STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2008
Audit Resolution Report

ACCOUNTING DIVISION
DECEMBER 2008

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STATE OF WASHINGTON

AUDIT RESOLUTION REPORT

December 2008

THIS REPORT SUMMARIZES the status of corrective actions taken by state agencies, in conjunction with the Office of Financial Management (OFM), to resolve exceptions to audits.

Washington State laws require audits of every state agency. As part of the audit process, exceptions to specific expenditures or financial practices become a matter of public record. OFM is required to ensure that corrective actions to address exceptions are taken and to annually report on the status of these audit resolutions.

This annual report is required by RCW 43.88.160 which states, "The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services."

This report summarizes the status of resolution of audit exceptions related to regularly scheduled agency audits, which were reported in individual audit reports, the Statewide Single Audit report, and special audit reports. These audit reports were issued between November 1, 2007 and October 31, 2008. The audit reports issued during that period include 40 exceptions, two of which relate to fraud.

Agencies are required to submit corrective action plans to OFM within 30 days of issuance of audit reports in which exceptions are taken. OFM participates in the corrective action process, which is subject to a follow-up review during the subsequent audit.

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State of Washington
Schedule 1 – Audit Findings by Agency
December 2008

2007 F = Statewide Single Audit Report

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Department of Community, Trade, and Economic Development (CTED) Agency: 103

Audit Report: 6774

Finding Number: 001

Finding: The Department of Community, Trade, and Economic Development lacks adequate controls to safeguard and account for its small equipment.

Resolution: Since the last physical inventory in 2007, the Department took the following steps to improve controls over agency equipment:

- Revised inventory procedures to require agency management to review and certify that the inventory was completed and assets were accounted for.
- Improved communications regarding inventory procedures on missing assets through emails to, and personal contact with, responsible agency staff.
- Established a committee comprised of divisional inventory coordinators to meet quarterly.
- Trained inventory coordinators on the Department's inventory policies and procedures.
- Created measurable goals for divisional inventory coordinators to be included in their annual performance evaluations. The goals to date are to:
    - Attend and participate in all meetings of the committee.
    - Review and reconcile division inventory on a semiannual basis with the Capital Asset Management System and purchasing database.
    - Work with the purchasing office to study the possible acquisition of an electronic system to track tagged assets.

The Department is also investigating the possibility of acquiring and implementing an electronic system to track small and attractive items.

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State Lottery Commission (LOT) — Agency: 116

Audit Report: 6695

Finding Number: 001

Finding: The Commission did not comply with state laws and regulations regarding eight personal service contracts awarded to four vendors.

Resolution: The Commission has refocused attention on awareness of, and adherence to, existing policy and procedures after significant staffing vacancies were filled. Specifically, on January 10 and 24, 2008, most contract managers and support staff attended internal contract management training. Required Office of Financial Management contract training will be scheduled for all contract managers that have not yet attended the training as space in the class is available.

The Commission's general counsel provides oversight for policy compliance.

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Department of Labor and Industries (L&I) Agency: 235

Audit Report: 6703

Finding Number: 001

Finding: The Department did not comply with rules limiting payments for prescription medications dispensed to a 30-day supply.

Effective January 1, 2008, the Department changed its bill payment system to limit prescriptions to a 30-day supply unless a longer period is authorized based on review by the Department's pharmacy consultant.

To enforce this limitation, overrides are not allowed in the point-of-sale (POS) system. When the number of days is not specified, the POS system will deny payment. Paper bills that have over a 30-day supply are sent to the pharmacy consultant for review and approval.

The number of days supply is not required on paper bills received from injured workers. Workers who pay in advance for their prescriptions attach a receipt proving they paid out of pocket, but they use a simpler bill form that does not capture number of days supply. These paper bills account for less than one percent (.7%) of total pharmacy bills. The number of days supply is required on paper bills from pharmacies, although the use of paper bills by pharmacies is rare.

The Department's monitoring for noncompliance shows that the number of bills paid that are missing the number of days supply is within acceptable limits.

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Department of Labor and Industries (L&I) Agency: 235

Audit Report: 6703

Finding Number: 002

Finding: The Department does not adequately monitor claims when opioids are prescribed to injured workers.

Resolution: The Department has begun a project to address this finding. To insure compliance with rules and policies, the Department is implementing use of exception reports that will alert claim managers to ongoing opioid use by injured workers. During this project, the Department is reviewing the current process used to authorize and monitor opioid use and is updating correspondence sent to treating physicians. The goal is to reduce the administrative burden on treating physicians so they will submit better medical information regarding the need for opioids.

The Department is also studying a process to ensure the claim managers seek consultation with the occupational nurse consultants who can assist in developing an action plan to work with the doctor to encourage compliance with Department rules and policies.

The Department is updating the training materials for claim managers to emphasize the need to specifically note authorization or denial of opioid use in the computer system to ensure that only appropriate bills are paid and that there is file documentation of all efforts.

Some of the specific changes the Department is making include simplifying the "Opioid Progress Report"; updating opioid codes to make them more understandable for the claim managers; developing reports that assist claim managers and supervisors with monitoring opioid claims and authorizations as well as with ensuring proper documentation is provided.

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Department of Labor and Industries (L&I) Agency: 235

Audit Report: 6703

Finding Number: 003

Finding: The Department's internal controls are inadequate to ensure warrants are safeguarded.

Resolution: The mailroom supervisors are monitoring operations to ensure the staff is in compliance with agency policies, and mailroom staff has reviewed all relevant agency policies and procedures.

Since June 27, 2007, all returned warrants are being opened and logged in the mailroom by two employees upon receipt. Completed logs are reviewed and approved by one of the mailroom supervisors. Before this process was updated in 2008, individual program logs were also reviewed and approved by the programs subsequently receiving the returned warrants. The new process, implemented by the Department on July 1, 2008, centralizes processing of all returned warrants in the mailroom rather than distributing them to individual programs.

The safe combination was changed on August 9, 2007, following the change in supervisors. It was again changed December 4, 2007 and April 14, 2008. In the future, it will be changed when staff with access to the safe changes and, at a minimum, annually. It will be changed more frequently if deemed advisable by the mailroom's program support supervisor.

On August 9, 2007, a safe log was established. It is reviewed daily by the supervisor and kept secured in the safe after hours.

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Department of Labor and Industries (L&I) Agency: 235

Audit Report: 6703

Finding Number: 004

Finding: The Department's Pension Payment System's internal controls are inadequate to ensure public resources are safeguarded.

