



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Washington State University

**For the investigation period September 22, 1997 through
February 28, 2019**

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

November 12, 2020

Board of Regents
Washington State University
Pullman, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Washington State University. On March 4, 2019 and April 29, 2019, the University notified the Office of the Washington State Auditor of potential losses of public funds. These notifications were submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of the University's investigations. We have reviewed the investigation results to determine if unallowable activities occurred at the University from August 2014 through February 2019. The purpose of our review was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.290) 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 Investigation Manager Sarah Walker at (509) 454-3621.

Pat McCarthy
State Auditor
Olympia, WA

cc: Heather Lopez, Chief Audit Executive

FRAUD INVESTIGATION REPORT

Investigation Summary

The Washington State University Internal Audit Department notifies our Office regarding potential losses of public funds, as required by state law (RCW 43.09.185). The University investigates each of the reported cases. We review the University's final investigation reports and select cases to examine further based on risk factors such as type of loss and dollar amount. In this instance, we selected four cases for further review.

The University initiated an investigation into each of the four reported cases and determined that misappropriation totaling \$12,238.55 occurred between August 2014 and February 2019. We reviewed the University's investigation for each of the cases and agree with the conclusions reached.

The total loss is allocated as follows:

Date SAO Was Notified of the Loss	WSU Case No.	Reporting Unit	Description of Misappropriation	Dates From/To	Amount of Loss
March 04, 2019	I 19-02	College of Nursing	One employee misreported time worked and leave used.	Apr 2016 - Jun 2018	\$ 0.00
March 04, 2019	I 18-01	School of Music	Two employees misreported time worked and leave used.	Aug 2014 - Feb 2018	\$ 2,895.61 *
April 29, 2019	I 19-07	College of Veterinary Medicine	One employee misreported time worked and leave used.	Nov 2017 - Nov 2018	\$ 6,448.56 *
April 29, 2019	I 19-13	University Advancement	One employee misreported time worked and misused WSU email accounts for non-work-related purposes.	Mar 2015 - Feb 2019	\$ 2,894.38 (Fully recovered)

* University to recover through employee payment plan.

We will refer these cases to the Whitman County Prosecuting Attorney's Office.

Background and Investigation Results

The University, headquartered in Whitman County, operates on a total state legislative appropriation budget of about \$186 million.

The University's Internal Audit Department investigated all four cases. Our work focused on reviewing the results of the internal investigations to determine if misappropriations occurred. In all four cases, we chose to rely on the work performed by the Internal Audit Department. Details of each case are listed below:

College of Nursing

The Dean of the College of Nursing misused work time. The Dean did not properly report leave of absence multiple times, and absences conflicted with approved personal leave and/or leave activity between April 2016 and June 2018.

The University's Internal Audit Department conducted an investigation that compared the employee's reported leave with approved personal leave for the period of April 2016 to June 2018. The investigation concluded the Dean did not report 72 hours of annual leave time as leave taken. It further found that 21 days identified as "working remotely" did not have adequate support showing approval for the alternate work location and lacked sufficient evidence of work-related activities being performed.

The Internal Audit Department questioned the employee on November 6, 2018, via email. She disagreed with each instance of its findings.

The case was referred to University Human Resource Services to address as part of the end of contract negotiations. The final report determined that the annual leave not reported is considered questionable. University Human Resources determined no adjustment was necessary with respect to the 21 days "working remotely" above.

We reviewed the University's investigation and agree with the conclusions reached.

School of Music

Two Washington State University School of Music employees were overpaid by a total of \$2,895.61 between August 2014 and February 2018 by claiming hours not worked. The two employees worked as administrative staff for the School of Music and had worked for the University for three and 21 years, respectively.

