



Office of the Washington State Auditor
Pat McCarthy

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Fraud Investigation Report

Department of Corrections

For the investigation period April 1, 2022 through July 21, 2023

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Office of the Washington State Auditor Pat McCarthy

Issue Date – (Issued by OS)

Secretary Cheryl Strange
Department of Corrections
Olympia, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Department of Corrections. On November 30, 2023, the Department 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 43.09.290) 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 (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor
Olympia, WA

cc: Juline Martin, Audit Director/Ethics Administrator

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On November 30, 2023, the Department notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185).

In March 2023, the Department opened an investigation in response to a supervisor's concerns that a Correctional Records Technician was not performing his work duties, was not reporting leave time, and was being paid for time not worked. The Department investigated and determined a misappropriation totaling \$10,229.26 occurred between January 3, 2023, and July 21, 2023. Additionally, the Department's investigation noted that between April 2022 and December 2022, the Technician had consistently not met performance metrics. However, the Department could not determine if the Technician was claiming time not worked during that period.

We reviewed the Department's investigation and agree with its conclusions. The investigation found:

- From April 2022 through December 2022, the Technician consistently failed to meet performance metrics. However, the Department did not find sufficient evidence to confirm if this was a result of the Technician claiming time not worked. As such, the Technician's work activity during this period is considered questionable because potential overpayments could not be calculated or confirmed.
- From January 3, 2023, through July 21, 2023, the Department determined that the Technician frequently spent three to four hours each workday on personal activities, totaling 362 hours. During this time, the Technician claimed overtime hours and did not submit any leave, resulting in an overpayment of \$10,229.26 for time not worked.
- On September 27, 2023, the Department interviewed the Technician, who said he did not work during some of his assigned work hours between January 3, 2023, and July 21, 2023. He also reviewed the Department's calculations and agreed that he was inappropriately paid 362 hours for the time he did not work.

We agree with the Department's calculation that it paid \$10,229.26 to the Technician for time not worked, which we determined to be misappropriation. We also agree with the Department's conclusion that the Technician's work activity outside the period of January 2023 through July 2023 cannot be confirmed, so we consider it questionable.

Control Weaknesses

The Department's internal controls were inadequate for safeguarding public resources. Department officials began monitoring the Technician because they were aware of his performance issues. However, this monitoring was ineffective in ensuring the Technician was only claiming time for hours he actually worked, and his timesheets and overtime hours continued to be approved and paid.

Recommendations

We recommend the Department strengthen internal controls over time reporting and performance management to ensure that employees are properly reporting the time they have worked. We also recommend the Department's supervisors avoid approving overtime to employees who are not meeting performance expectations.

We will refer this case to the Washington State Executive Ethics Board for any further action it determines is necessary.

We also recommend the Department seek recovery of the misappropriated \$10,229.26 and related investigation costs of \$8,400 from the former Correctional Records Technician and/or its insurance bonding company, as appropriate. 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 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 (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

Department's Response

The Department of Corrections (DOC) takes all matters related to fraud very seriously and appreciates this opportunity to review and respond to the State Auditor's Office Fraud Investigation Report F-23-462.

On March 16, 2023, the Department initiated an internal investigation regarding failure to perform job duties, misuse of state resources and misuse of state time for the timeframe between January 3, 2023, to March 15, 2023. Upon further investigation, the time frame was expanded to January 1, 2023 through July 31, 2023.

The Department reported the suspected loss to the SAO Fraud Unit as well as a subsequent DOC investigation into allegations of misuse of state resources and misuse of state time.

The Department continues to review policy as well as training opportunities, compliance with training, and ensuring acting/temporary supervisors are required to complete training to better strengthen communication and our internal controls around timecards and leave slip submissions.

- The employee has admitted to not performing work and not submitting appropriate leave slips for the identified timeframes.*
- The employee submitted their resignation on February 6, 2024, effective February 20, 2024.*
- DOC is in the process of recovering the overpayment amount.*

Auditor's Remarks

We thank Department officials and personnel for their assistance and cooperation during the investigation. We will follow up on the Department'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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