Resolution: The Department started the process to automate the calculation of the monthly pension benefit. Due to the magnitude of this endeavor and to ensure a successful outcome, the implementation was broken into four phases. Each phase will automate a piece of the manual process thereby assisting staff immediately. Phase 4 will be total automation of the monthly pension benefit.

Phase 1 automated the calculation of the monthly benefit amount for permanent partial disability with permanent reduction and pension advances with permanent reduction. This phase was implemented in January 2008.

Phase 2 involves the automation of calculating the three pension option amounts. In accordance with state law, pension recipients will choose the amount of their monthly benefit award based on these three options. This is scheduled for implementation in December 2008.

Phase 3 involves automating the process of calculating the monthly benefit award when a pension recipient is placed on social security and receiving a monthly benefit from the Department. In accordance with state law, the Department is entitled to offset the recipient's monthly benefit award and monthly social security benefit. This phase is also in process with an anticipated completion in December 2008.

Phase 4 will be creating a new computer screen linking all the prior phases together in one destination. New incoming pension claims will be processed through this screen. It will incorporate all prior phases and update all appropriate computer screens to start the monthly benefit process. This is anticipated to be completed in April 2009.

The above total automation of the monthly benefit calculations will free up time for staff to review more of the one-time pension payments mentioned in the audit finding and to conduct an analysis to determine the extent of resources needed to automate the special one-time payments.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 006

Finding: The Department of Social and Health Services and the Department of Early Learning do not have adequate internal controls over direct payments to child care providers.

Resolution: The Department of Social and Health Services (DSHS) and the Department of Early Learning (DEL) partially concur with the auditor's finding that neither Department has adequate internal controls over direct payments to childcare providers.

The Departments agree there is no process to routinely reconcile Social Service Payment System (SSPS) payments made to providers with the providers' attendance records. Both Departments also agree that the program's integrity would be enhanced by such reconciliation but have not had sufficient resources to perform the complex, time-consuming reconciliation on a routine basis.

In lieu of a reconciliation process, both Departments have focused their efforts on improving provider accuracy in billing and conducting alternate post-payment audits performed at various frequencies, to monitor the accuracy of service authorizations and payments. DEL and DSHS will continue to cooperate in identifying and implementing internal controls that will improve billing practices by providers and increase payment accuracy.

DEL reviewed the instructions included in the basic billing class offered to home childcare providers and, in August 2008, rewrote the instructions in "plain talk" to improve the accuracy and understandability. Additionally, DEL began training licensed family childcare providers and license-exempt in-home relative childcare providers per the requirements of the 2007-2009 collective bargaining agreement between the State of Washington and the Service Employees International Union 925. The agreement requires the state to provide training on subsidy payments for those providers covered under the contract that accept childcare subsidies. DEL is documenting provider attendance at the training.

By December 2008, DEL will reexamine the state's attendance record policy and evaluate the impact of mandating the use of a standard attendance reporting form to reduce the difficulty of reconciling attendance and SSPS payment records.

In May 2008, DEL and DSHS Economic Services Administration (ESA), Office of Quality Assurance (QA), developed procedures for obtaining required attendance record documentation from providers for the reconciliation of audits.

In July 2008, DSHS developed audit procedures and implemented audits involving the reconciliation of a representative sample of the SSPS childcare payments with attendance record documentation obtained through DEL.

DSHS will continue to utilize the Payment Review Program (PRP) and mandatory monthly supervisory reviews to improve the accuracy of the authorization process and identify billing errors. The results of these reviews are documented and the Community Services Division (CSD) headquarters staff reviews the documentation to ensure monitoring compliance.

DEL and DSHS jointly implemented the requirements of the Improper Payments Information Act of 2002 that requires states to conduct and report on audits of childcare authorizations to the U.S. Department of Health and Human Services (HHS) on a 3-year cycle. In January 2008, ESA/QA began auditing a random sample of 276 childcare authorizations from federal fiscal year 2007 for accuracy. The results were forwarded to DEL for reporting to HHS in June 2008. DSHS will continue to conduct these reviews on an annual basis and report authorization issues to DEL.

In February 2008, CSD and DEL reviewed the SSPS Provider Payroll Payment System and evaluated whether or not changes to SSPS could make it easier for providers to bill accurately. Because the system has limited flexibility for changes and will start to be phased out of operation, it was determined that changes should be incorporated into Provider One when development for childcare payments starts.

In March 2008, CSD and DEL reviewed the September 2006 DSHS Quality Assurance Family Home Eligibility and Payment Review Report written by ESA/QA to assure appropriate actions were taken to resolve issues affecting accuracy of authorizations and payments. Action plans were developed and are routinely reviewed at the monthly regional childcare coordinators meeting to resolve outstanding issues.

In March 2008, ESA/QA established a joint childcare review committee that will meet monthly to review and assess childcare authorization, training, and payment errors through a root cause analysis to reduce and prevent future errors. Within two weeks after each meeting, any issues coming out of this committee are brought forward to the ESA Assistant Secretary and the Deputy Director of DEL.

In September 2008, ESA and DEL formalized their roles and responsibilities for audit, authorization, and payment accuracy in the joint service level agreement signed by the Deputy Secretary of DSHS and Deputy Director of DEL.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 007

Finding: The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have internal controls to ensure that interest penalty collections are refunded to the federal government.

Resolution: The Department is working with the appropriate federal entities to determine the best method to refund the interest to the federal government.

The Department analyzed the calculations for the questioned costs identified in the audit related to unreported interest penalty collections and remitted the appropriate amount to the federal government on March 27, 2008.

On October 14, 2008, the Department established policies and procedures to ensure that federal share of interest is refunded annually to the federal government in an accurate and timely manner.

On November 17, 2008, the Department determined the amount of interest related to unreported interest penalty collections for the period July 1, 2007 to July 1, 2008 and remitted that interest back to the federal government.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 008

Finding: The Department of Social and Health Services, Office of Financial Recovery and Health and Recovery Services Administration, does not have adequate internal controls to ensure the federal share of overpayments made to Medicaid providers are refunded in a timely manner.

Resolution: The Department believes that existing internal controls are sufficient and adequately address the federal requirement to ensure that the federal share of overpayments is refunded within sixty days of discovery; however, the Department is currently working to arrive at a mutual agreement with the federal liaisons on how best to comply with the federal regulations without undue burden on resources caused by the manual reconciliation process to determine the federal share of overpayments. This agreement is anticipated to be finalized by the end of 2008.

