

State of Washington  
 Status of Audit Resolution  
 December 2016

Department of Social and Health Services

Agency 300

| Audit Report | Finding Number | Finding and Resolution   |
|--------------|----------------|--|
| 1016250      | 001            | <p>Finding: The Department of Social and Health Services notified the auditors of a suspected payroll overpayment. An investigation was conducted and determined that an employee at Western State Hospital was paid from July 16, 2011, to July 15, 2015, for hours he did not work. The overpayments occurred mostly because the employee routinely did not work one of his scheduled days and failed to submit leave slips to cover his absences.</p> <p>Fraud Amount: \$71,753</p> <p>Amount to be recovered: \$96,559 (including \$24,806 audit cost)</p> <p>Recovery to date: \$19,788</p> <p>Resolution/Status: As of February 2016, the Department implemented the following process to strengthen internal controls:</p> <ul style="list-style-type: none"> <li>• Physicians are required to attest to their presence at work on Accountability Forms and submit them to immediate supervisors on a weekly basis. Supervisors are required to report any noted discrepancies between time worked and schedules to the Chief Medical Officer.</li> <li>• After supervisor review, the Accountability Forms are sent to the Medical Director’s office for review.</li> <li>• Each month before payroll is processed, employee timesheets and schedules are submitted to the Medical Director’s office for reviews. If there is a discrepancy between the Accountability Forms and timesheets, employees are required to submit leave slips and correct their timesheets accordingly.</li> <li>• After approval by the Medical Director’s office, monthly timesheets are forwarded to the payroll office.</li> </ul> <p>As of June 2016, the Chief Medical Officer reviewed the new process and confirmed that the Accountability Forms have been submitted. The Department will work with the Department’s Human Resource Division to look at the feasibility of adding Time and Attendance policy on the Employee Annual Review Checklist by June 2017.</p> <p>As a result of this audit, supervisors were reminded about their responsibilities concerning suspected loss and were required to report any noted discrepancies to the Chief Medical Officer. Current administrative policy requires the Chief Medical Officer to inform the Department’s Operations Review and Consultation (ORC) when there is any suspected loss. ORC will then notify the State Auditor’s Office.</p> |



State of Washington  
 Status of Audit Resolution  
 December 2016

Department of Social and Health Services

Agency 300

| Audit Report | Finding Number | Finding and Resolution  |
|--------------|----------------|---|
| 1016927      | 001            | <p>Finding: An investigation completed at the Department of Social and Health Services determined at least \$9,127 of client funds were misappropriated by a supported living agency employee between May and December 2014.</p> <p>Fraud Amount: \$9,127</p> <p>Amount to be recovered: \$9,127</p> <p>Recovery to date: \$7,668</p> <p>Resolution/Status: The Department will continue to monitor its contracted supported living agencies that manage client funds.</p> <p>To ensure compliance with client health and safety standards, the Department’s Residential Care Services uses contractors to perform certification evaluations of supported living agencies. Each agency has a signed contract in place which is monitored by the Department’s Developmental Disabilities Administration (DDA). The contracts contain policies and requirements pertaining to management of client finances.</p> <p>To help ensure clients are protected from financial exploitation, the Department:</p> <ul style="list-style-type: none"> <li>• Hired DDA staff dedicated to assist with client financial programs within the supported living facilities and provided consultation on financial questions.</li> <li>• Communicated recommendations from the Department’s internal audit unit to help providers with creating a better monitoring system for client funds. The system will provide monthly financial records showing various ledger activities with supporting documentation. Providers will also be trained on how to reconcile their financial records.</li> </ul> <p>When financial exploitation is substantiated, the Department will ensure:</p> <ul style="list-style-type: none"> <li>• Contract terms and conditions are followed.</li> <li>• Department policies and procedures are adhered to.</li> <li>• Client’s financial losses due to the supported living agency’s mismanagement are paid to the client by the supported living agency.</li> </ul> <p>Personnel Action Taken: In April 2015, the employee was added to the Aging and Disability Services Registry and was disqualified from working with vulnerable adults in the state of Washington.</p> |

