

FRAUD INVESTIGATION REPORT

Investigation Summary

The University of Washington's Internal Audit Department notified our Office regarding three potential losses of public funds, as required by state law.

The University initiated an investigation into each of the three reported cases and determined that misappropriation totaling \$52,893 had occurred between February 16, 2012 and January 20, 2015. We reviewed the University's investigation for each of the cases and agree with the conclusions reached.

The total loss allocates as follows:

Date SAO Notified of the Loss	Reporting Unit	Description of misappropriation	Dates From/To	Amount of Loss
February 4, 2015	Office of Minority Affairs and Diversity	Student employee in the Instructional Center was processing invalid refunds on his Husky Card.	Feb 2012 - Jan 2015	\$32,494
May 15, 2014	UW Medical Center – Health Information Management	Two employees who telecommute over- reported hours worked.	Jul 2013 - Mar 2014	\$12,370
December 23, 2013	UW Medicine – Information Technology Services	ITS employee misused on-call parking pass and over-reported hours worked.	Jun 2012 – Jan 2014	\$8,029

We will refer these cases to the King County Prosecuting Attorney's Office.

Background and Investigation Results

The University, headquartered in King County, operates on an annual budget of approximately \$6 billion, including \$121.4 million for UW School of Medicine, \$12.4 million for UW Medical Center, and \$6.9 million for the Office of Minority Affairs and Diversity.

The University's Internal Audit Department conducted an investigation into all three cases. Our focus was on reviewing the results of the internal investigations to determine if

misappropriations occurred. In all three cases, we chose to rely on the work performed by the Internal Audit Department. Details of each case are listed below:

Office of Minority Affairs and Diversity – Instruction Center

A student tutor at the Office of Minority Affairs and Diversity Instructional Center misappropriated University funds by processing invalid refunds on his personal Husky Card between February 16, 2012 and January 20, 2015.

The University's Internal Audit Department conducted an investigation that reviewed user activity for the period January 1, 2012 through February 2, 2015 and concluded that the student misappropriated a total of \$32,494 by processing 96 invalid refunds on his Husky Card over a three-year period. The student had worked for the Center since January 2012.

The student was interviewed by the UW Police Department on February 5, 2015 and said he had placed unauthorized refunds onto his UW Husky Card during his employment at the Instructional Center.

The case has been referred to the King County Prosecuting Attorney.

We reviewed the University's investigation and agree with the conclusions reached.

UW Medical Center – Health Information Management

Two University of Washington Medical Center (UWMC) employees were overpaid a total of \$12,370 between July 2013 and March 2014 by claiming hours not worked. The employees were outpatient coders for the Health Information Management Unit and had worked for the University for 7.5 and 13 years, respectively. Internal Audit performed an analysis of system activity to identify unacceptable gaps in productivity, using established productivity standards. The investigation concluded that a total of 522 hours were over-reported, resulting in an overpayment of \$12,370 allocated as follows:

Employee	Hours	Amount
Employee 1	303	\$7,287
Employee 2	219	\$5,083

Both employees were interviewed by Internal Audit and denied misreporting time. Both employees have resigned.

We reviewed the University's investigation and agree with the conclusions reached.

UW Medicine – Information Technology Services

An employee of UW Medicine Information Technology Services misappropriated \$8,029 in University resources during the period June 2012 through January 2014 by misusing his on-call parking pass and over-reporting hours worked. The employee had worked for the Data Center Operations and Monitoring unit of Information Technology Services since 2011.

Internal Audit conducted an investigation after being alerted to the potential abuse. The investigation focused on reviewing parking records to identify instances when the on-call pass was used during regular work hours. The investigation concluded that the employee misused his parking pass 280 times, resulting in a total misappropriation of \$5,285.

During the review of parking records, Internal Audit discovered that the employee also over-reported hours worked by claiming a full shift when he left early. The employee was overpaid for a total of 112 hours, resulting in a loss of \$2,744.