In the spring of 2008, the Office of Financial Recovery began sending monthly reminder emails to department administrations requesting assurance that all overpayments had been forwarded. After subsequent discussion with the auditors, a new policy and procedures were approved in October 2008 and implemented in November 2008.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 2007 F

Finding Number: 009

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's internal controls are inadequate to identify and recover Medicaid overpayments to pharmaceutical providers made through inappropriate use of billing override codes.

Resolution: The Health and Recovery Services Administration (HRSA) will continue outreach activities that commenced on September 27, 2007, including working with the Washington State Pharmacy Association and the pharmacy focus group to identify opportunities to improve third party liability (TPL) processes and to raise awareness in the pharmacy community for TPL overpayments.

On December 31, 2007, HRSA started the Other-Coverage-Code 7 project. This project was reviewed with the pharmacy focus group and is aimed at making pharmacies cognizant of their Other-Coverage-Code 7 use. It allows HRSA's coordination of benefits section to verify and update client eligibility files with correct third party payer information. Based on feedback from the pharmacy community, HRSA decided to continue with this activity.

On December 31, 2007, HRSA sent letters identifying claims with Other-Coverage-Codes to pharmacies asking them to conduct a self-review of their billings to ensure compliance. Based on feedback from the pharmacy community, HRSA decided to continue with this activity as well.

Beginning December 31, 2007, the Office of Payment Review and Audit within HRSA began performing a comprehensive risk assessment to identify potential enhancements to existing post-payment controls. The initial risk assessment was completed on March 17, 2008. The outcome of the risk assessment and analysis is a process that identifies and audits pharmacy providers with the highest risk of aberrant billing using third party override coverage codes. With this new risk assessment process, additional audit staff are conducting pharmacy TPL audits.

HRSA is evaluating additional point-of-sale (POS) pre-payment controls. Approved recommendations will be incorporated into the new POS system by June 30, 2009.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 010

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's, internal controls are inadequate to support decisions on the eligibility of clients enrolled in Medicaid's Basic Health Plus Program.

Resolution: The Department conducted a focused audit that was completed in May 2007. The audit identified a specific knowledge gap that contributed significantly to the identified exceptions.

The Department developed and, in July 2007, delivered self employment (SE) training for all Medical Eligibility Determination Services (MEDS) staff. This training focused on the specific knowledge and performance gaps identified in the focused audit of SE cases. The State Auditor's Office was provided with the curriculum and desk aids developed. The Department continues to audit to the standards presented at the training with a resulting increase in accuracy and improved documentation of SE cases.

New rules were developed and implemented for income calculation and SE documentation, effective January 2008. These new rules are expected to streamline the documentation and verification required for SE cases in particular. New rules training was delivered to all MEDS staff on December 19, 2007. A desk aid was developed, reviewed by policy staff, and was delivered to MEDS staff on December 28, 2007.

In December 2007, MEDS staff met with Health Care Authority (HCA) staff to review and update the language on the HCA Basic Health Plus application to specify that DSHS rules and requirements are applied to information related to eligibility for Basic Health Plus. The new Basic Health Plus application is located on the HCA website and became available for use on May 15, 2008.

Audits of five percent of the applications/reviews are being performed to ensure correct application of new rules. Auditing began in January 2008 and has been integrated into the MEDS monthly auditing plan of fifty cases per month per team.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 011

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure new applicants meet federal citizenship requirements before receiving Medicaid benefits.

Resolution: The Department took the following action to address this audit finding:

- Citizenship verification and identity processes were developed by Health and Recovery Services Administration (HRSA) in May 2008 to ensure accurate eligibility decisions for all applicants 19 years of age and older and for all nonpregnant applicants under the age of 19.
- Between May and July 2008, HRSA provided medical eligibility staff with citizenship verification and identity training, and communication related to eligibility for applicants 19 years of age and older as well as for nonpregnant applicants under the age of 19.
- Beginning in May 2008, HRSA requires citizenship verification and proof of identity (with a 90-day grace period) for all nonpregnant applicants under the age of 19 prior to Medicaid approval.
- Beginning in July 2008, HRSA requires citizenship verification and proof of identity for all applicants 19 years of age and older prior to Medicaid approval.
- In September 2008, manual accounting entries were completed by HRSA, Division of Rates and Finance, to charge expenditures to state funds for enrollees who had not satisfied federal requirements. Future accounting entries will be made as necessary.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 012

Finding: The Department of Social and Health Services does not have adequate internal controls to ensure people receiving Medicaid benefits have valid Social Security numbers.

Resolution: As a result of the 2006 audit finding, the Department took the following steps:

- State On-line Query (SOLQ) training was developed. All financial staff in the Economic Services Administration (ESA) were trained and are required to use SOLQ to check social security numbers (SSN) at the time of a client's initial application for benefits in all programs.
- ESA supervisors added medical cases to their monthly alerts with a focus on SSN verification.
- In April 2007, the ESA Office of Quality Assurance began conducting monthly random audits on medical cases checking for consistent use of SOLQ at the time of application for benefits and at scheduled case reviews.

In October 2007, the Department added a hard edit in the Automated Client Eligibility System (ACES) that requires workers to take action at the time of medical recertification for individuals who have had an SSN application pending for more than sixty days.

In January 2008, the following action steps were identified by Health and Recovery Services (HRSA) and ESA, and were completed by March 2008:

- HRSA sent ESA a "No SSN" exception list.
- ESA, Division of Employment and Assistance Program (DEAP), sent an exception list to ESA field staff for immediate action to verify and enter SSNs into ACES.
- ESA developed and distributed a desk aid for line staff with easy-to-understand information on medical eligibility rules and SSN requirements.
- ESA posted an article on their intranet site and issued a memo to field staff regarding SSN requirements.

DEAP is following up by monitoring to ensure SSNs are present for individuals over 12 months of age. This monitoring began in March 2008 and will be ongoing.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 2007 F

Finding Number: 013

Finding: The Department of Social and Health Services, Health and Recovery Services Administration's internal controls are insufficient to ensure payment rates to its Healthy Options managed care providers are based on accurate data.

Resolution: The Department believes that controls in place provide reasonable assurance that the data used in rate setting is accurate and complete.

In the managed care program, health care plans provide detailed financial data directly to the Department's contract actuary. Because of concerns with the proprietary nature of this data, health care plans do not submit the data to the Department. The actuary completes a validation of the financial data received from the Healthy Options plans by comparing it with the financial statements found in the annual independent audits completed on the health care plans and submitted to the Office of the Insurance Commissioner. The actuary also reviews encounter data submitted to the Department by the health care plans.