State of Washington  
 Status of Audit Resolution  
 December 2016

Department of Social and Health Services

Agency 300

| Audit Report | Finding Number  | Finding and Resolution                        |  |
|--------------|-----------------|---|--|
| 1016927      | 001<br>(cont'd) | Criminal Action Taken:<br><br>Agency Contact: | The Everett Police Department completed their investigation and the case was referred to the Snohomish County Prosecuting Attorney's Office. To date, \$7,668 was recovered. The supported living agency filed for bankruptcy and is no longer in business.<br><br>Rick Meyer<br>External Audit Compliance Manager<br>PO Box 45804<br>Olympia, WA 98504-5804<br>(360) 664-6027<br><a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a> |

State of Washington  
 Status of Audit Resolution  
 December 2016

Department of Social and Health Services

Agency 300

| Audit Report | Finding Number | Finding and Resolution   |
|--------------|----------------|--|
| 1017265      | 001            | <p>Finding: An investigation completed at the Department of Social and Health Services determined that a supported living agency employee misappropriated more than \$58,000 in client and program funds between January 2011, and April 2015.</p> <p>Fraud Amount: \$58,856</p> <p>Amount to be recovered: \$35,000 based on approved plea deal</p> <p>Recovery to date: \$35,000</p> <p>Resolution/Status: The Department will continue to monitor its contracted supported living agencies that manage client funds.</p> <p>To ensure compliance with client health and safety standards, the Department’s Residential Care Services uses contractors to perform certification evaluations of supported living agencies. Each agency has a signed contract in place which is monitored by the Department’s Developmental Disabilities Administration (DDA). The contracts contain policies and requirements pertaining to management of client finances.</p> <p>To help ensure clients are protected from financial exploitation, the Department:</p> <ul style="list-style-type: none"> <li>• Hired DDA staff dedicated to assist with client financial programs within the supported living facilities and provided consultation on financial questions.</li> <li>• Communicated recommendations from the Department’s internal audit unit to help providers with creating a better monitoring system for client funds. The system will provide monthly financial records showing various ledger activities with supporting documentation. Providers will also be trained on how to reconcile their financial records.</li> </ul> <p>When financial exploitation is substantiated, the Department will ensure:</p> <ul style="list-style-type: none"> <li>• Contract terms and conditions are followed.</li> <li>• Department policies and procedures are adhered to.</li> <li>• Clients’ financial losses due to the supported living agency’s mismanagement are paid to the client by the supported living agency.</li> </ul> <p>The amount misappropriated in this finding was from both the supported living agency and the clients. The Department met with the supported living agency and ensured that the \$35,000 restitution was first applied to client accounts before the house account. The supported living agency had fully repaid all clients affected by the fraud.</p> |

State of Washington  
 Status of Audit Resolution  
 December 2016

Department of Social and Health Services

Agency 300

| Audit Report | Finding Number  | Finding and Resolution  |   |
|--------------|-----------------|-------------------------|---|
| 1017265      | 001<br>(cont'd) | Personnel Action Taken: | The supported living agency employee was terminated for mismanagement in April 2015.  |
|              |                 | Criminal Action Taken:  | The Enumclaw Police Department completed their investigation and the employee was charged with multiple counts of thefts in the first degree. In March 2016, the employee negotiated a plea deal of one reduced charge of Theft in the second degree and was required to pay \$35,000 in restitution. |
|              |                 | Agency Contact:         | Rick Meyer<br>External Audit Compliance Manager<br>PO Box 45804<br>Olympia, WA 98504-5804<br>(360) 664-6027<br><a href="mailto:Richard.meyer@dshs.wa.gov">Richard.meyer@dshs.wa.gov</a>   |