



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

# **Fraud Investigation Report**

## **Harborview Medical Center**

**For the Investigation Period September 1, 2015 through July 13, 2018**

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

August 5, 2019

Board of Trustees  
Harborview Medical Center  
Seattle, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Harborview Medical Center. On August 16, 2018, the Medical Center 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 Electroneurodiagnostic Technician Supervisor's unallowable activities at the Medical Center from September 2015 through March 2018. 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.

If you are a member of the media and have questions about this report, please contact Director of Communications, Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Manager Sarah Walker at (509) 454-3621.

A handwritten signature in black ink that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

cc: Lillen Namba, UW Medicine Director of Internal Controls

# FRAUD INVESTIGATION REPORT

## Investigation Summary

On August 16, 2018, the University of Washington Internal Audit unit (Internal Audit) notified our Office regarding a potential loss of public funds in the Harborview Medical Center Operating Room as required by state law.

Internal Audit investigated and determined an Electroneurodiagnostic Technician Supervisor (Technician Supervisor) misappropriated public funds. He was paid for time not worked at the Medical Center Operating Room, totaling \$11,131 between September 2015 and March 2018. The Medical Center fired the employee effective August 17, 2018. We reviewed Internal Audit's investigation and agree with its conclusions.

We will refer this case to the King County Prosecuting Attorney's Office.

## Background and Investigation Results

The Medical Center, located in King County, operates on an annual budget of about \$1.02 billion. The Medical Center is owned by King County and managed under contract by the University of Washington.

The Medical Center Operating Room is staffed 24 hours a day, supporting 11 surgical specialties in its 25 Operating Room suites. Movement throughout the Operating Room and hospital is restricted via badge swipe. The Technician Supervisor is responsible for managing staff schedules, ordering supplies, training new technicians, and participating in performance improvement and continuous quality improvement activities.

The Internal Audit investigation focused on the former Technician Supervisor's payroll records and determined the Supervisor was paid for at least 208 hours of time not worked from September 2015 to March 2018, totaling \$11,131 as explained below:

- The Supervisor was paid for 22 days of unearned holiday credits totaling 176 hours. Internal Audit reviewed state holidays the employee had off compared to what was reported on the Supervisor's payroll timecards. Under the UW Medicine Policy, employees must input the holiday credits on their timecard for state holidays taken, or else the employee will be paid as normal and the holiday credit will be accrued and paid out upon separation.
- The Supervisor was paid for four days, totaling 32 hours, where there was no badge swipe activity or evidence provided to show the employee was working on those days.

The Internal Audit department interviewed the Technician Supervisor on April 2, 2018, and August 15, 2018. The Technician Supervisor acknowledged not reporting holidays used on his time card, explaining that he expected the department's payroll staff to adjust the timecard

accordingly. The Supervisor had no explanation for the hours when there was no activity to support having worked those days.

On November 19, 2018, the Medical Center established a net installment payment agreement with the former Technician Supervisor. The agreement authorized a repayment over 47 months of \$200 a month plus an additional payment of \$128.

## **Control Weaknesses**

Internal controls at the Medical Center were not adequate to safeguard public resources. Internal Audit identified the following weaknesses that allowed the misappropriation to occur:

- Lack of training and knowledge of Operating Room staff and supervisors resulted in a misunderstanding of responsibilities and duties regarding timecard keeping and review, including holiday pay.
- Operating Room supervisors were not reviewing employee time cards to ensure time submitted to payroll are accurate and complete, including reporting holiday pay.

## **Recommendations**

We recommend the Medical Center strengthen internal controls over the review and approval of employee timecards to ensure adequate oversight and monitoring to safeguard public resources and compliance with Medical Center policies.

We also recommend the University seek recovery of the related investigation costs of \$3,498 from the former Technician Supervisor and/or its insurance bonding company. Any compromise or settlement of this claim by the Medical Center 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](mailto:mattk1@atg.wa.gov). The contact for the State Auditor's Office is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (360) 489-4591 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## **Medical Center's Response**

*We agree and have/will implement the following additional controls to ensure adequate oversight and monitoring: 1) Kronos refresher training was provided to staff in October 2018, 2) the nurse manager for the operating room is reviewing timesheets for her professional staff direct reports prior to approval, and 3) holiday hours for exempt employees will be front loaded into Kronos beginning September 2019, rather than having employees request holiday hours.*

*In addition, the University will seek recovery of the related investigation costs from the former employee.*

## **State Auditor's Office Remarks**

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

## ABOUT THE STATE AUDITOR'S OFFICE

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.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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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