When those data sets provide a reasonable assurance to the actuary that the financial and encounter data is representative of services performed, the actuary proceeds to calculate the health care plan rate for the provider based upon the submitted financial and encounter data. When the data sets do not provide reasonable assurance, the actuary works with the health care plan to resolve discrepancies or inconsistencies prior to performing the rate calculation.

The Centers for Medicaid and Medicare Services (CMS) recently completed a follow-up to their 2004 audit. There was no finding of noncompliance regarding rate setting. The CMS audit report was forwarded to the State Auditor's Office.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 2007 F

Finding Number: 014

Finding: The Department of Social and Health Services' internal controls are insufficient to ensure compliance with federal Medicaid requirements for reporting adult victims of residential abuse to the Medicaid Fraud Control Unit.

Resolution: In May 2007, the Department hired an incident manager to coordinate incident reporting, investigations, policies and procedures, and audits. The incident manager immediately began tracking and monitoring incidents using a standardized electronic incident reporting template. This allows for notification of incidents and information about the investigations to the Mental Health Division (MHD), Health and Recovery Services Administration (HRSA), and other Department administrations.

The incident manager worked with MHD administration and hospital incident management staff to ensure reporting compliance and, in October 2007, established an operational procedure for reporting incidents by level of seriousness to MHD and HRSA.

The incident manager worked with Western State Hospital staff and the Medicaid Fraud Control Unit (MFCU) to clarify reporting standards and referrals for residential abuse. These standards were included in the MHD incident reporting policy which was approved in February 2008. The policy complies with federal requirements and includes directions, content, and timelines on reporting and referrals to outside agencies, including MFCU, Adult Protective Services, and Child Protective Services.

The incident manager followed up with Western State Hospital on all incidents identified in the audit, verifying that the pertinent incidents were referred to the Washington State Patrol per MFCU protocol and that all investigations were thoroughly documented. MHD will ensure that required reporting to MFCU on any future incidents is done.

In June 2008, all appropriate Western State Hospital staff completed investigation training. The incident manager verified and collected all documentation including certificates of completion.

In July 2008, the incident manager conducted onsite reviews for incident reporting policies and procedures at all three state psychiatric hospitals. Specific deficiencies were identified and corrected onsite. The incident manager also made recommendations for internal policy changes.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 2007 F

Finding Number: 017

Finding: The Department of Social and Health Services, Division of Disability Determination Services, did not comply with state and federal regulations when contracting for services paid with Social Security Disability Insurance Program funds.

Resolution: The Department's Division of Disability Determination Services (DDDS) sought a determination from the Office of Financial Management (OFM) regarding classification of contracts between DDDS and consultative providers. In April 2006, OFM issued a written determination classifying these contracts as personal service rather than client service.

In October 2007, DDDS identified prospective contractors through a request for qualification process, in accordance with RCW 39.29.040 and OFM guidelines. DDDS offered personal service contracts to all qualifying providers willing to accept standard fees published by the Department.

In October 2007, DDDS created contracts and began maintaining documentation records for consultative evaluations by individual medical practitioner/contractor in accordance with Department policies. By the end of October 2007, all doctors and other professionals providing services for DDDS and its clients, with date of service after September 2007, have personal service contracts in place.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 2007 F

Finding Number: 018

Finding: The Department of Social and Health Services is not complying with federal requirements for allocating employee salaries and wages in accordance with its Public Assistance Agency Cost Allocation Plan.

Resolution: In April 2008, the Office of Accounting Services (OAS) worked with each of the Department administrations and reviewed the positions noted in the audit as being exceptions. The outcome was to:

- Correct the methodology used to allocate the position; or
- Update the account coding associated with the position; or
- Update the Public Assistance Cost Allocation Plan (PACAP) to identify the position and methodology used to allocate the position; or
- Ensure time and effort documentation is produced and maintained to support the charges.

Affected programs submitted amended plans by the required deadline for those specific positions.

OAS continued to work with all Department administrations to accurately code those positions identified during the audit, and assisted the administrations in implementing the requirements of the PACAP. This corrective action was completed in April 2008.

In April 2008, the Accounting Policy Management Board reviewed the Department's "Federal Compliance with Time Certifications for Positions Charged to Multiple Funding Sources" policy and approved the changes.

The Department will continue to work with each of the federal granting agencies to determine if any of the questioned costs are to be returned.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 6761

Finding Number: 001

Finding: The Department of Social and Health Services does not have adequate controls to ensure all payments made through its Social Services Payment System are supported and approved.

Resolution: To address this finding, the Department:

- Began a new audit process that reconciles a random sample of childcare attendance records against Social Services Payment System (SSPS) payments. This process strengthens controls and assists in preventing future overpayments. The Economic Services Administration's (ESA) Office of Quality Assurance (QA) began conducting the reviews in July 2008 and continues to do so. The Department of Early Learning (DEL) agreed to obtain attendance records from providers for sampled cases and send them to ESA/QA.
- Conducts ongoing monthly meetings, which include the headquarters childcare manager and the regional childcare coordinators, to improve communication, share best practices, and identify and resolve issues.
- Addressed documentation issues regarding income and parent-child schedules through the development of The Work Scheduler, released in September 2008.
- Directed the childcare managers and regional coordinators work group to work on establishing guidelines and requirements for field staff by March 2009 on several childcare payment reports.
- Continues to conduct mandatory supervisory audits of one percent of worker authorizations as well as routine and regular case reviews at the local office level.
- Continues to use the services of the Payment Review Program (PRP) contractor to run multiple algorithms designed to identify childcare payment errors.

In addition, Aging and Disability Services Administration (ADSA) will continue to provide staff training, supervisory overview, and quality review of payment procedures used in the field.

Overpayment referrals were established by various administrations and sent to the Office of Financial Recovery (OFR) by January 2008. Children's Administration has a process in place to adjust federal claims for inappropriate payments and utilized this process for each overpayment when it was identified. Federal expenditures were adjusted in March 2008 for overpayments identified in the audit.

On July 1, 2008, DSHS received a response from the U.S. Department of Health and Human Services (HHS) regarding their approved method for overpayments related to the Child Care Development Block Grant. HHS stated that, if the overpayments are from mandatory or matching funds, a warrant should be issued to HHS to refund the overpayments. Each administration is working with OFR to determine which funds are affected, and will follow normal procedures in refunding the overpayments as appropriate.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 6761

Finding Number: 002

Finding: The Department of Social and Health Services does not adequately monitor contracts with Crisis Residential Centers to ensure compliance with state law and contract requirements.

