



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Department of Health

For the period July 1, 2018 through June 30, 2020

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

December 27, 2021

Umair Shah, Secretary of Health
Department of Health
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the Department's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and value your cooperation during the audit.

Sincerely,

Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, Department operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above, we identified areas where the Department could make improvements. These recommendations are included with our report as a finding.

Additionally, as noted under the Related Reports – Special Investigations section of this report, certain matters were examined and reported as part of a separate engagement.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Department of Health from July 1, 2018 through June 30, 2020.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the Washington State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the Department's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended June 30, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payments for meals with meetings for employees
- Pregnancy Risk Monitoring System gift cards
- Disaster Response Account transactions

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Department of Health July 1, 2018 through June 30, 2020

2020-001 The Department of Health lacked adequate internal controls for ensuring compliance with state regulations for providing meals to employees and training attendees.

Background

State agencies can purchase meals in certain circumstances. All meals that state agencies provide must meet the requirements and per diem guidelines outlined in the State Administrative and Accounting Manual (SAAM). Per diem is the maximum amount of money an agency is allowed to spend on a person for a single meal, based on the time of the meal and location. The SAAM prohibits reimbursement for meal expenses incurred at the traveler's official work station or official residence, except in limited circumstances. One of these circumstances is when the agency head determines that employees performing critical agency functions during an emergency situation must remain at their work stations.

During a declared state of emergency in Washington state, the Department of Health (Department) activates its Incident Management Team (IMT). The Department will often provide meals to staff, volunteers, interns, contractors and other agencies that help with emergency response. When the Department purchases goods and services for IMT-related activities, employees are required to complete the WA Resource Request Form (213 RR). The logistics section chief must approve the request to help coordinate how the agency will acquire the goods or services, and the finance section chief reviews the request for necessity and reasonableness. The Department activated the IMT on Jan. 19, 2020, which was the date of the first known case of COVID-19 in Washington.

The Department works with other organizations and experts to protect and improve the health of all people in Washington by providing health and safety information, education and training sessions. The Department often provides meals during these sessions for participants. The Department must obtain pre-approval to serve meals during these events, which includes providing the names of the state organizations or people attending the meeting. This requirement also applies to conferences, conventions and formal training sessions.

During fiscal year 2020, the Department purchased meals both before and after it activated the IMT. From July 2019 to December 2019, the Department spent approximately \$67,000 on meals. The IMT was not active during this time, and the Department was following its normal operating policies and procedures. When the Department activated the IMT on January 19, 2020, the Incident Commander authorized the purchase of meals, snacks and light refreshments for the IMT employees. From January 2020 through June 2020, the Department spent over \$438,000 on meals.

Description of Condition

The Department of Health lacked adequate internal controls for ensuring compliance with state regulations for providing meals to employees and training attendees.

IMT meals

The Department provided meals to employees in their regular workplaces contrary to SAAM guidance. While the Incident Commander approved providing the IMT staff meals, snacks and light refreshments, the Department did not issue a directive stating that employees must stay at their work stations while on shift during the emergency situation. While Department management said that IMT employees were encouraged to stay at their work stations, they were in fact free to leave during their shifts if they wanted to go get meals on their own. Additionally, the Department did not ensure that all of the meals it provided were properly supported and met per diem and SAAM requirements.

Training sessions

The Department did not ensure that all of the meals it provided at trainings were properly supported and met per diem and SAAM requirements.

Cause of Condition

IMT meals

Department officials said they believed the Incident Commander's initial approval was sufficient to allow for providing meals and snacks to IMT employees in their regular workplaces. Additionally, the Department lacked policies and procedures describing under what circumstances it would pay for the meals of employees who were not in travel status. The Department said that it did not have time during the pandemic to create such policies. However, the IMT has existed since at least 2015, and the Department has activated it many times prior to the COVID-19 pandemic.

Training sessions

The Department did not keep adequate documentation of how many people attended each training where the Department provided meals.

Effect of Condition

IMT meals

We examined supporting documents for 120 transactions totaling \$147,208 for IMT meals, snacks and light refreshments. We noted 50 transactions totaling \$46,939 that did not follow Department policy or meet SAAM requirements. Specifically, we found:

- Four transactions where meal costs were over per diem rates.
- Fourteen transactions where the Department did not follow proper Department purchasing approval procedures and had late or no signatures on the documentation.
- Seventeen transactions where supporting documentation lacked detailed information, including the number of meals provided or the number of people served.
- Fifteen transactions where the Department created and signed supporting documents in July 2021, which was after we requested the documentation and more than one year after the end of the audit period.

