



# Washington State Auditor's Office

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## Whistleblower Investigation Report Office of the Secretary of State

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November 19, 2015

Kim Wyman, Secretary of State  
Office of the Secretary of State

### Report on Whistleblower Investigation

Attached is the official report on Whistleblower Case No. 15-032 at the Office of the Secretary of State.

The State Auditor's Office received an assertion of improper governmental activity at the Agency. This assertion was submitted to us under the provisions of Chapter 42.40 of the Revised Code of Washington, the Whistleblower Act. We have investigated the assertion independently and objectively through interviews and by reviewing relevant documents. This report contains the result of our investigation.

Questions about this report should be directed to Whistleblower Manager Jim Brownell at (360) 725-5352.

Sincerely,

A handwritten signature in blue ink that reads "Jan M. Jutte".

JAN M. JUTTE, CPA, CGFM  
ACTING STATE AUDITOR  
OLYMPIA, WA

cc: Diana Townsend, Human Resource Director  
Governor Jay Inslee  
Kate Reynolds, Executive Director, Executive Ethics Board  
Jacque Hawkins-Jones, Investigator

# WHISTLEBLOWER INVESTIGATION REPORT

## Assertion and results

Our Office received a whistleblower complaint asserting an employee at the Office of the Secretary of State (Office) failed to release Combined Fund Drive contributions to donors requesting refunds.

We found no reasonable cause to believe an improper governmental action occurred. However, we found a breakdown in communication resulted in only one refund being processed from the unclaimed contributions account over a one-year period.

## Background

The Combined Fund Drive (Program) is a workplace giving program administered by the Office for active and retired public employees. Employees may make contributions to charities registered with the program. Contributions may be made by check, credit card, and automatic payroll deduction.

The Program operates out of two financial accounts - one for receipt and distribution of the contributions and the other for unclaimed contributions and uncashed donor refund checks.

Donor refunds may occur if donors identify an error in their contribution or for reasons attributed to the charity, such as a charity closing or changing bank information without notifying the Program.

When a contribution is returned, the Office receives an automatic notification. It is the Office's responsibility to notify the Program that a contribution was returned. The Program then contacts the charity to determine why the contribution was returned. The charity has 30 days to rectify the situation. If that does not occur, the Program contacts the contributing donors and provides three options for their contributions. A donor may:

- Choose to select a different charity to receive the returned contribution
- Direct it to the Program's general fund, or
- Request a refund

If the donor does not respond to the Program within 30 days, the Program cancels the contribution and refunds the money to the donor. The Office processes the refunded contribution based on donor information provided by the Program.

## About the Investigation

We examined the Program's contribution financial accounts and found that by the end of June 2014 the unclaimed contributions account balance was more than \$50,000.

We examined the unclaimed contribution account transactions that occurred between March 1, 2014 and March 30, 2015, and found only one donor requested a refund, which was processed in April 2014.

We spoke with the Office employee who prepared the refunds for processing, who explained that she sent a spreadsheet at the end of each month showing the transactions for both accounts. She believed the person who received the spreadsheet may not have realized both accounts were represented on that one spreadsheet. Regarding the sole donor refund, she said that shortly after it was processed the daily responsibility of monitoring the account was given to someone else.

Based on the reduction in refunds it appears that no one was monitoring the account after April 2014 to ensure contribution returns and refunds were processed.

The subject told us she was assigned to reconcile the unclaimed contributions account. She completed that reconciliation in October 2013. The account balance was slightly more than \$33,000. In June 2014, after again reconciling the account, she discovered it had grown to more than \$50,000. Although it was her responsibility to reconcile the account annually, she was not responsible for daily monitoring the account. The subject notified her supervisor that the account had more than \$50,000 and a meeting was held with Program staff to discuss policies and procedures regarding the unclaimed contributions account. We spoke with current Program employees who explained they were unaware the account existed until after that meeting.

Since June 30, 2015, the Program has processed transactions from the account and, at the time of this report, had a balance of less than \$16,000.

We found a breakdown in communication between the Program and the Office resulted in only one unclaimed contribution account refund being processed in a single year and the account increasing to more than \$50,000. Although the Program has a policy related to refunds, it does not specify a time frame in which to process the refund. Therefore, we found no reasonable cause to believe an improper governmental action occurred.

## State Auditor's Office Concluding Remarks

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

## WHISTLEBLOWER INVESTIGATION CRITERIA

We came to our determination in this investigation by evaluating the facts against the criteria below:

RCW 41.04.033 Operation of the Washington state combined fund drive — Secretary of state — Rules.

The secretary of state is authorized to adopt rules, after consultation with state agencies, institutions of higher education, and employee organizations for the operation of the Washington state combined fund drive.

WAC 434-750-050 Handling and depositing contributions.

The office of the secretary of state will establish a procedure for CFD staff to collect, process and deposit individual employee contributions. Contributions from fund-raising efforts will be deposited into the CFD account in the custody of the state treasurer according to state laws.

WAC 434-750-250 Decertification effective date.

Decertification is effective on the first day of the quarter following notice of decertification under WAC 434-750-240. Quarters begin on the first day of January, April, July, or October of each year. A decertified organization or federation is disqualified from participating in the CFD campaign as of that effective date.

WAC 434-750-290 Decertified contributions.

The CFD will direct payments originally pledged to an organization or federation that has been decertified, is in receivership, has filed for or been placed in bankruptcy, or has been or is in the process of being dissolved, be returned to donors. If the CFD determines it is not feasible to return such funds to donors, it will determine the appropriate disposition of the funds.

Washington State Combined Fund Drive Memorandum of Policy.

Re: Donation made to closed, delinquent or merged charities

Communicating with donors about closed charities:

Once the CFD has begun the process of dealing with a closed or merged charities, any donors pledging to the charity in question are

also contacted regarding their current pledge and any money that has been collected within the disbursement quarter of the charity closure or delinquency. The procedure is as follows:

1. An email notification is sent to all donors giving to said charity.
  - a. The donor is given different options regarding the handling of their pledged and collected dollars:
    - i. If applicable, spread the dollars collected and pledged amongst the other charities the donor is currently giving to.
    - ii. Offer other giving options based on the category of the closed or delinquent charity.
    - iii. Redirect the current pledge and collected amount to the CFD non-specified fund.
    - iv. Provide a full refund of all collected money within the disbursement quarter of the charity closure or delinquency and a cancellation of the pledge in question.
  - b. After one week, the payroll department of the donor is contacted indicating no answer.
  - c. The donor is given 30 days to change their donation.
2. If no answer is received the donor within 30 days, the pledge will be cancelled and any money collected during the disbursement quarter of charity closure or delinquency will be refunded to the donor.