



Office of the Washington State Auditor
Pat McCarthy

Investigation Report

**Department of Social and Health
Services – Western State Hospital**

For the Investigation Period January 3, 2014 through September 30, 2015

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

February 9, 2017

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

Report on Fraud Investigation

Attached is the official report on a potential loss of public funds at Western State Hospital, managed by the Department of Social and Health Services. This report contains the results of our investigation of a Department employee's activities at the Hospital from January 3, 2014 through September 30, 2015.

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.

Pat McCarthy

State Auditor

Olympia, WA

cc: Rick Meyer, External Audit Compliance Manager

FRAUD INVESTIGATION REPORT

Investigation Summary

In August 2015, our Office received a letter from the Centers for Medicare & Medicaid Services that described a complaint it received regarding a state employee who works at Western State Hospital (Hospital). The complaint asserted the employee was billing for services at the Hospital while at the same time on the payroll at one or more community providers.

The Department of Social and Health Services (Department) investigated and found that a psychiatrist at the Hospital was not always present at his assigned workstation, but concluded there were insufficient internal controls in place at the Hospital to adequately monitor his presence during regular and extra duty hours.

We reviewed the Department's investigation and agreed with the Department's conclusions. In the report, we recommend how the Hospital can improve its internal controls.

About Western State Hospital

Western State Hospital (Hospital), managed by the Department of Social and Health Services (Department), is one of two state-owned psychiatric hospitals for adults in Washington. The Hospital operates on an annual budget of more than \$160 million and is staffed by 68 doctors – 47 psychiatrists and 21 physicians.

Many of the doctors that work at the Hospital are members of a collective bargaining unit. Some members are eligible to work and be compensated for extra duty. Extra duty is defined as work performed that is in addition to normal job duties when the position normally responsible for completing the work is vacant. Hospital policy requires that doctors submit extra-duty request forms that must be approved in advance by a supervisor.

Background and Investigation Results

The Department's Operation Review and Consultation (ORC) unit conducted the investigation. In February 2016, the Department gave us a copy of its investigative report and work papers.

Review of the Department's investigation

The ORC's review covered a period from January 3, 2014 to September 30, 2015 and concluded there were insufficient internal controls in place at the Hospital to adequately document the psychiatrist's presence during regular and extra-duty hours.

During the investigative period, the Hospital's Chief Executive Officer assigned additional administrative duties to the psychiatrist because of vacancies in medical management staff. Hospital management also approved the psychiatrist to work for an outside employer that provides psychiatric services in a leased space on the Hospital campus.

From January 3, 2014 to April 17, 2015 the psychiatrist's primary assigned duties were in the Center for Forensic Services, which is the only Hospital ward that electronically records all employees' entries and exits. From April 18, 2015 to September 30, 2015 the psychiatrist was assigned to a duty station with no electronic building access.

The ORC performed the following procedures:

- Compared claimed regularly scheduled and extra-duty hours to supporting attendance and payroll documents.
- Compared billings that the psychiatrist's outside employer submitted to the Health Care Authority to attendance and payroll documents.
- Sought to confirm the accuracy of the psychiatrist's attendance by examining electronic building access records, computer, email and phone use, and patient records.
- Interviewed several Hospital employees and the psychiatrist.

The ORC determined evidence was lacking to support that the psychiatrist was always present at his assigned workstation when he was paid. From January 3, 2014 to April 17, 2015 ORC estimated the psychiatrist was absent from his primary workstation an average of 3.8 hours per day. From April 18, 2015 to October 30, 2015 the estimate was five hours per day.

Additionally, there were 17 work days when no documented evidence existed to support the psychiatrist reported to the Hospital at all, but was paid.

In an interview with the ORC, the psychiatrist said he did not defraud the Hospital and is doing his job. The time that was not substantiated by records were related to his other duties that were completed throughout the Hospital and while he was in travel status for mandatory court appearances. During the investigative period, he was assigned additional responsibilities by the Chief Executive Officer. The other duties included attending various meetings that were held in locations that had no electronic building access. The psychiatrist also said that he had to start spending mandatory time after 4:00 p.m. in the Medical Director's office. There are only five or six doctors that are qualified to do psychiatric overtime work, including him. He said that in 2014 he did the work of up to 2.5 positions and barely got paid for one.

Additional procedures performed by the State Auditor's Office

We reviewed the ORC investigation and agreed with its conclusion. We also performed additional procedures that included interviewing Department time and attendance staff, reviewing records from the psychiatrist's non-state employer, and interviewing the psychiatrist.

