



Office of the Washington State Auditor  
Pat McCarthy

# Fraud Investigation Report

## Thurston County

For the investigation period April 1, 2018 through February 29, 2020

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

April 22, 2021

Board of Commissioners  
Thurston County  
Olympia, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at Thurston County. On February 24, 2020, the County notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

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 (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy  
State Auditor  
Olympia, WA

cc: Ramiro Chavez, County Manager

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## **FRAUD INVESTIGATION REPORT**

### **Background and Investigation Results**

On February 24, 2020, the County notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The case involved concerns that a County employee was paid for time not actually worked.

The County investigated and determined a Division Director in the County Public Health and Social Services Department was paid for 104 hours of time not worked between April 2018 and April 2019. The County calculated this to be \$5,086 in payroll misappropriation.

We reviewed the County's investigation and agree with its conclusions. However, we also calculated an additional \$1,966 in questionable costs for 40 hours between July 2018 and December 2019, during which it is unclear whether the Division Director worked or not.

The County reviewed timekeeping records from April 1, 2018, to February 29, 2020. Specifically, the County compared days listed as worked on the Division Director's timesheets against records of the Division Director's activity including badge scans to enter the building, computer activity logs, email records and calendar. The County found the Division Director was paid for time where no work activity was found.

The County met with the Division Director on March 6, 2020. During this meeting, the Division Director said there were several days she probably should have used leave, totaling \$3,505 for 72 hours. The Division Director's employment was terminated in June 2020.

### **Control Weaknesses**

Internal controls at the County were not adequate to safeguard public resources, and allowed the misappropriation to occur. Specifically, the Division Director's supervisor expected the Division Director to manage their time without adequate supervision over time reporting, considering they were in a salaried leadership position. Due to supervisor's trust in the position, the supervisor did not complete a thorough review process during her review, and did not identify that the Division Director was claiming time not worked.

### **Recommendations**

We recommend the County strengthen its control process over employee timekeeping and subsequent supervisor review in the County Public Health and Social Services Department. Supervisors should have adequate knowledge of employee schedules and attendance to identify any potential instances of time claimed but not actually worked.

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

We also recommend the County seek recovery of the misappropriated \$5,086 and related investigation costs of \$3,780 from the former Division Director and/or its insurance bonding

company, as appropriate. Any compromise or settlement of this claim by the County must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or [Matthew.Kernutt@atg.wa.gov](mailto:Matthew.Kernutt@atg.wa.gov). The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (360) 489-4591 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## **County's Response**

*Thurston County thanks the staff at the State Auditor's Office for their assistance and professionalism during this investigation and appreciates the recommendations.*

*The County takes internal controls, transparency, and maintaining public trust very seriously. When the issue was brought to the attention of management, we immediately began an investigation, and notified the State Auditor's Office of potential loss of public funds. The investigation was completed, and the employee is no longer employed with Thurston County.*

*Thurston County Public Health and Social Services has strengthened internal controls and procedures related to supervisory review of leave taken and recorded for salaried employees. Leave and timekeeping policy/procedures are communicated to all employees upon hire and reviewed regularly. Supervisors understand their responsibility to carefully review timekeeping and attendance records prior to approval, monitor leave balances, require written communication and pre-approval of leave taken, any changes to typical 40-hour work schedules, compare time records to employee calendar each pay period, and maintain record of employee leave/attendance/schedule changes. Any discrepancies will be corrected prior to final payroll approval.*

*In addition, Thurston County will take appropriate steps to recover the funds. Again, we thank the State Auditor's Office for their thorough review and assistance during this process.*

## **Auditor's Remarks**

We thank County officials and personnel for their assistance and cooperation during the investigation. We will follow up on the County's internal controls during the next audit.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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