

Washington State Auditor's Office
Fraud Investigation Report

Snohomish County

Investigation Period
January 1, 2010 through January 31, 2012

Report No. 1010331

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September 3, 2013



WASHINGTON
TROY KELLEY
STATE AUDITOR



**Washington State Auditor
Troy Kelley**

September 3, 2013

Council and Executive
Snohomish County
3000 Rockefeller Avenue
Everett, Washington 98201-4046

Report on Fraud Investigation

Attached is the official report on a potential loss at Snohomish County. On December 9, 2011, the County notified the State Auditor's Office of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of the former Engineering Technician IV's activities at the County from January 1, 2010 through January 31, 2012. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

Questions about this report should be directed to Fraud Manager, Sarah Walker at (509) 454-3621.

TROY KELLEY
STATE AUDITOR

cc: Ms. Sharyl Raines, Controller

Fraud Investigation Report

**Snohomish County
January 1, 2010 through January 31, 2012**

INVESTIGATION SUMMARY

On December 9, 2011, the County Controller notified our Office regarding a potential loss of public funds as required by state law.

The County initiated an internal investigation and determined an Engineering Technician with the Surface Water Management Division was misreporting his actual hours worked on his timesheet, which the County identified as a loss totaling \$50,555 between January 1, 2010 and January 31, 2012. The County provided its investigation on January 22, 2013.

The County notified the Snohomish County Prosecuting Attorney's Office of this case.

BACKGROUND AND INVESTIGATION RESULTS

Snohomish County operates on an annual budget of approximately \$592 million including \$9 million for the Surface Water Management Department payroll and benefits for approximately 89 employees.

An Engineering Technician worked for the Surface Water Management Department as an hourly non-exempt employee. His daily work schedule was from 6 a.m. to 4:30 p.m. with a 30 minute break for lunch. County policy requires him to follow this established schedule unless he receives prior approval from a supervisor to vary it. A supervisor, with the same schedule, reported that he had observed the Engineering Technician frequently arriving to work late.

The County's investigation focused on payroll and benefits of the former employee. The County reviewed the employee's key card entry and exit records to/from the County garage and building to determine when the employee arrived and departed from the County campus. The investigation determined that the employee was not at work for 1,331 hours of the 4,297 hours recorded on his timesheet. Based on the key card records, the County believes the following overpayments were made:

Payroll/Benefits	2010	2011	2012	Total
Wages	17,472.77	21,383.00	738.56	39,594
Medical Benefits	2,904.95	4,258.12	138.35	7,301
Dental Benefits	334.88	420.82	13.34	769
Vision Benefits	53.76	65.79	2.07	122
Life Insurance	29.81	36.47	1.15	67
Sick Leave adjustment				961
Vacation adjustment				1,741
				50,555

In order to determine if any additional loss occurred, we examined systems to which the former Engineering Technician had access. We reviewed mileage and fuel purchase records and did not find additional loss.

In November 2011, County management interviewed the former Engineering Technician which led to further investigative work. In December 2011, County management again interviewed the former employee who stated that he had been arriving to work late and leaving early without the required approval from a supervisor. The Engineering Technician resigned in January 2012.

We reviewed the County's investigation and agree with its conclusions.

CONTROL WEAKNESSES

Internal controls at the County were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- The former employee did not accurately report time worked on his timesheet and the inaccuracies were not detected by management.

RECOMMENDATION

We recommend the County strengthen internal controls to ensure there is adequate monitoring of employees' reported working hours to safeguard public resources and comply with County policies.

We also recommend the County seek recovery of the overpaid wages and benefits of \$50,555 and related investigation costs of \$1,170.40 from the former Engineering Technician and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the County must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Sharon Payant is the contact person for the Attorney General's Office and can be reached at (360) 586-1912 or sharon.payant@atg.wa.gov. The contact for the State Auditor's Office is Sadie Armijo, Deputy Director State and Local Audit, who can be reached at (360) 676-2165 ext. 108 or sadie.armijo@sao.wa.gov.

COUNTY'S RESPONSE

- *The County concurs with the auditor's findings. A thorough investigation was performed by County staff and submitted to the local police department as well as the Prosecuting Attorney's Office. The Prosecuting Attorney deemed it not in the County's best interest to pursue criminal charges, but will be pursuing civil remedies.*
- *To correct the time management control deficiencies identified during the County's internal investigation, all Surface Water vehicles will be equipped with Global Positioning Satellite (GPS) Technology devices within the next 12 months. This technology will provide management the tools to review field staff times and locations as compared to workload and approved leave. In addition, the County is in process of seeking an automated time management solution that will provide specific arrival and departure times of staff and allow management to timely identify anomalies in time reported as worked.*

STATE AUDITOR'S OFFICE REMARKS

We thank County officials and personnel for their assistance and cooperation during the investigation.



ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

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