From interviews with Department time and attendance staff and Hospital management, we determined the employee's official 40 hours per week work schedule was:

- Monday – 8 hours from 8:30 a.m. to 4:30 p.m.
- Tuesday – 5 hours from 7:30 a.m. to 1:30 p.m.

- Wednesday – 9 hours from 7:30 a.m. to 4:30 p.m.
- Thursday – 9 hours from 7:30 a.m. to 4:30 p.m.
- Friday – 9 hours from 7:30 a.m. to 4:30 p.m.

Hospital records showed the psychiatrist was eligible to work and was regularly paid for extra duty that ranged from 4:30 p.m. to 9:30 p.m.

Since beginning his employment with the Hospital, the psychiatrist had submitted a number of Notification of Outside Employment forms with management. The purpose of these forms is for management to evaluate if an employee's outside employment may conflict with their assigned Hospital duties. One of the companies the psychiatrist worked for during the investigative period operates a 15 bed inpatient unit on the grounds of the Hospital. The company leases the space from the Hospital.

In an interview with the ORC, the employee said he worked for the company on Tuesday afternoons and occasionally on a weekend. The company director said the psychiatrist's employment relationship is not in writing, but said he works there typically on Tuesday afternoons after 4 p.m. He said it is his understanding that the psychiatrist would work for the company during his lunch breaks and after his scheduled shifts with the Hospital.

In accordance with our legal authority (RCW 43.09.165), we obtained records from the company that covered from January 1, 2014 to September 30, 2015. The records showed the procedures provided to clients when the psychiatrist was the authorizing physician, and the associated minutes and hours of those services were recorded by day.

Records appeared to show the frequency and the number hours the psychiatrist worked for the company were more than he asserted in interviews with the ORC.

We interviewed the psychiatrist and asked about his employment with the company. He said he works as a consultant and is still under contract. His primary duties from January 1, 2014 to September 30, 2015 were performing peer reviews and supervising company interns. He said he normally worked for the company on Tuesday afternoons on-site and occasionally worked on other days either on-site or remotely. He said on average those duties would take about 30 minutes to complete.

We asked the psychiatrist about the records we received from the company where he was shown as the authorizing physician. The psychiatrist said the minutes and hours associated with procedures provided to the clients were not representative of the actual hours he worked for the company. As part of his duties for the company, he was responsible for supervising interns at the company. Since they are not qualified to bill for services, it is likely his name was used as the authorizing physician.

We asked the psychiatrist about the results of the ORC investigation that found he was not always present at his workstation during his scheduled shifts. The psychiatrist said he was assigned many other duties at the Hospital and his workday could begin as early as 6:00 a.m., when he would work from his Hospital-issued cellphone. He said he also was in meetings throughout the day and literally ran from one meeting to another. He also said there were times when he worked at home during evening hours. The psychiatrist added that there was an organizational problem at the Hospital and that doctors were just expected to do their jobs and were allowed to come and go as they wanted.

Internal Control Weaknesses and Recommendations

We agree with the Department's conclusions that there were insufficient internal controls at Western State Hospital to adequately monitor the psychiatrist's presence during regular and extra-duty hours. We recommend the Hospital:

- Establish an adequate system to account for and monitor regular duty hours performed by doctors.
- Establish policies and procedures that describe how extra duty hours for doctors should be approved and reviewed prior to payment.

In a prior investigation published in March 2016¹, we recommended the Hospital strengthen its monitoring of physicians' time and attendance to ensure public resources are safeguarded. The Department said corrective action has begun to be implemented at the Hospital. We reaffirm our recommendation to the Department and will follow up on its corrective actions in a future audit.

Agency's Response

The Department concurs with the finding.

The Department has taken significant steps to strengthen the monitoring of time and attendance for physicians to ensure public resources are safeguarded.

The Department gave notice to the psychiatrists and physicians on the new Time and Attendance directives on February 10, 2016. The Department will include the Time and Attendance policy in the Employee Annual Review checklist to ensure compliance.

The Department educated supervisors about when they need to notify Operations Review and Consultation, who in turn will notify the State Auditor's Office on any known or suspected loss of public funds or illegal activity.

Further, the Department will continue to recover overpayments already identified and pursue reimbursement for the additional overpayments from the employee. Lastly, the Department will pay for the investigative costs to the State Auditor and pursue reimbursement from the employee.

¹ [March 2016 Report](#)

State Auditor's Office Remarks

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

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