Internal Audit conducted interviews with the employee in January and February of 2014. He denied the allegations. He resigned effective February 24, 2014.

We reviewed the University's investigation and agreed with the conclusions reached.

System Access

In order to determine if any additional misappropriations occurred, we inquired if the employees had access to other systems and/or activities that were susceptible to misappropriation. The three employees did not have access to any key financial or reporting systems.

Control Weaknesses

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

- In all three cases, management did not properly monitor employee activities.
- The UW Medicine Data Center Operations and Monitoring Unit did not have documented policies and procedures on the proper use of the on-call parking passes. As a result, management's expectations were not clearly communicated to employees.
- The Office of Minority Center and Diversity Instruction Center did not regularly reconcile refund activity and revenue. During the initial set-up, the card reader was not set up to require a PIN number for refund activity.

Recommendation

We recommend the University strengthen internal controls over the use of on-call parking passes, the issuance of refunds on a Husky Card, and the monitoring of time for employees who telecommute, to ensure adequate oversight and monitoring to safeguard public resources and compliance with University policies. We also recommend that the University improve documentation of policies and procedures in each of the areas identified.

We recommend the University seek recovery of the misappropriated \$52,893 and related investigation costs from the former employees and/or its insurance bonding company, as appropriate. Our investigation costs were:

- Office of Minority Affairs and Diversity—\$1,597.74
- UW Medical Center – Health Information Management—Employee 1, \$941.21; Employee 2 \$656.53
- UW Medicine – Information Technology Services—\$1,597.74

Any compromise or settlement of this claim by the University must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.330). Assistant Attorney General Matthew Kernutt is the contact person for the Attorney General’s Office and can be reached at 360-586-0740 or mattk1@atg.wa.gov. The contact for the State Auditor’s Office is Sadie Armijo, Deputy Director of Local Audit, who can be reached at (360) 902-0362 or Sadie.Armijo@sao.wa.gov.

University’s Response

The University of Washington agrees with the internal control recommendations made by the State Auditor’s Office and will proceed to seek restitution from the employees identified in these investigations. These same internal control recommendations were included in the reports issued by the University of Washington Internal Audit Office and the management teams in each of the units involved have instituted new processes and controls to reduce the risk of future similar occurrences. A summary of these actions is included below:

The Office of Minority Affairs and Diversity Instruction Center has reconfigured their Husky Card reader to require the use of a PIN to process refunds, and only the Center Director and Office Support Supervisor have been provided with PINs. A log of Husky Card transactions is being reviewed daily by the Center Director and the Compliance Specialist for unusual transactions. Policies and procedures regarding collection of test preparation fees, issuing refunds, and reconciliation of revenue against Husky Card transactions have been documented and implemented. Monthly reconciliations of revenue, refunds, and expenses are being

performed and reviewed by management. We have received \$32,494 in payments from the King County Superior Court as restitution for the loss of funds.

UW Medicine Health Information Management (HIM) has developed policies and procedures to monitor the time and productivity of the HIM coding staff who work both in the office and remotely. Productivity reports are run daily and compared to the University of Washington Medical Center timekeeping system. Coding productivity standards have been developed for all HIM coding areas. The HIM manager, supervisors and leads review the Coding Exception Report (CER) submitted daily and evaluate the coder's performance in relation to the standards. Any productivity anomalies identified by management are evaluated and compared to the CER to see if there is an explanation such as sick leave, staff meetings, or training that explains why productivity was not met. HIM Coding management has daily meetings to monitor all areas of coding and identify if there are any areas with coding backlogs. Further investigation is implemented if there are areas of concern identified.

UW Medicine Information Technology Services (ITS) has developed policies and procedures regarding the use of on-call parking pass. Employees must sign an acknowledgement of the terms and conditions prior to receiving a pass, and annually thereafter. Monthly reviews of parking pass usage are now being performed by management. ITS is in the process of identifying potential methods to monitor telecommuting for employees who are on-call using available reporting from the Kronos Timekeeping system.

State Auditor's Office Remarks

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