



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Department of Corrections

For the period July 1, 2022 through June 30, 2023

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**Office of the Washington State Auditor
Pat McCarthy**

April 25, 2025

Cheryl Strange, Secretary
Department of Corrections
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Department operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Department could make improvements. These recommendations are included with our report as a finding.

Additionally, during the audit certain matters came to our attention that are currently under investigation.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Department of Corrections from July 1, 2022 through June 30, 2023.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended June 30, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – gross pay and leave
- Accounts payable – purchase cards and incarcerated individual betterment fund disbursements

- Cash receipting – monitoring of cash receipt logs and timeliness of deposits
- Tracking and monitoring of theft sensitive items
- Gate money – monitoring and tracking of gate money
- Graduated re-entry program – compliance with eligibility
- Contributions for cost of privileges – evaluated design of controls
- Housing voucher program – compliance with eligibility

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Department of Corrections July 1, 2022 through June 30, 2023

2023-001 The Department of Corrections did not have adequate internal controls over the addition of phone credits to the accounts of incarcerated people.

Background

The Department of Corrections contracts with a vendor to provide telephone services for incarcerated people. Friends and relatives may deposit funds into accounts set up for incarcerated people, and phone calls are charged on a per-minute basis. The Department also earns a commission from the funds added to these accounts. This commission revenue is the primary source of revenue for the Incarcerated Individual Betterment Fund (IIBF). Under the Department's policy, this fund's assets can only be used for activities that "enhance security and orderly operation of a facility by reducing idleness, encouraging positive development of family and community ties, and authorized expenses for incarcerated individuals."

Description of Condition

Between January 1, 2010, and August 8, 2022, a Washington Corrections Center Chief Investigator inappropriately added \$19,796.88 in phone credit funds to the accounts of 97 incarcerated people who were confidential informants. The Chief Investigator accessed the phone system internally to add the unauthorized phone credits to these accounts.

Cause of Condition

The Department did not ensure investigators were aware of the policy that prohibits providing benefits to confidential informants. The Department also did not review the deposit history for phone credits to ensure they were appropriate and allowable by policy. During the Department's interview with the Chief Investigator, he said he did not view the phone credits as an exchange of money, but as a tool to receive information from confidential informants.

Effect of Condition

The Chief Investigator did not comply with policy DOC 470.150, which states that in order to determine that confidential information is reliable and credible, the investigator must show that “the informant received no benefit from providing the information.”

Between 2010 and March 16, 2016, the Department earned commission revenue from phone credit funds based on a “minimum amount guaranteed” basis, as stated in the terms of its contract with the vendor. As a result, the amount of commission revenue lost to the IIBF is unknown because of the Chief Investigator’s manipulation of phone credit data.

Between March 17, 2016, and August 8, 2022, the Department earned a commission percentage of 56 percent on phone credit funds. The Chief Investigator inappropriately added \$17,277.60 in phone credits to incarcerated people’s accounts over this seven-year period, causing a loss of commission revenue to the IIBF totaling \$9,675.46. Forty percent of this amount was attributed to phone credits added to the account of one incarcerated person.

Recommendation

We recommend the Department:

- Ensure staff are familiar with policy DOC 470.150, and ensure confidential informants are not provided any benefits in exchange for information
- Perform routine reviews of the deposit history for phone credits to ensure they are appropriate
- Seek recovery of loss amounts to the state

We have referred this case to the Washington State Executive Ethics Board.

Department’s Response

The Department of Corrections (DOC) takes all matters related to fraud very seriously and appreciates this opportunity to review and respond to the State Auditor’s Office Fraud Investigation Report F-2023-001.

The Department initiated an investigation regarding an internal Discrimination Complaint which resulted into a secondary investigation that expanded to include allegations of misconduct based upon information gathered from witnesses. This secondary investigation led to the reporting of a suspected loss to the SAO Fraud Unit.

The Department will ensure Intelligence and Investigations staff are aware of policy 470.150, and ensure confidential informants are not provided benefits in exchange for information.

The Department recently switched phone vendors to Securus. The Securus phone system does not allow staff members to add phone credits to an incarcerated individual's phone account.

- *The staff member has been dismissed from their position with the Department.*
- *DOC will begin the collection process to recover the amount of loss to the state.*

Auditor's Remarks

We appreciate the steps the Department is taking to resolve this issue. We will review the condition during our next audit.

Applicable Laws and Regulations

RCW 72.09.470, Contributions for cost of privileges – Standards.

DOC 470.150, Confidential Information

DOC 200.200, Incarcerated Individual Betterment Fund

RELATED REPORTS

Financial

We also perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Annual Comprehensive Financial Report (ACFR). The ACFR reflects the financial activities of all funds, organizations, agencies, departments and offices that are part of the state's reporting entity. The results of that audit are published in a report issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

Federal programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management in March of each year.

Special investigations

We issued a report on a misappropriation of public funds at the Department. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

The State Auditor's Office issued reports pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DEPARTMENT

The Department of Corrections was created in 1981 by the Washington State Legislature (RCW Chapter 72.09). Prior to 1981, the Department was a division of the Department of Social and Health Services. The Department consists of the Offices of the Secretary and Deputy Secretary. The Office of the Deputy Secretary has five divisions led by Assistant Secretaries for: Community Corrections Division, Health Services Division, Prison Division (Male), Prisons Divisions (Female), Reentry, Correctional Industries Divisions, and the Statewide Records Unit. The Secretary's Office has Budget, Employee & Business Support Services Administration, and Budget, Strategy and Technology Administration divisions.

The Department has approximately 8,694 employees who work in a variety of specialties and programs to administer a comprehensive system of corrections for convicted law violators. DOC staff supervise an average of 13,220 individuals housed in 12 prisons and 12 Re-entry Centers around the state. In addition, the Department provides supervision for over 12,845 in the community. The Department also operates Correctional Industries, a business enterprise, at several of its institutions. Correctional Industries is committed to maintaining and expanding incarcerated individual work/training programs which develop marketable job skills, instill and promote a positive work ethic among incarcerated workers and reduce the tax burden of corrections. Correctional Industries includes, but is not limited to, furniture and clothing manufacturing, commissary services for inmates, food processing and printing. For the 2021-2023 biennium, the Department operated on a \$2.5 billion budget.

Contact information related to this report

Address:	Department of Corrections P.O. Box 41107 Olympia, WA 98504-1107
Contact:	Juline Martin, Audit Director and Ethics Administrator
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Website:	www.doc.wa.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Corrections at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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