



Washington State Auditor's Office

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Fraud Investigation Report

Department of Social and Health Services

For the Investigation Period May 1, 2014 through December 31, 2014

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Washington State Auditor's Office

August 1, 2016

Patricia Lashway, Acting Secretary
Department of Social and Health Services
Olympia, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at a supported living agency that contracted with the Department of Social and Health Services. On September 23, 2015, the Department notified the State Auditor's Office of suspected illegal activity. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation which covered May 1, 2014, through December 31, 2014. The investigation's purpose was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.290) and included procedures we considered necessary under the circumstances.

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

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

cc: Rick Meyer, External Audit Compliance Manager

FRAUD INVESTIGATION REPORT

Investigation Summary

On September 23, 2015, the Department of Social and Health Services notified our Office of suspected illegal activity related to client funds at a supported living agency. The Everett Police Department conducted an investigation and determined at least \$9,127 was misappropriated by an agency employee between May 1, 2014 and December 31, 2014.

We reviewed the Police Department's investigation and agree with its conclusion. The case has been referred to the Snohomish County Prosecuting Attorney's Office.

Background

About supported living agencies

The Department of Social and Health Services (the Department) serves more than 3,900 clients with developmental disabilities who receive supported living services throughout the state. In an effort to avoid institution-based care, and to increase their clients' sense of personal independence and fulfillment, the Department contracts with supported living agencies to support clients to live independently in their communities.

Supported living agencies are private companies that provide clients, who would otherwise be institutionalized, with personalized instruction and support. This support can include an array of services, including managing finances, shopping, and paying bills on behalf of the client.

Supported living agencies are certified by the Department, which is responsible for regulating agency practices and monitoring to ensure clients receive their assessed support services. According to Washington Administrative Code (388-101-3610), if clients are financially exploited by a supported living agency or its employees, the supported living agency must repay the client what was stolen.

Investigation Results

On September 23, 2015, the Department notified our Office of suspected illegal activity related to client funds at a supported living agency.

The case was investigated by the Everett Police Department. We reviewed the Police Department's investigation, which covered May 1, 2014 through December 31, 2014, and agree with its conclusions. The case has been referred to the Snohomish County Prosecutor's Office.

The detective who conducted the investigation concluded a supported living agency employee financially exploited four clients served by the supported living agency. In total, the investigation identified at least \$9,127 that was misappropriated from the clients. The financial exploitation occurred when the supported living agency employee used client checks to:

- Purchase thousands of dollars in gift cards
- Withdraw cash
- Make purchases at retail stores for items never received by the clients

In some instances, the detective found the checks were signed by the supported living agency employee and not the clients. Surveillance video from a bank was also obtained that showed the employee withdrawing funds alone without clients being present.

The detective interviewed the employee, who denied any wrongdoing. When asked about what type of training the supported living agency had provided, the employee said she had received none. She said the supported living agency's program director had been fired two days before she started, and she just followed around a co-worker and figured out what she needed to do.

Actions taken by the Department

Two weeks after being notified by the supported living agency of suspicious activity, Adult Protective Services (a DSHS program) initiated an investigation of the employee for alleged actions against one of the clients. The program's investigator conducted interviews and reviewed documentation from the detective's report, and determined the employee's actions met the definition of financial exploitation. In April 2015, the employee was added to the Aging and Disability Services Registry, which disqualifies the employee from working with vulnerable adults in Washington.

In May 2015, a scheduled Department inspection found that the supported living agency had yet to repay the clients whose funds were misappropriated. The Department issued a Statement of Deficiency, which put the supported living agency's certification on provisional status, and began conducting regular inspections to monitor compliance.

During another inspection in August 2015, inspectors found the clients still had not been repaid, and the Department issued a second Statement of Deficiency. In September 2015, after multiple inspections found noncompliance, the Department notified the supported living agency that its certification would be revoked and its clients would be served by a different supported living agency. After the revocation took effect September 22, 2015, the supported living agency went out of business.

The Department made efforts in the following months to follow up with the clients who had been financially exploited. The Department determined the supported living agency had begun to reimburse the clients; however, approximately \$1,500 is still outstanding.

Internal Control Weaknesses

In 2013, Aging and Long-Term Support administration, Residential Care Services identified deficiencies at the supported living agency that placed clients at risk of financial exploitation. However, the Department did not follow up on the deficiencies until two years later.

We met with Department officials from various programs to discuss the investigation. It was unclear which program was ultimately responsible to monitor whether supported living agencies are complying with the state code requiring that client funds are properly accounted for and safeguarded. The Department had not established monitoring policies that address what procedures should be followed and by what program(s).

The Department also did not ensure the supported living agency fully repaid the clients as required by state code.

During the investigation, we also noted certain matters involving overpayments made to the supported living agency. We made recommendations to the Department regarding these matters in a letter dated August 1, 2016.

Recommendations

We recommend the Department strengthen its monitoring of its contracted supported living agencies that manage client funds. The Department should perform more extensive and timely follow-up when issues are identified to ensure its clients are protected from financial exploitation.

We also recommend the Department assist the clients to ensure they are fully repaid.

Agency's Response

The Department agrees with the first recommendation to strengthen its monitoring of its contracted supported living agencies that manage client funds. The department will continue the monitoring of its contracted supported living agencies that manage client funds.

The department will monitor compliance of service providers when financial exploitation is substantiated.

State Auditor's Office Remarks

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

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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.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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