

**Washington State Auditor's Office**  
**Special Investigation Report**

---

**Department of Social and Health  
Services**

Investigation Period  
**January 1, 2012 through December 31, 2012**

**Report No. 1011057**

Issue Date  
**December 23, 2013**



WASHINGTON  
**TROY KELLEY**  
STATE AUDITOR



**Washington State Auditor  
Troy Kelley**

December 23, 2013

Kevin Quigley, Secretary  
Department of Social and Health Services

***Report on Special Investigation***

Attached is the official report on a misappropriation at the Department of Social and Health Services. On July 30, 2010, the Department 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) and the Whistleblower Act (RCW 42.40).

This report contains the results of our investigation of eight councilors' unallowable activities at the Department from January 1, 2012 through December 31, 2012. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.330) and included procedures we considered necessary under the circumstances.

Questions about this report should be directed to Whistleblower Manager, Troy Niemeyer at (360) 725-5352.

**TROY KELLEY**  
STATE AUDITOR

cc: Mr. Andrew Colvin, Public Disclosure/Ethics Administrator

# **Special Investigation Report**

**Department of Social and Health Services  
January 1, 2012 through December 31, 2012**

## **INVESTIGATION SUMMARY**

On July 30, 2010, our Office received a whistleblower complaint regarding employees at the Special Commitment Center (SCC) claiming pay for hours not worked and failing to submit leave slips for absences. The complaint stated that the problem was widespread and that supervisors and managers were involved.

Due to a high whistleblower caseload and the fact that an internal investigation had already been completed regarding the issues raised, the State Auditor's Office decided to conduct a special investigation of current practices. This special investigation would determine if appropriate action had been taken by the Department of Social and Health Services and if the problem still persisted.

We conducted our investigation in 2013 and requested complete records for calendar year 2012. We worked with the Department in our selection of eight employees for review, including seven residential rehabilitation counselors and one security guard. We determined these employees were overpaid approximately \$87,490 between January 1, 2012 and December 31, 2012.

## **BACKGROUND**

The Special Commitment Center is located on McNeil Island and serves as a specialized mental health treatment program for civilly committed sexually violent predators. The SCC houses an average of 270 sexual predators and employs an average of 350 state employees, including counselors and security guards, to provide around-the-clock supervision and care of residents. These employees are required to show their identification badge when boarding the ferry to McNeil Island and scan in and out of the confinement facility when arriving on duty and leaving after their shift. Every two weeks employees complete timesheets that are reviewed and approved by their on-site supervisor before being sent to payroll for processing.

## **INVESTIGATION RESULTS**

We requested the time and attendance records of eight employees for calendar year 2012. We also requested the security scan card history for each employee during the same timeframe. We compared the hours claimed and approved on the employee's timesheet to security card scan data which shows when the employee entered and exited the SCC facility.

We found significant discrepancies during our comparison of employee timesheets and security scan card data. On numerous occasions, we found hours were claimed as

worked and approved by a supervisor, but the scan card data showed the employee never entered the building or was in the building fewer hours than claimed. The table below summarizes the results of our investigation of the eight employees selected.

#### Summary of Unsupported Hours and Estimated Cost

	<b>Unsupported Hours</b>	<b>Estimated Cost</b>
Regular	2,508	\$ 48,807
Overtime	1,242	\$ 36,482
Holidays Worked	76	\$ 2,201
<b>TOTAL</b>	<b>3,826</b>	<b>\$ 87,490</b>

We identified a total of 3,826 hours claimed on the timesheets of the eight employees we reviewed that were not supported by security scan card data. These unsupported hours include regular hours, overtime hours, and holiday worked hours. Using state salary schedules and the eight employee's different salary steps, we estimated the total cost of these unsupported hours to be \$87,490 in wages. The total of unsupported hours for each employee ranged from 91 unsupported hours (\$2,316) up to a single employee with 1,524 unsupported hours (\$36,168).

