            (360) 664-6027  <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

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1020734	001	<p>Finding: The Department of Social and Health Services did not adequately monitor its contracted supported living provider resulting in misappropriation of client funds between May 28, 2015, and November 29, 2016.</p> <p>Fraud Amount: \$18,858</p> <p>Amount to be Recovered: \$0</p> <p>Recovery to date: Misappropriated funds and questionable transactions totaling \$18,858 were reimbursed to affected clients by provider.</p> <p>Resolution /Status: This fraud finding involved a former finance manager of the provider who misappropriated client funds.</p> <p>As of December 2017, the Social Security Administration and the Department terminated the status of the provider as the representative payee for the clients.</p> <p>As of January 2018, the Department appointed new representative payees to the affected clients.</p> <p>The Department will continue to monitor contracted providers' internal controls to ensure they are adequate to prevent client fund misappropriation. In addition, the Department will continue to conduct regular client fund reviews for supported living providers across the state to ensure:</p> <ul style="list-style-type: none"> <li>• Policies and procedures adequately safeguard client funds.</li> <li>• Providers are tracking all client income and benefits.</li> <li>• Monthly reconciliations of client funds are performed and independently reviewed to ensure accuracy.</li> <li>• Purchases or withdrawals of client funds are only for allowable purposes and are fully supported by documentation.</li> </ul> <p>Personnel Action Taken: Not applicable</p> <p>Criminal Action Taken: In October 2017, the former Manager pled guilty in federal court to one count of Social Security Fraud – Representative Payee Fraud and was ordered to pay \$15,984 in restitution to the Social Security Administration.</p> <p>Agency Contact: Rick Meyer          External Audit Compliance Manager          PO Box 45804          Olympia, WA 98504-5804          (360) 664-6027  <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

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Audit Report	Finding Number	Finding and Resolution	
1022310	001	<p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>The Department of Social and Health Services did not adequately monitor its contracted supported living provider resulting in misappropriation of client funds between December 31, 2014, and June 30, 2016.</p> <p>\$31,963</p> <p>\$0</p> <p>Misappropriated funds totaling \$31,963 were reimbursed to the Department.</p> <p>This fraud finding involved a former Department employee receiving food, childcare and medical benefits that she was not qualified to receive.</p> <p>The auditors determined that internal controls at the Department were not adequate to safeguard public resources. As part of a continuous quality improvement effort, the Department:</p> <ul style="list-style-type: none"> <li>• Enacted changes to improve internal controls over eligibility determinations, in collaboration with the Department of Children, Youth and Families, for Child Care Subsidy Programs. Many of these changes were implemented after the timeframe for this investigation, and focused on reducing errors related to household composition and ensuring appropriate secondary review for high-risk cases.</li> <li>• Convened a workgroup to develop sufficient procedures to ensure fraud is reported appropriately in accordance with Department policies and include referring to other Agencies as necessary.</li> </ul> <p>By January 2019, an administration-wide policy will be implemented to provide guidance to staff about fraud reporting requirements to federal grantors and other state agencies that are involved in the fraud.</p> <p>The employee was terminated in October 2017.</p> <p>In March 2017, the case was referred to the Kitsap County Prosecutor’s Office. In October 2017, the employee entered into an agreement with the county’s Felony Diversion Program and paid restitution to the Department. The employee also signed a Disqualification Consent Agreement with the Department agreeing she would be disqualified from basic food assistance for one year.</p> <p>Rick Meyer          External Audit Compliance Manager          PO Box 45804          Olympia, WA 98504-5804          (360) 664-6027  <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>

Audit Report	Finding Number	Finding and Resolution
1022311	001	<p>Finding: The Department of Social and Health Services did not adequately monitor its contracted supported living providers resulting in misappropriation of client funds between April 2, 2015, and February 6, 2018.</p> <p>Fraud Amount: \$19,369</p> <p>Amount to be Recovered: \$0</p> <p>Recovery to date: \$19,369 reimbursed to affected clients by the providers included in the investigations.</p> <p>Resolution /Status: This fraud finding involved four service providers who misappropriated client funds.</p> <p>As of September 2018, the Department has:</p> <ul style="list-style-type: none"> <li>• Confirmed all affected clients from Provider A, B, C and D have been fully reimbursed.</li> <li>• Issued a Statement of Deficiency letter, citing Provider A for failure to adequately monitor client funds.</li> <li>• Issued a Statement of Deficiency letter, citing Provider C for failure to reconcile and verify client accounts on a monthly basis and for failure to develop a plan to protect clients from financial exploitation.</li> <li>• Referred Provider B for criminal investigation.</li> <li>• Submitted a report to the Police Department regarding Provider D for criminal investigation.</li> </ul> <p>The Department is currently:</p> <ul style="list-style-type: none"> <li>• Working with service providers to ensure they have adequate policies and procedures in place to safeguard client funds and to track all client income and benefits.</li> <li>• Ensuring client withdrawals and/or purchases have supporting documentation and are for allowable purposes.</li> <li>• Monitoring service providers to ensure reconciliations of client funds are performed monthly and verified by a second individual for accuracy and completeness.</li> <li>• Conducting clients fund reviews, within available staffing resources, for supported living providers across the state.</li> </ul> <p>By June 2019, the Department will:</p> <ul style="list-style-type: none"> <li>• Provide service providers optional templates that may be used for creating individual financial plans for clients.</li> <li>• Develop a provider bulletin for all service providers related to money management for clients.</li> <li>• Conduct additional reviews of client funds at Provider B and ensure no other clients are at risk of financial loss.</li> </ul> <p>By December 2019, the Department will offer training to service providers that focuses on safeguards and prevention of client financial exploitation and theft.</p>

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Audit Report	Finding Number	Finding and Corrective Action	
1022311	001 (cont'd)	<p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>Provider B has terminated the employee. The former employee paid \$200 in restitution to Provider B in April 2018.</p> <p>Provider B:</p> <ul style="list-style-type: none"> <li>• Referred the investigation to the Seattle police and an investigation is pending.</li> <li>• Three clients are pressing charges against the former employee.</li> </ul> <p>Provider C:</p> <ul style="list-style-type: none"> <li>• Submitted reports to the Bellevue Police Department, as well as the Department's Complaint Resolution Unit and Adult Protective Services.</li> <li>• Has an ongoing investigation by the Bellevue Police Department, An individual not connected to the Provider has been identified in connection with the theft; however, charges have not been filed at the time of this report.</li> </ul> <p>Provider D:</p> <ul style="list-style-type: none"> <li>• Submitted a report to the Kennewick Police Department, and an investigation is pending.</li> </ul> <p>Rick Meyer            External Audit Compliance Manager            PO Box 45804            Olympia, WA 98504-5804            (360) 664-6027  <a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a></p>