Resolution: In July and August 2008, the Children's Administration (CA) met with stakeholders, including CA staff and Crisis Residential Center (CRC) staff, to understand and define events and conditions that result in maximum allowable stays being exceeded, to identify options to prevent over-stays, and to define and gain an understanding of payment conditions of service.

In September and October 2008, CA worked with stakeholders to develop proposals and payment methodologies that prohibit payment for stays beyond five days. CA will strengthen contract language to clearly outline the monitoring obligation and process.

CA continues to work with the CRCs to obtain management team approval of proposed payment methodologies and contract improvements. Implementation of approved payment methodologies and new contracts is expected by April 2009.

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 6761

Finding Number: 003

Finding: The Department of Social and Health Services, Children's Administration, did not perform adequate monitoring for background checks of foster care providers.

Resolution: Beginning in September 2007, Children's Administration began reviewing all unlicensed relative placements and guardianships to ensure that they were in compliance with the background check policy. All placements that did not have the proper background checks had them completed by June 30, 2008.

The Department reviewed the cases of the three people noted in the finding who had dependent children in placement but who did not have background checks, and determined no additional action is needed. None of the identified placements were licensed. One person was a relative placement, and the child left the home in June 2007. One person provided respite care for two days in April 2007. It appears that this respite placement was made by the child's Tribe. The third person was a former foster parent who provided childcare during the day. The child was adopted by the foster parent in March 2008. Dependent children are no longer placed in these homes; therefore, no action is required.

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Department of Social and Health Services (DSHS) Agency: 300

Audit Report: 6761

Finding Number: 004

Finding: Public funds were misappropriated at the Department of Social and Health Service's Division of Child Support.

Resolution: Finding of fraud. Refer to page 51.

Department of Health (DOH) — Agency: 303

Audit Report: 2007 F

Finding Number: 015

Finding: The Department of Health does not have adequate internal controls to ensure compliance with federal Medicaid requirements for hospital surveys.

Resolution: In response to the finding, the Department completed the following actions by October 2008:

- Issued an internal office procedure detailing the requirement that pre-decisional documentation be included in the survey files and be retained per applicable state retention schedules.
- The Department's Investigations and Inspection Office clinical care supervisors will conduct periodic quality assurance reviews of completed survey files to ensure that the procedure is consistently followed.

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Department of Health (DOH) — Agency: 303

Audit Report: 2007 F

Finding Number: 016

Finding: The Department of Health is not complying with federal requirements for time and effort reporting for the National Bioterrorism Hospital Preparedness Program.

Resolution: In response to the finding, the Department implemented the following measures:

- All Department divisions/programs using Public Health Emergency Preparedness (PHEPR) or other federal grant funds to pay for some or all of an employee's time have agreed, in writing, to provide supporting time and effort documentation on a monthly basis to the PHEPR program manager for their employees performing work for the PHEPR program.
- All Department divisions/programs using federal grant funds to pay for some or all of an employee's time have agreed, in writing, to submit an estimated budget/spending plan at the beginning of each new program year. This spending plan will specify the projected costs and numbers of employees to be partially or fully supported with federal grant funds during the coming year.
- The Department's division/program management is meeting with PHEPR staff at least annually to review (1) the past year's program costs and expenditures incurred by the division/program, and (2) the coming year's anticipated grant related costs and expenditures.

In October 2008, the PHEPR program received additional guidance that cost objectives need to originate at the program focus level and that previous inclusion of multiple program focus areas within the same broader cost objective was not an allowable practice. The Department is working to come into compliance with this recent guidance.

Additionally, the Department's internal auditor completed a broad-based review of time and effort records within the agency in November 2008. Recommendations from this audit will be followed through with program management to ensure compliance with federal time and effort reporting requirements.

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Department of Services for the Blind (DSB) — Agency: 315

Audit Report: 6737

Finding Number: 001

Finding: The Department of Services for the Blind does not have adequate internal controls to ensure required background checks are performed on all personnel with unsupervised access to Department clients, as required by state law.

Resolution: The Department took the following steps in response to the finding:

- Revised and expanded written internal procedures for conducting background checks, including procedures for documentation of individuals who have already had background checks performed. Completed April 30, 2008.
- Developed internal policies and procedures for administrative oversight. This oversight is assigned to the Business Office to ensure program compliance with federal, state, and agency regulations and policies. Business Office staff was trained on the policies. Completed May 15, 2008.
- Drafted revised language to WAC 67-16-030 to more clearly identify individuals requiring background checks and submitted proposal to the Office of the Attorney General and the Office of Financial Management, Risk Management Division, for review. Completed May 30, 2008.
- Provided instructions to staff for implementation of the revised policies and procedures. Completed June 20, 2008.
- Reviewed implementation on June 30, 2008.

The Department will continue to ensure compliance with procedures by performing periodic spot checks.

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Department of Early Learning (DEL) — Agency: 357

Audit Report: 2007 F

Finding Number: 006

Finding: The Department of Social and Health Services and the Department of Early Learning do not have adequate internal controls over direct payments to childcare providers.

Resolution: *Refer to page 11 for the joint response from the Departments of Early Learning and Social and Health Services on this finding.*

Department of Early Learning (DEL) — Agency: 357

Audit Report: 6749

Finding Number: 001

Finding: The Department of Early Learning did not have internal controls in place or perform adequate monitoring to ensure background checks are performed for childcare providers as required by state law.

Resolution: On October 1, 2007, two new policies and procedures were implemented. The first policy directed the Department's licensing staff to record the first and last name of all childcare employee records audited during a renewal or monitoring visit.

The second policy directed the Department's licensing staff to ensure that childcare staff and volunteers who have unsupervised access to children in care have cleared criminal history background checks. The policy and procedure explained how to create employee lists in order to verify that all employees of a childcare provider have cleared criminal history background checks or that the employee has submitted the required criminal background forms. The policy further directs the Department licensing staff on what sanctions must be employed to ensure that providers not in compliance at the time of the visit reach full compliance within the following fourteen days, and it describes the licensor's responsibility for follow-up monitoring.

In April 2008, the Department issued a revised policy strengthening expectations around background check verification and documentation. A review of the policy with supervisors was done through the Department's teleconference training system, and the policy was sent to all licensors. Additionally, the Department implemented several key systemic changes to internal licensing practice that will serve to strengthen and reinforce agency expectations.