In addition, we noted:

- An employee was approved for annual leave the employee had not earned for multiple months, resulting in an annual leave balance reaching negative 34 hours.
- An employee recorded 88 hours worked for a single day, significantly over-reporting total hours on the employee's two-week timesheet. This timesheet was approved by the employee's supervisor.
- An employee claimed eight hours worked on a date that does not exist, June 31, 2012 (there are 30 days in June). This timesheet was approved by the employee's supervisor.
- The payroll department was unable to locate 11 of the timesheets requested from 2012.
- Multiple timesheets were not signed by a supervisor.

### **CONTROL WEAKNESSES**

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

Inadequate review of employee timesheets and leave slips by supervisors.

## **RECOMMENDATION**

We recommend the Department strengthen internal controls over timekeeping to ensure adequate oversight and monitoring of employees' reported working hours to safeguard public resources and comply with Department policies. We further recommend the Department review employee time records and recover any overpayments they confirm and take appropriate disciplinary action.

Any compromise or settlement of this claim by the Agency must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matthew Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or mattk1@atg.wa.gov. The contact for the State Auditor's Office is Jan Jutte, Deputy Director of State Audit, who can be reached at (360) 902-0363 or jan.jutte@sao.wa.gov.

## **DEPARTMENT'S RESPONSE**

*I have reviewed the subject report and have thoroughly discussed the findings with Mr. John Clayton, Assistant Secretary of the Juvenile Justice and Rehabilitation Administration. As the newly appointed CEO of the Special Commitment Center (SCC), I directed the efforts of the SCC and the Consolidated Institutional Business Service (CIBS) to further examine the details of the report in an effort to appropriately respond to the findings. The current investigative report appears to indicate the audit of time and attendance records from January 1, 2012 to December 31, 2012 was an extension of a 2010 sec-generated internal audit of time, attendance and overtime documentation.*

*The investigative summary reports employees were overpaid approximately \$87,490 during the period of review. After lengthy discussions with members of my SCC Executive Team, I have concerns that the reported overpayment is excessive. This is based, in part, on the heavy reliance of scan card data used to determine time, attendance, and overtime. An audit process using scan card data to verify time and attendance is concerning due to user variability and the scan card system's intent and design. I do agree, however, that the SCC and CIBS must conduct a thorough audit of time and attendance to determine what errors may have occurred. If overpayments were distributed, we will initiate appropriate actions to remedy the findings. Records reviews will include source data that accurately reports time, attendance, and overtime.*

*I offer the following responses to additional report findings:*

*Finding 1: Investigators reported discrepancies between employee timesheets and security scan card data.*

*Comment: Using the scan card history as a reliable source of validating data is problematic. When 100 plus employees arrive at shift change and pass through the "turnstile" the scans may not register. I have personally observed the process and find the alarm signaling that an employee card was not registering. Security personnel visually monitor identification card swipes to ensure unauthorized personnel are not entering the SCC, even though the alarm system has activated. As a result, crosschecking scan card history may not correspond with time card data. Scan cards were designed to support security, not serve as a means of validating attendance.*

*Finding 2: Investigators reported an employee was approved for annual leave, although leave had not been earned over the course of multiple months. The result was an annual leave balance of negative 34 hours.*

*Comment: The Consolidated Institutional Business Service (CIBS) time and attendance staff members are in process of conducting a full audit of the referenced finding. If the error still remains in the employee's record, corrective action will be immediately taken. The internal CIBS audit and any findings are projected to be reported to HQ Payroll by December 20, 2013.*

*Finding 3: Investigators reported an employee recorded 88 hours worked in a single day, which significantly over-reported total hours worked during the pay period. The timesheet was approved by the supervisor.*

*Comment: CIBS time and attendance staff members reviewed the Time and Attendance Activity Record (TAAR) for the employee and realized a mistake had been made. For the date indicated by the investigators, a total of 8 hours were reported for payment, not 88 hours. No overpayment was made to the employee. The Senior Fiscal Officer, who works at the SCC, had emailed the investigator (May 6, 2013, 3:41 PM) stating the TAAR submitted to CIBS do not always reflect what is officially posted with HRMS.*