Training sessions

We examined supporting documentation for 10 training session transactions totaling \$15,316. We found six transactions totaling \$596.04 that exceeded allowable per diem amounts.

Recommendation

We recommend the Department:

- Follow SAAM guidelines for providing meals to staff
- Create policies and procedures for purchasing meals for IMT staff
- Improve documentation of meal purchases and the associated approvals
- Ensure purchased meals are within state per diem requirements

Department's Response

We appreciate the State Auditor's Office (SAO) audit of meals with meetings at the Washington State Department of Health (DOH). DOH is committed to ensuring our programs comply with federal and state regulations and understand that it's SAO's point of view that we were not in compliance with the meals with meetings protocol.

After review, we partially concur with SAO's results and recommendations.

We concur that not all meetings were within per diem and met SAAM requirements as such but disagree that we did not keep and provide all requested documentation or have adequate internal controls in place.

DOH does have a Meals with Meetings policy that under normal circumstances would be a sufficient internal control. Due to Governor Inslee's proclamation number 20-05 that required DOH to provide appropriate personnel for conducting necessary and ongoing incident related assessments the agency's priority was keeping response activated employee's safe during unprecedented times. We concur the Meals with Meetings policy should be expanded to include protocol for potential future emergent activated response activities.

Auditor's Remarks

We thank the Department for its cooperation and assistance throughout the audit. We reaffirm our finding and will review the status of the Department's corrective action during our next audit.

Applicable Laws and Regulations

State Administrative and Accounting Manual establishes the following requirements:

Section 10.40.10 *What is the basis for reimbursing meal costs?* states, in part:

- a. Reimbursement for meal expenses is on an allowance basis not to exceed the amounts in effect at the time of travel, unless:
 - An exception is specifically provided by statute, or
 - As authorized by Subsection 10.40.20.

The meal allowances for the Continental USA are stated in Subsections 10.90.10 and 10.90.20 (PDF file). The meal

allowances for areas outside the continental USA are stated in Subsection 10.90.20 (PDF file).

Section 10.40.40 *Certain meal costs cannot be reimbursed* states:

a. Reimbursement for meal expenses incurred at the traveler's official station or official residence is prohibited, except:

1. As provided for under the provisions of Subsection 70.15.10 and Subsection 60.20.10.
2. In emergency situations when the agency head determines that employees performing critical agency functions must remain at their work stations.
3. When an employee, acting in a custodial or leadership role, must, as part of their duties, dine with students or other clients of the agency (i.e. higher education coaches dining with student athletes).

b. Reimbursement for meal expenses is not to be authorized when a traveler does not incur expenses for meals because they are furnished.

c. Where identifiable costs of meals are included in the lodging rate or registration fee of a meeting, conference, convention, or formal training session, the meal costs, not to exceed the designated meal allowances found in Subsections 10.90.10 and 10.90.20 (PDF file), are to be deducted from the traveler's allowable travel reimbursement amount. If the included meal costs are not specifically identified, agencies are not to pay the traveler the meal allowances.

d. See Subsection 70.15.20 for situations where meals with meetings cannot be reimbursed.

Section 70.15.10 *Reimbursement for meals with meetings* states:

a. RCW 43.03.050(3) provides for reimbursement for meals, for certain business meetings (includes conferences, conventions, and formal training sessions) involving elective and appointive officials, and state employees. Additionally, other statutes may authorize agencies to provide reimbursement for meals for other individuals regardless of travel status.

This authority is not intended for use with the normal daily business of elective or appointive officials or state employees, but rather for special situations or occasions.

In accordance with Executive Order 13-06, executive cabinet agencies are required, and all other agencies strongly encouraged, to incorporate healthy food and beverages at meals with meetings when applicable.

b. The agency head or authorized designee may authorize reimbursement for the allowable cost of meals (refer to Subsections 10.40.40 and 10.90.20) for elective and appointive officials and state employees regardless of travel status, and without regard to Subsection 10.40.50.b(1). This authority is intended for use when the agency requires a person to attend a meeting where business meals are served, and where:

- The purpose of the meeting is to conduct official state business or to provide training to state employees or state officials; and
- The meals are an integral part of the business meeting or training session, and
- The meeting or training session takes place away from the employee's or official's regular workplace, and
- The agency obtains a receipt for the actual costs of the meals with meetings, and
- The agency head or authorized designee approves payment for the meals in advance of the meeting by defining in the agency internal policies and procedures (Subsection 10.10.10) those meetings where attendance by agency employee(s), official(s) or others as authorized by statute, and reimbursement for the meals regardless of travel status, is advantageous to the state.

Approvals must be in writing (Subsection 70.15.30). One-time approvals for recurring meetings can be made at the time of the initial request.

