

FRAUD INVESTIGATION REPORT

Investigation Summary

We found an employee at Western State Hospital was paid approximately \$71,753 from July 16, 2011 to July 15, 2015 for hours he did not work. The overpayments occurred mostly because the employee routinely did not work one of his scheduled days and failed to submit leave slips to cover his absences.

In the report we recommend how the Hospital can improve its internal controls to prevent payroll overpayments in the future. We also recommend the Hospital enter into a restitution agreement with the employee. Before an agreement can be executed, state law requires it be reviewed by both the Attorney General's Office and the State Auditor's Office.

We will refer this report to the Thurston and Pierce County Prosecuting Attorney's Offices.

About Western State Hospital

Western State Hospital, managed by the Department of Social and Health Services, 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 medical doctors - 47 psychiatrists and 21 physicians.

When employees are absent from work for scheduled vacation or unanticipated events, such as illness or injury, Hospital policy requires them to submit leave slips to supervisors. With prior approval from management, employees may also take leave without pay. When this occurs, Hospital policy requires they complete a form and submit it to their supervisor in advance. These policies apply to all Hospital employees – including medical doctors.

Investigation Background

In May 2015, our Office received a complaint asserting a physician (employee) at the Hospital had been continually overpaid for hours he did not work. We contacted Department officials who provided us with documentation showing the employee had been paid over \$43,000 for time he did not work and been ordered to make restitution to the Department.

We interviewed timekeepers, payroll staff and management from the Hospital and determined that, since July 2011, the employee's official 40 hours per week work schedule was:

- Tuesday, 12 a.m. (midnight) to 8 a.m. (8 hours)
- Thursday, 12 a.m. (midnight) to 8 a.m. (8 hours)
- Saturday, 12 a.m. (midnight) to 8 a.m. (8 hours)

- Saturday, 8 a.m. to 12 p.m. (4 hours)
- Saturday, 8 p.m. to 8 a.m. Sunday morning (12 hours)

The employee has worked at the Hospital since 2004. He is salaried, but is eligible to earn additional compensation at straight-time when he works more than 40 hours in a week. He also earns shift differential for working evening and night shifts at a rate of \$0.65 per hour.

Department officials reported that in the months of February 2013 to November 2013 the employee failed to work many of his scheduled 12-hour shifts that began on Saturdays at 8 p.m. but did not submit leave slips for those periods. As a result, the employee was paid approximately \$30,000 more than he had earned.

Again, during the months of February 2014 to September 2014, the employee failed to submit leave slips for many of his scheduled Saturday evening shifts but was paid more than \$13,000 for those shifts.

State law (RCW 43.09.185) requires agencies to immediately notify our Office of known or suspected losses of public funds or illegal activity. The Department has established an Administrative Policy (16.10) that outlines the reporting procedures employees should follow. Additionally, the law (RCW 43.09.330) requires that any compromise or settlement entered into by agencies must be approved in writing by the Attorney General and State Auditor. The Department did not comply with either of those requirements in this case.

Investigation Results

In this investigation we reviewed the two overpayments assessed by the Department to determine if they were accurately calculated. We also examined the employee's time and attendance for all other days from July 16, 2011 to July 15, 2015 to determine if he was paid for additional hours he did not work and did not submit leave slips.

Review of Department's overpayment assessments

We reviewed the two overpayments assessed by the Department to determine if they were accurate. The Department provided us with supporting documentation showing how it calculated the number of hours the employee was overpaid from February 2013 to November 2013 and February 2014 to September 2014. We confirmed the Department accurately identified the hours of his scheduled 12-hour shift for which the employee was paid but did not work.

As of July 15, 2015, the Department had assessed \$43,330 in overpayments to the employee. As authorized by the employee's collective bargaining agreement, the Department is deducting approximately \$200 from each of the employee's paychecks. According to the Department's payroll office, the employee's overpayment will be repaid in about seven years. We were told no interest accrues while the employee repays the overpayment.

Additional review of employee's time and attendance

We expanded our investigation to review the employee's complete time and attendance from July 16, 2011 to July 15, 2015. We examined the employee's payroll records, such as pay stubs and leave slips, to determine if the records matched the Hospital's official schedule. In addition to the discrepancies noted above, we found:

- 531 hours when the Hospital's schedule shows the employee was paid but did not work.
- 149 hours when the Hospital's schedule shows the employee did work, but was not paid.
- 359 hours of shift differential the employee was paid when he did not work (net of underpayment.)

In total, we estimate the employee was overpaid an additional \$28,423 that has yet to be assessed by the Department.