*Finding 4: Investigators reported an employee claimed eight hours worked on a date that does not exist (June 31, 2012). The timesheet was approved by the employee's supervisor.*

*Comment: As with Finding 3, although an error was made in supervisor sign-off of the eight hours for the employee, the employee's final pay was only for the appropriate hours worked during the pay period in question. No overpayment occurred. Steps have been taken, subsequent to the audit period, to ensure employees, supervisors, timekeepers, and certifiers are fully trained on responsibilities to ensure "clean" time and attendance records are submitted and processed.*

*Finding 5: Investigators reported the payroll department was unable to locate 11 of the timesheets requested from 2012.*

*Comment: CIBS Time and Attendance staff members are in process of searching for the missing TAARs. If errors are found, appropriate steps will be taken to correct them.*

*Finding 6: Investigators reported multiple timesheets were not signed by a supervisor.*

*Comment: An internal review of documentation has not been completed to verify the information reported by the investigators, but the SCC acknowledges issues with time and attendance processes existed and needed corrective actions.*

*Finding 7: Investigators reported internal controls at the Department were not adequate to safeguard public resources with the following citation as a reason misappropriations occurred: Inadequate review of employee timesheets by supervisors.*

*Comment: Prior to the investigation, SCC acknowledged, to Washington State Patrol and State Auditors that internal controls were inadequate and requested an external*

review. SCC management, in collaboration with the Consolidated Institutional Business Service (CIBS), planned and implemented an aggressive program to strengthen time and attendance processes as well as internal controls. The SCC relies on CIBS for time and attendance policy and procedures support. A SCC Lean effort commenced in 2013 to address a high occurrence of errors during payroll periods that required reworks for supplemental payments and overpayments. Data showed that the SCC, in proportion to other DSHS units had processing issues.

The Lean process had four major objectives and is consistent with recommendations made by the Audit Team:

- Promote efficiency in payroll processing and developing staff proficiency in executing the processes.
- Streamlining the processes to ensure an accurate monthly payroll.
- Improvement of staff morale and confidence in the system.
- Hold staff, at all levels of the SCC, accountable for time and attendance.

SCC and CIBS management and time and attendance professionals have held monthly meetings to review progress on policies, procedures, training, internal controls and implementation of the full Lean effort over the course of the past 12 months. The implemented actions are showing a positive trend in under and overpayment errors. The monthly review will continue with an end-objective of no errors.

Stewardship of public funds is always a priority of DSHS. The SCC and CIBS acknowledge previous issues existed in operationalizing SCC time and attendance processes and assuring appropriate controls are in place. Active steps have been taken to address the same. The SCC has established and implemented a corrective course of action to achieve the Lean objectives previously described. Improving the SCC time and attendance tracking system is one of my top priorities as the new CEO.

I appreciate the efforts of the audit team. Reports such as this identify potential opportunities for process improvements and helps to ensure that our programs are in full compliance with regulatory requirements.

If you wish to clarify the information in this response, please contact the Chief Executive Officer, Special Commitment Center.

## **STATE AUDITOR'S OFFICE REMARKS**

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

## Contacts

**Washington State Auditor**

Troy Kelley

auditor@sao.wa.gov

(360) 902-0360

**Deputy Director of State Audit**

Jan M. Jutte, CPA, CGFM

jan.jutte@sao.wa.gov

(360) 902-0363

**Whistleblower Manager**

Troy Niemeyer

troy.niemeyer@sao.wa.gov

(360) 725-5352

**Whistleblower Coordinator**

Jacque Hawkins-Jones

jacque.hawkins-jones@sao.wa.gov

(360) 725-5359

**Deputy Director of Communications**

Thomas Shapley

thomas.shapley@sao.wa.gov

(360) 902-0367

**Public Records Officer**

Mary Leider

publicrecords@sao.wa.gov

(360) 725-5617

Main phone number

(360) 902-0370

Website

[www.sao.wa.gov](http://www.sao.wa.gov)

To receive electronic notification of audit reports, visit:  
<https://www.sao.wa.gov/EN/News/Subscriptions>