Section 70.15.30 *Documentation of advance approval for meals with meetings is required* states:

Agencies must document the request and approval in advance for expenditures for meals with meetings. Agencies may use a Travel Authorization (form A40-A) or agency equivalent form, an Invoice Voucher (form A19-1A), or a formally written agency memorandum for this purpose. The documentation should provide support for the authorization, including:

- The names of the state organizations or persons attending the meeting (includes conferences, conventions, and formal training sessions), and
- The purpose or accomplishments of the meeting.

RELATED REPORTS

Financial

We perform an annual audit of the statewide basic financial statements, as required by state law (RCW 43.09.310). Our opinion on these financial statements is included in the Annual Comprehensive Financial Report (ACFR). The ACFR reflects the financial activities of all funds, organizations, institutions, agencies, departments and offices that are part of the state's reporting entity. That report is issued by the Office of Financial Management in December of each year and can be found at www.ofm.wa.gov.

Federal grant programs

In accordance with the Single Audit Act, we annually audit major federal programs administered by the state of Washington. Rather than perform a single audit of each agency, we audit the state as a whole. The results of that audit are published in a report issued by the Office of Financial Management, generally in March of each year.

Special investigations

During the current audit period, the State Auditor's Office issued a report pursuant to the State Employee Whistleblower Act (Chapter 42.40 RCW). That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.



STATE OF WASHINGTON

DEPARTMENT OF HEALTH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Department of Health
July 1, 2018 through June 30, 2020**

This schedule presents the status of findings reported in prior audit periods.

Audit Period: July 1, 2016 – June 30, 2018	Report Ref. No.: 1024307	Finding Ref. No.: 2018-001
Finding Caption: The Department of Health did not have adequate internal controls to ensure it followed state requirements and its own policies related to small and attractive assets		
Background: The State Administrative Accounting Manual (SAAM) requires state agencies to define non-capital assets they consider particularly vulnerable to loss as “small and attractive” and implement policies to protect and control the use of such assets. The Department’s Information Technology (IT) group tracks IT related small and attractive assets in a computer database, using sequentially numbered asset tags issued at four separate locations. In fiscal year 2018, Department records showed 4,019 assets on its IT small and attractive asset inventory – including 3,461 computers, tablets, and printers – and 30 assets on its non-IT small and attractive assets inventory that did not have a completed inventory; the Department did not have updated policies to reflect current business practices, did not properly dispose of assets, had not designated an inventory officer and did not conduct a periodic risk assessment.		
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		

Corrective Action Taken:

Status: Corrective action in progress

Corrective Action: The Department concurs with this finding.

In response to this audit finding, the Department has taken steps to correct the deficiencies identified by the auditors.

In early June 2019, the Department began scaling up a business project focused on asset management for IT, capital, and small and attractive assets. The intended outcomes and deliverables of the project include:

- Updated agency policy and procedure,*
- Clearly defined roles and responsibilities,*
- Designation of an agency Inventory Officer,*
- A plan to assign sequential tags to new assets,*
- A plan to conduct an inventory of all assets to meet SAAM requirements, and*
- Conducting a physical inventory in line with the approved plan.*

In July 2019, the Department began assigning sequential tags to new IT assets.

As a first responding agency, there have been times throughout the COVID response where this project has been paused while staff were activated.

INFORMATION ABOUT THE DEPARTMENT

The mission of the Washington State Department of Health is to work with others to protect and improve the health of all people in Washington State. The Department accomplishes the mission by leading changes in policies, systems and environments to prevent illness and injury, promote healthy families and communities, and encourage healthy lifestyles.

To achieve this mission the agency focuses on places where people live, learn, work, recreate, seek healthcare, and worship. The Department works closely with many local government agencies, tribal governments and non-profit organizations across the state. Partnering with boards and commissions the Department oversees the licensing and certification of 83 different types of health professionals who serve the citizens of Washington.

The Secretary of Health is appointed by the Governor and agency authority is contained in state law (RCW 43.70.020). The Department's main office is located in Tumwater with additional offices in Shoreline, Kent, Spokane and Richland. The Department has approximately 1,886 employees and receives funding from state appropriations, license fees and federal grants. In total, it receives approximately \$621 million annually. Of that amount, approximately \$292 million is from federal sources, \$75 million is from the state general fund and \$253 million is from various fees.

Contact information related to this report

Address:	Department of Health 101 Israel Road S.E. P.O. Box 47890 Olympia, WA 98504
Contact:	Jeremy Stephen, Enterprise Risk/Internal Control Officer
Telephone:	(360) 236-4676
Website:	www.doh.wa.gov

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Health at <http://portal.sao.wa.gov/ReportSearch>.

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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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