In July 2008, the Department hired five quality improvement staff for its new quality improvement team. Among other activities, the team will be developing a three-tier case review system which will include background check compliance.

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University of Washington (UW) — Agency: 360

Audit Report: 2007 F

Finding Number: 005

Finding: The University of Washington's internal controls were inadequate to ensure compliance with requirements of its Gaining Early Awareness and Readiness for Undergraduate Programs Grant.

Resolution: The grant noted in the finding has expired and, therefore, has no remaining activities. However, for other related programs, controls have been strengthened to ensure sufficient evidence of subrecipient monitoring is retained. Written program activity monitoring reports are now maintained.

In addition, the University has ensured that the reporting methodology is documented so that, in the event of employee turnover, the reporting process can be replicated.

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University of Washington (UW) — Agency: 360

Audit Report: 6720

Finding Number: 001

Finding: The University lacks adequate control activities over cash handling at decentralized locations.

Resolution: The University determined that areas collecting the vast majority of the cash, including the main cashiering office of the University Medical Center, are staffed with experienced and knowledgeable staff whose main duties are billing and cash collection. Controls in those areas are strong. However, the units which receive and are responsible for managing limited amounts of cash may not have the strongest controls in place, as indicated by this finding.

The University recently consolidated all of its cash handling procedures, including additional guidance on departmental internal control considerations, into a single website. This website has been circulated throughout the University community. The University offers a cash handling class three times a year, which now uses that consolidated website as a basis. Part of that class focuses particularly on issues that have been noted in various audits in the past and how controls and procedures can be improved to avoid the issues noted in this audit going forward.

The second phase of the University's cash handling improvement process involves offering the class on a more regular basis, as well as on a targeted basis for specific departments upon request.

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Washington State Historical Society (WSH) — Agency: 390

Audit Report: 6746

Finding Number: 001

Finding: The Washington State Historical Society's internal controls over the State Capitol Museum's cash-receipting are inadequate.

Resolution: In August 2008, the Olympia location of the Historical Society implemented the point-of-sale system and its internal control system already in use at its Tacoma headquarters. The point-of-sale system is an industry-leading ticketing system that features reliable, flexible and high-speed ticketing and incorporates good internal controls. It produces numbered tickets that meet audit requirements. Staff training was completed, and new cash receipt handling procedures have been implemented.

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Washington State Historical Society (WSH) — Agency: 390

Audit Report: 6746

Finding Number: 002

Finding: The Washington State Historical Society has not completed a catalog or inventory of its historical artifacts.

Resolution: The Historical Society began an inventory project in March 2008 and has inventoried 39,718 artifacts, which is about forty-four percent of the 90,000-piece collection.

By reprioritizing the collection staff's work to place inventorying over cataloging and by extending the hours of several part-time employees to work on the project, the Historical Society is on target to complete the inventory by June 2009.

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Recreation and Conservation Funding Board (RCFB) — Agency: 467

Audit Report: 2007 F

Finding Number: 002

Finding: The Recreation and Conservation Office does not have adequate internal controls over subrecipient monitoring.

Resolution: The Recreation and Conservation Funding Board (RCFB) is addressing this audit finding as follows:

Allowable costs/cost principles
The Board is working to develop a formal risk assessment tool and process, and has contacted the Office of Financial Management, Risk Management Division, for assistance.

Once the tool is developed, risk assessments of all new grantees and all existing grantees with active agreements will be conducted on a biennial basis. At a minimum, this assessment will include a review of financial data, prior performance, and audit records. The results of the assessment will be used to identify the grantee as high, medium, or low risk and will be presented to the Board's grant program review group for additional review, as appropriate, based on the level of risk. This group, comprised of section managers of the Board's grant management program, will review the audits, check recommendations, and determine if corrective action plans are adequate.

In August 2008, staff started reviewing subrecipient financial records to ensure that costs reimbursed are accurate and allowable. In November 2008, staff began presenting the results to the internal audit review group. This group analyzes the results of the staff review and makes recommendations for changes that a specific subrecipient needs to make or changes that the Board should implement to its policies or internal business practices to improve overall compliance with federal regulations.

In order to ensure that site inspections and final reports are adequately documented in the Board's PRoject Information SysteM (PRISM) and the grant project file, the section manager or designee will conduct a monthly review of closed grants to ensure that PRISM and the grant project files are complete. In November 2008, a senior outdoor grant manager (OGM) position was established in each of the Board's grant management sections. One of their responsibilities is to review completed projects to ensure that they are properly closed. Senior OGMs are developing a checklist to help with this process.

Earmarking
The Board does not agree that internal controls were inadequate for tracking the one percent limitation on grant funds used for administrative costs related to the grant. The Board charged one percent administration for internal costs; there were no administrative charges included from our sponsors. This earmark, defined by the Memorandum of Understanding dated May 1, 2000, was followed.

Audit requirement

In June 2008, the Board updated its internal policies related to compliance with federal audit requirements. The policy now requires placing subrecipients in suspended status for lack of either audits or valid extensions from their federal cognizant agencies. In October 2008, the Board started reviewing subrecipient audit results and tracking corrective action plans for completion.

The Board will also revise its standard contract terms and conditions to include the federal audit requirements.

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Department of Fish and Wildlife (DFW) — Agency: 477

Audit Report: 6767

Finding Number: 001

Finding: The Department did not comply with state contracting rules and regulations related to informal and formal bid requirements and emergency purchases.

Resolution:

Emergency purchase noncompliance

To address the emergency purchase violation, the Department implemented new instructions that direct all purchasing personnel to call the headquarters purchasing office in Olympia when they believe a purchase will require a declaration of an emergency. Consistent with the procedures for emergency purchases, the purchasing office must obtain the Director's signature on the emergency form submitted by the originator and forward the paperwork to the Department of General Administration (GA). The head of the purchasing unit sent an email to all staff communicating these new instructions.

Noncompliance with these instructions will result in required attendance at GA's training on purchasing rules. A second incident of noncompliance with these new instructions will result in a second required training, and the Department will review the individual's behavior for appropriate corrective action.

Noncompliance with competitive bid requirements

The individuals responsible for the noncompliance were contacted and reminded of the consequences of not complying with the bid requirements and were made aware of the *Washington Purchasing Manual*. They also have been encouraged to use the original equipment manufacturers and public entity repair facilities to obtain accurate and reasonable quotes for the work needed to be done.