The Internal Audit Department investigated leave accruals and usage, using approved timesheets and with help from University Human Resource Services. The Internal Audit Department also reviewed travel and purchase card activity. The investigation concluded that a total of 381 hours of leave was taken and not reported, causing a total overpayment of \$2,895.61. The table below shows the allocation of the loss:

Employee	Time Period	Hours	Amount
Employee 1	Dec 2015 – Feb 2018	189.02	\$2,895.61
Employee 2	Aug 2014 – Dec 2017	192	\$0 (recovered by accrued leave balance)

The Internal Audit Department did not identify any travel or purchase card misappropriation.

The Internal Audit Department interviewed the two employees, who both agreed with the misuse of leave identified. Employee 1 is paying back the loss on a payment plan.

We reviewed the University’s investigation and agree with the conclusions reached.

College of Veterinary Medicine

An employee of the Washington State University College of Veterinary Medicine was overpaid by \$6,448.56 between November 2017 and November 2018 by claiming hours not worked. The employee was the Fiscal Specialist 2 for the Veterinary Teaching Hospital service center at the time of the investigation.

The Internal Audit Department investigated the reported time worked and reviewed leave accruals and usage, using approved timesheets and system logs. The investigation concluded that the Fiscal Specialist 2 took, but did not report a total of 166.69 hours of leave, causing an overpayment of \$6,448.56.

The Internal Audit Department did not perform an interview because the Fiscal Specialist 2 failed to appear for scheduled interviews. The Fiscal Specialist 2 was fired for abandonment of post on December 29, 2018. The University has sent a certified letter regarding overpayment in an attempt to recover losses.

We reviewed the University’s investigation and agree with the conclusions reached.

University Advancement

An employee of University Advancement was overpaid by \$2,894.38 between March 2018 and February 2019 by claiming hours not worked. Additionally, the employee misused University email accounts for non-work-related purposes.

The Internal Audit Department investigated the reported time worked and review of leave accruals and usage, using approved timesheets and system logs. The investigation concluded that the employee took but did not report 133.5 hours of leave, causing a total overpayment of \$2,894.38. The employee also used his University email for non-work-related purposes from August 11, 2015, to March 15, 2019, with more than 1,500 emails made for personal purposes.

The Internal Audit Department interviewed the employee, who agreed with the misuse of leave identified and email use reported. The employee resigned from the University.

We reviewed the University's investigation and agree with the conclusions reached.

Control Weaknesses

Internal controls at the University were not adequate to safeguard public resources. We found that in all four cases, management did not properly monitor employee activities and the reporting and use of leave balances.

Recommendations

We recommend the University strengthen oversight and monitoring of the reporting and use of leave balances to safeguard public resources and compliance with University policies.

We also recommend the University seek recovery of the remaining misappropriated \$9,344.17 and related investigation costs of \$11,485 from the former employees and/or its insurance bonding company, as follows:

- College of Nursing - \$ 0.00
- School of Music - \$ 2,717.32
- College of Veterinary Medicine - \$ 6,051.51
- University Advancement - \$ 2,716.17

Any compromise or settlement of these claims by the University must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.330). Assistant Attorney General Matthew 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 Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

University's Response

Thank you for your investigation and the opportunity to respond.

Washington State University agrees with the internal control recommendations made by the State Auditor's Office to strengthen oversight and monitoring of the reporting and use of leave balances. The University will continue its ongoing efforts to seek restitution from the employees identified in these investigations. As noted, for the five employees, the questioned time for three had been fully recovered prior to the employees' separation, and, for the other two, recovery plans were put in place upon completion of the internal investigation and/or at the employees' separation.

Washington State University takes its responsibilities as stewards of public resources very seriously. To that end, the University is in the process of implementing a significant financial and personnel system. While oversight and monitoring will continue to be a necessary internal control, it is anticipated the new system will afford greater access to the information needed to provide

more efficient and effective oversight. As personnel are trained in the use of the new system, WSU will continue to emphasize the need for supervisors to monitor time worked and leave usage.

Auditor's Remarks

We thank University 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.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office

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