



Washington State Auditor's Office

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Fraud Investigation Report

Puget Sound Educational Service District

King County

For the Investigation Period September 1, 2004, through June 3, 2015

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Washington State Auditor

October 17, 2016

Board of Directors
Puget Sound Educational Service District
Renton, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Puget Sound Educational Service District. On February 12, 2016, the Service District 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 interpreter's unallowable activities at the District from September 1, 2004, through June 3, 2015. 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 Sarah Walker, Fraud Manager, at (509) 454-3621.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

cc: Mr. Charles Hole, Director of Accounting and School Finance

FRAUD INVESTIGATION REPORT

Investigation Summary

The Director of Accounting and School Finance notified our Office regarding a potential loss of public funds as required by state law.

The Puget Sound Educational Service District (the Service District) initiated an investigation and hired an outside investigator to perform a detailed review. The outside investigator determined a payroll and travel misappropriation had occurred at the Service District, totaling \$49,777 between September 2004 and June 2015.

The Service District has filed a police report with the Renton Police Department regarding this case. We will refer this report to the King County Prosecuting Attorney's Office.

Background and Investigation Results

The Service District, located in King and Pierce Counties, operates on an annual budget of about \$95.8 million, including \$248,660 in average interpreter payroll expenses, and has budgeted mileage reimbursement expenses ranging from \$188,000 to \$599,000. The Service District's primary function is to develop and deliver instructional and administrative support to 35 school districts and nearly 200 private schools, including direct services to students and families. The Service District employs about 350 employees.

The Service District and the contracted investigator's review focused on payroll records and mileage reimbursements paid out to a former interpreter. This former interpreter worked on-call at the Service District's Meadow Crest Early Learning Center (the Center) and also worked as a full-time para-educator for Renton School District at McKnight Middle School (the School). Records reviewed from the Center included: timesheets from November 2011 to May 2015, mileage claims from 2004 through May 2015 submitted by the former interpreter, multilingual services database printouts, contracts, emails, and payment records. The investigator also reviewed sick leave records from the School for the 2014-2015 school year and calendars of the former employee's work schedule.

It was determined through timesheet documentation that the former interpreter reported hours worked for the Center during times she was actually scheduled to be in class at the School. The Center's timesheets reflected work performed between the hours of 7:45 a.m. and 2:45 p.m., which were her set hours at the School as a full-time para-educator for Renton School District.

It was also discovered that the former interpreter was claiming mileage to the Center from her home, a round trip of more than 40 miles, when she actually was coming to the Center from the School, which is only a half mile away.

We reviewed the investigation's results and agree with its conclusions. The investigation found:

- The former interpreter reported an average of 1.5 duplicate hours per day, or seven duplicate hours per week, on her timesheets as an interpreter at the Center when she was being paid as a para-educator at the School. This amounted to 927.25 reported duplicate hours, resulting in an overpayment of \$18,637.
- Some of the timesheets submitted by the former interpreter appeared to have been altered. For example, the April 1, 2014, timesheet had two different inks, and a start time appeared to have been changed from 2:00 p.m. to 12:00 p.m., adding two hours to the sheet. In addition, a staff member's approval signature appeared different on several of the former interpreter's timesheets.
- The former interpreter submitted travel reimbursement claims from 2004 through the 2014-2015 school year for mileage from her home to the Center, which is about 44 miles per day, when in fact she was going to the Center from her full-time job at the School, which is only a half mile away. The Service District essentially paid the former interpreter for mileage claimed from her home to the School, for a total of \$31,139 between 2004 and 2015. This was an average of \$2,800 per year.

The Service District's contracted investigator interviewed the former interpreter.

During the interview, the former interpreter claimed that all Center staff knew she worked at the School. The former interpreter said she never worked at the Center during the time she was being paid for work at the School. The former interpreter claimed that the work she reported consisted mostly of phone calls to parents and translations of newsletters, which was performed either before 7:45 a.m. or after 2:45 p.m., and often at night. She explained that it became her practice to add the early, late or weekend hours to the actual hours she worked to facilitate the staff signing her timesheets. She also claimed Center staff were always aware the hours she added to the timesheets were actually hours worked at other times. In addition, she denied ever signing a staff member's signature on her own timesheet. Regarding the approval signatures that appeared different, she told the investigator that the staff member must have changed their signature style.

The former interpreter also explained that she worked at the Service District before being hired by Renton School District as a full time para-educator. When she was hired by them, she said she didn't think about the mileage issue, and it didn't occur to her to change it.

Control Weaknesses

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

- Interpreters working for the Service District complete their timesheets, obtain approval and then submit the timesheet to the Service District's Payroll Department. The contracted investigator found there is no independent control of the timesheets to safeguard against the interpreter changing the information on the sheet after approval.
- Periodic confirmations or reviews of employee mileage reimbursement arrangements was not a practice to ensure claims were reasonable and appropriate.
- In 2014, the interpreters at the Service District began submitting claims for mileage separate from their timesheets. The Manager at the Center did not become aware of the former interpreter having a full time position at the School until 2014, and did not compare this information to mileage claims when approving timesheets.

Recommendations

We recommend the Service District strengthen internal controls over payroll and mileage reimbursements procedures to ensure adequate oversight and monitoring to safeguard public resources and compliance with Service District policies. Controls should focus on:

- Ensuring timesheets are submitted to the Payroll Department directly by the approving supervisors. If that is not feasible, the supervisors should maintain a copy of the approved timesheets at the time of approval for comparison to timesheets submitted to the Service District's Payroll Department.
- Comparing timesheet records to mileage claim requests to ensure dates requested for travel correspond to timesheet information.
- Performing periodic confirmations or reviews of employee mileage reimbursement arrangements to ensure appropriate reimbursements are being processed.

We also recommend the Service District seek recovery of the misappropriated \$49,777 and related investigation costs of \$1,581 from the former interpreter and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the Service District must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or matk1@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.

Service District's Response

Puget Sound Educational Service District (PSESD) agrees with the recommendations made by the State Auditor's Office and will review with our insurance provider appropriate next steps towards recovery of funds. PSESD has implemented changes in the interpreter mileage reimbursement process and is in the process of implementing new controls in the interpreter timesheet collection and review process.

PSESD's interpreter program no longer pays mileage to interpreters except in situations that meet specific criteria. The exceptions are reserved for those instances where an interpreter who speaks a unique language needs to travel more than 10 miles to serve our highly linguistically diverse children and families. Preapproval by the Interpreter supervisor is required and each mileage claim is signed by the contacting staff member and is cross referenced with timesheets before being approved for reimbursement.

The sites/centers that use PSESD's Interpreter Program will also be implementing a new timesheet collection system that will require sites/centers to maintain copies of interpreter timesheets that will be reviewed against payment amounts.

State Auditor's Office Remarks

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

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