Sole source requirement noncompliance

Internal procedures for monitoring contract payments were not followed as required to prevent overpayment from occurring. The individuals submitting invoices for payment were instructed to ensure funds are available before authorizing payment, and the accounting staff were reminded and instructed in the importance of using the contract monitor worksheet when processing payments.

The internal auditor is working with the purchasing unit and fiscal office in monitoring compliance with the new emergency purchases instructions and other areas noted in the audit. The purchasing office is sending out monthly emails to purchasing staff to communicate information on available training and websites with specific purchasing requirements. Additionally, GA's Office of State Procurement agreed to hold a special training class in 2009 for the Department's purchasing staff.

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Department of Natural Resources (DNR) — Agency: 490

Audit Report: 2007 F

Finding Number: 001

Finding: The Department of Natural Resources did not comply with federal requirements for payroll costs charged directly to the Cooperative Forestry Assistance grant.

Resolution: The majority of expenses charged to federal grants administered by the Department are direct payroll expenses charged to specific grants. The Department is in compliance with federal requirements for these types of charges.

The auditors expressed concerns over specific cases in which time was charged to grants based on budget allocations. These cases involved splitting time to different grants with program objectives that were very similar. In some cases the work between grants was indistinguishable, and time charged was split evenly between two funding sources. In other cases, the effort and cost to reconcile actual work to the budgeted allocations would exceed any possible benefit from avoiding a potential miscoding to a particular grant. In both of these situations our grantor was aware of our processes and had given their verbal approval.

The Department discussed this issue with our grantor and received specific direction from them. As to the issue of questioned costs the grantor replied "…we have no cause to recover any portion of the $234,527 of expenditures that has been questioned in the state audit report. In our opinion, the Forest Service has received fair value for the funds awarded to the WDNR, and the expenditures, including salaries are reasonable and appropriate."

The grantor gave guidance on the grants with similar purposes – the State and Private Cooperative Health grants. The national Fire Plan Forest Health authorities stated, "In our region of the country, both programs serve identical purposes and can be used interchangeably."

The Department implemented a process of monthly reconciliations of time being charged to grants.

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Department of Natural Resources (DNR) — Agency: 490

Audit Report: 2007 F

Finding Number: 003

Finding: The Department of Natural Resources did not have adequate internal controls to ensure compliance with federal matching requirements for the Cooperative Endangered Species Conservation Fund grant.

Resolution: The description of condition of this finding states, "---it has been unable to satisfactorily document the land valuation and use in accordance with federal requirements." The Department worked with the U.S. Fish and Wildlife Service (USFW) for over a year in an attempt to get clear direction on our proposed match properties. There were differing interpretations of federal standards for both acquired and match properties, timing of appraisals, and division of match properties for several grants.

With the confusing and sometimes conflicting responses from the USFW, the Department was not able to reach finality on the matching requirements at the time of the audit. In an effort to meet the requirements of these grants, the Department met with the USFW to address concerns of five specific grants. Agreement was reached on November 16, 2007 regarding several issues which allowed the closure of these grants. Matching properties for all of these grants have been identified and approved by the USFW.

In cooperation with the USFW, the Department developed a new procedure for identifying match properties at an earlier point in the process. Match properties are now identified and presented to USFW for approval prior to the request for funds.

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Department of Natural Resources (DNR) — Agency: 490

Audit Report: 2007 F

Finding Number: 004

Finding: The Department of Natural Resources did not have adequate controls to comply with federal requirements for subrecipient monitoring in the Cooperative Endangered Species Conservation Fund grant.

Resolution: This type of transaction represents a unique case in which the land trusts are classified as subrecipients by virtue of receiving real property rather than the receipt of federal funds for them to expend. The actual expenditure of the federal funds was made by the Department and was not called into question by the auditor.

In the case of other grants in which the Department passes through federal funds for expenditure by the subrecipients, the Department has demonstrated a clear understanding of its responsibilities for subrecipient monitoring. Although the land trust subrecipients do not actually expend federal funds, the Department now understands that its responsibility for monitoring also extends to them.

The Department implemented a process for tracking the status of audit reports for each of its grantees, not just the ones examined in the audit. Additionally, the Department added language to the cooperative agreement to ensure that, in future transactions, the audit requirements are more clearly articulated to subrecipients.

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Everett Community College (EVC) — Agency: 605

Audit Report: 6748

Finding Number: 001

Finding: The College lacks adequate controls over cash-handling at decentralized locations.

Resolution: In response to this finding, the College reviewed the campus-wide cash receipting policy, and high risk areas are now being monitored by Accounting Services staff to ensure compliance. Reconciliations of money collected to deposits are done on a daily basis. The reconciliations are reviewed by Accounting Services staff and discrepancies are investigated.

Accounting Services conducted training on entering sales information into the College's accounting system and on completing daily cash reconciliation forms.

However, due to staff turnover, corrective action is not complete. By March 31, 2009,

- The College will develop written cash-handling procedures and cash-handling training.
- The College will conduct a risk assessment to determine the cost effectiveness of purchashing a new cash register with multiple cash drawers for the Cosmetology Program.

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Olympic College (OLC) — Agency: 662

Audit Report: 6723

Finding Number: 001

Finding: Olympic College's internal controls over cash receipts and deposits at the bookstore were inadequate.

Resolution: The College initiated a review of procedures and documentation of those procedures at the Bremerton, Poulsbo, and Shelton campuses. The College implemented the procedures listed below to improve controls related to cash receipts and deposits.

- A cash report for each cashier is produced at the end of each cashier shift, regardless of sales volume. Cash drawers are removed and the money counted by each cashier. The "Store Accounting Totals Report" is run daily for each cash register so deposits can be reconciled against each cash drawer. A deposit reflecting the session activity is prepared and reconciled against the cash report.
- Excess cash is removed using numbered bags that match the cash register. All deposits and starting cash are kept in locked bags in a safe.
- Deposits for all three campuses are delivered directly to US Bank by armored courier service. Copies of courier deposits are kept and reconciled with deposit verifications received directly from the bank.
- Separate staff perform the duties of preparing the daily bank deposit and reconciling the end of day reports.
- Each location is required to document all overages/shortages for each cashiering session as part of the daily reconciliation.

The new procedures will be verified by the Business Office to ensure compliance. A follow-up report that will validate compliance with the above procedural changes will be given to the Vice President of Administrative Services no later than March 2009.