Interviews

Employee's Supervisor

We interviewed the employee's supervisor. At the time of our interview, he was the Acting Medical Director of the Hospital and had directly supervised the employee since 2005. The supervisor stated he has been aware of overpayment issues with the employee since 2012. The employee expressed dissatisfaction with his schedule beginning in 2011 and filed a grievance, which was unsuccessful.

We asked the supervisor why he thought the employee continued to be overpaid by the Hospital. He said because the employee failed to submit leave-without-pay slips to payroll for shifts he did not work. When we asked who was ultimately responsible for monitoring the employee's time and attendance, the supervisor stated he was. In closing, the supervisor added that he feels the employee is a "precious asset" to the hospital, despite his timekeeping deficiencies, because he provides good medical treatment for patients and recruiting and retaining medical staff is very challenging.

We asked if any formal corrective action has been taken. The supervisor said a written directive was provided to and signed by the employee in April 2015, outlining his performance expectations. The supervisor was not aware of any other written directives or reprimands issued to the employee. We received the employee's personnel file and confirmed this written directive was the only one on file.

Chief Executive Officer

We met with Hospital leadership to discuss the investigation. The Chief Executive Officer said he has never met the employee, but was aware he had been making scheduling arrangements with other physicians and not always following through with them. He also stated there is no excuse for

this issue to have been allowed to continue for so long, but management also has to be strategic. The hospital has historically had trouble recruiting and retaining medical staff because pay is not comparable to private industry.

He said he is committed to improving the Hospital and believes a better time management system needs to be implemented for medical staff and monitoring of attendance may need to be shifted to another workgroup.

Employee

We interviewed the employee to discuss the overpayments previously assessed by the Department and the additional hours we found he did not work, but was paid. We asked the employee if he was aware of the Hospital's leave slip policy. He stated that he was first made aware of this requirement in November 2013, when the Department assessed the first overpayment. The employee could not recall who told him submitting leave slips was required.

The employee said that he requested management adjust his schedule to less than 100 percent; by removing his 12-hour Saturday shift. This request was denied.

We asked the employee if he was aware of the Hospital policy that a written and signed notification be provided to the Medical Director when physicians agree to arrange coverage for their scheduled shifts. The employee stated he was neither familiar with nor aware of this policy. He is not aware of any physicians who submit coverage arrangements in writing.

The employee said the Department still has not thoroughly explained to him why the overpayment was assessed for 2014. He does not dispute the 2013 overpayment.

We shared the results of our time and attendance audit with the employee and gave him an opportunity to review the details. He provided us information that we considered in our final investigation results.

Internal Control Weaknesses

Internal controls at the Hospital were not adequate to safeguard public resources. Specifically, we found:

- Management did not adequately monitor the employee's time and attendance to ensure leave slips were submitted to payroll when he was absent from work.
- Management did not ensure the employee provided written and signed notifications to the Medical Director when he arranged for his shift to be covered by another physician.

We also found most Hospital and other Department employees we interviewed during the investigation were not aware of the requirement that the State Auditor's Office be notified immediately in the event of a known or suspected loss of public funds or illegal activity.

Recommendations

The Hospital should strengthen its monitoring of time and attendance for physicians to ensure public resources are safeguarded and employees comply with Hospital policies.

We recommend the Hospital:

- Review and reconcile employee's time and attendance, at least monthly, to ensure all required leave slips have been submitted to payroll.
- Require employees to annually acknowledge on the Employee Annual Review Checklist they have read Hospital policies regarding time and attendance. Specifically, that leave slips are required to be submitted by employees to their supervisor when they are absent from work.
- Establish a standardized form for medical doctors to complete when they arrange coverage for their regularly scheduled shifts. These forms should be completed in advance and approved by a supervisor. These forms should be used when employee's time and attendance is reconciled.
- Ensure the State Auditor's Office is immediately notified in the event of a known or suspected loss of public funds or illegal activity, as required by state law. The Department's Administrative Policy 16.10 outlines the reporting procedures employees should follow.
- Ensure that any compromise or settlement with an employee is approved in advance by the Attorney General and State Auditor's Office, as required by state law.

We also recommend the Department seek recovery of the overpayments that have yet to be assessed to the employee, totaling approximately \$28,423. The Department should also consider seeking recovery of investigative costs totaling \$24,806. Any compromise or settlement of this claim by the Department must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.330). Assistant Attorney General Matt 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 Sadie Armijo, Deputy Director of Local Audit, who can be reached at (360) 902-0362 or Sadie.Armijo@sao.wa.gov.

Department's Response

The Department concurs with the findings.

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 also explore including the Time and Attendance policy in the Employee Annual Review checklist to ensure compliance.

The Department will educate supervisors about when they need to notify Operations Review and Consultation, who in turn will notify the State Auditor 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.

State Auditor's Office Remarks

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