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Olympic College (OLC) — Agency: 662

Audit Report: 6723

Finding Number: 002

Finding: Controls over athletic fundraisers were inadequate.

Resolution: Procedures have been reviewed and updated. Specifically, the controls over athletic fundraising have been increased, as documented in the new "Fundraising 101" information packet. Part of the new controls involve a review of all athletic fundraising events, including the reconciliation of revenue, by the director of Fiscal Services.

Staff have been trained to implement the updated procedures. Fiscal Services will conduct follow-up reviews of a sample of events throughout the year to ensure compliance.

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Seattle Community Colleges - District 6 (SCCD) Agency: 670

Audit Report: 6756

Finding Number: 001

Finding: Seattle Community Colleges did not comply with its own policies and procedures over delinquent accounts receivables.

Resolution: The District now has a dedicated staff member working on receivables and as a liaison with the collection agency with which the District has contracted. The District is working aged receivables more timely to identify delinquent accounts and comply with its procedure. The accounts receivable subsidiary ledger will be reconciled with the general ledger by June 30, 2009. The District is still in the process of writing off the older uncollectable accounts or sending them to collections.

Specifically, the District is taking the following steps:

- Reviewing the accounts receivable unbilled charges report every ten business days for any new activities and invoicing sponsoring agencies.
- Monitoring any short paid invoices and sending outstanding balance notices with documentation supporting the open balance.
- Monitoring aged receivables and taking the following action:
  - At thirty days past due, a late notice is issued and sent to the customer with a copy of an open invoice attached.
  - At sixty days past due, a second late notice is issued advising that the account will be turned over to collections.
  - At ninety days past due, a final statement is issued with notice the account will be turned over to the collection agency. Prior to sending the account to the collection agency, a notice is sent to the appropriate campus office to ensure payment was not received at the campus. Once verified, the account is sent to the collection agency.

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Seattle Community Colleges - District 6 (SCCD) Agency: 670

Audit Report: 6756

Finding Number: 002

Finding: Seattle Central Community College's Culinary Arts Department lacks adequate controls over cash-handling and liquor purchases.

Resolution: The cash register in One World Dining has the capacity for user ID and this functionality is used. Cash registers in Square One and the Pastry do not have this capacity. The Department plans to purchase a new point-of-sale system in 2010 which will address this issue. In the meantime, the following alternate controls are in place:

- Deposits are prepared by one employee, reviewed by the fiscal specialist, and reviewed again by the cashiers.
- Voids are prepared at the time the error is made, signed by the student/hourly staff, and reviewed by the instructor and/or department staff.

Petty cash is no longer being used for liquor purchases. The District's new process has the following steps: The Department determines the need, obtains prices from the liquor store, prepares and submits an invoice voucher for approval to the associate dean or designee and the Business Office. It is then sent to the District's accounting office and a check is prepared. The instructional technician purchases the liquor with the check, and the order and receipt are reviewed by the fiscal specialist or designee. A weekly inventory of the liquor is now being maintained and is reviewed by the associate dean.

The District has a written cash control procedure, which was distributed to the Department on November 21, 2008. A specific procedure was written for liquor purchases and was also distributed on November 21, 2008.

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Renton Technical College (RTC) — Agency: 693

Audit Report: 6758

Finding Number: 001

Finding: Public funds were misappropriated at the College's registration office.

Resolution: Finding of fraud. Refer to page 53.

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Schedule 2 – Fraud Findings by Agency
December 2008

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Department of Social and Health Services (DSHS) — Agency: 300

Audit Report: 6761

Finding Number: 004

Finding: Public funds were misappropriated at the Department of Social and Health Service's Division of Child Support.

Fraud Amount: $25,571.58

Recovery to Date: $0.00

Resolution/Status: The Department's Division of Child Support forwarded a referral to the Office of Financial Recovery on May 1, 2008, and is following the Department's collection procedures for the recovery of restitution.

The Department will continue to establish, follow, and monitor an effective system of internal controls designed to ensure the protection of public assets from loss. The following additional safeguards were implemented as of May 31, 2007:

- Reconfigured workflow coordinator's cubicle with glass panels that provide a better view of the secured work area.
- Added extra proxy readers to the secured area doors and assigned unique access code to limit access by non-secured area staff.
- Provided personal storage space outside secured area and communicated expectation to staff regarding personal items not being allowed in the secured area.
- Upgraded scanning units to provide immediate endorsement of negotiables upon opening. Checks are now kept in one area until they are batched and control tapes are run.
- Implemented a leadership plan for the secured area that requires, in addition to the workflow coordinator, a supervisor and leadworker to be present at all times in the processing area.
- Created an incident log, monitored by the program manager, to track all monies reported missing and track the outcome of research for the payments.
- Reviewed internal control processes with staff and posted details prominently in the secured area.
- Installed five additional cameras to the secured area and rearranged furniture for better camera coverage. Installed additional signage throughout the area to remind staff of security cameras. Assigned leadership member to review of secured area video daily.
- Reviewed the hiring process and implemented the use of more extensive reference check practices.

Criminal Action Taken: A felony judgment was entered on February 19, 2008, in Thurston County, Washington, number 07-1-02008-3. Judgment entered for $25,571.58 in restitution to the Department.

Personnel Action Taken: Employee was terminated.

Amount to be Recovered: $25,571.58

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Renton Technical College (RTC) — Agency: 693

Audit Report: 6758

Finding Number: 001

Finding: Public funds were misappropriated at the College's registration office.

Fraud Amount: $11,267.30

Recovery to Date: $9,474.66

Resolution/Status: The College and the employee reached a restitution agreement. As of November 19, 2008, $9,474.66 of the $11,267.30 misappropriated has been recovered, and the College is on schedule to recover all funds.

Proper internal controls, including proper review of void reports, have been reestablished and are being followed on a daily basis.

The College has moved the cashiering function from the Registration Department and has placed it under the control of the Business Office. A remodel of the registration area was completed in June 2008 and the new cashier department was opened on July 3, 2008. By separating the registration function from the cashiering function, the College is better able to maintain proper segregation of duties and has improved cash controls.

Criminal Action Taken: No criminal action was taken. The loss was reported to the College's Assistant Attorney General and the State Auditor's Office as per the *State Administrative and Accounting Manual* Section 20.30, and the decision was made not to pursue any action based upon the employee's determination to repay the College.

Personnel Action Taken: Upon discovery of the misappropriation of funds, the cashier was put on administrative leave. Within a week, the employee tendered his resignation.

Amount to be Recovered: $11,267.30

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