

State of Washington  
 Status of Audit Resolution  
 December 2019

Office of the Attorney General

Agency 100

Audit Report	Finding Number	Fraud Finding and Resolution	
1023721	001	<p>Finding:</p> <p>Fraud Amount:</p> <p>Amount to be Recovered:</p> <p>Recovery to date:</p> <p>Resolution /Status:</p> <p>Personnel Action Taken:</p> <p>Criminal Action Taken:</p> <p>Agency Contact:</p>	<p>The Attorney General’s Office initiated a fraud investigation and, as required by state law, notified the State Auditor’s Office (SAO) regarding a potential loss of public funds.</p> <p>Based on documentation provided by the Office, SAO investigated and determined a nonprofit organization under a grant agreement contract with the Office misappropriated state grant funds between January 2015 and July 2017.</p> <p>\$149,662</p> <p>\$173,179</p> <p>\$132,761</p> <p>The Office does not concur with the finding that reported lack of internal controls in place to verify that expenses had been incurred before issuing payments. The Office has an established process to require organizations to submit invoices under penalty of perjury to certify that reimbursement requests cover only expenses already incurred.</p> <p>The Office has demonstrated continual efforts to make improvements to internal processes, and appreciates SAO recommendations to strengthen internal controls. Upon discovering the fraud, the Office:</p> <ul style="list-style-type: none"> <li>• Stopped payments to the nonprofit organization after March 2018.</li> <li>• Referred the case to law enforcement for criminal investigation.</li> <li>• Requested the Legislature to remove the singularly appropriated funds to the nonprofit organization.</li> </ul> <p>The Office will:</p> <ul style="list-style-type: none"> <li>• Continue to recover the remaining misappropriated funds.</li> <li>• Request the nonprofit organization’s bank statements from January 2015 through February 2018.</li> <li>• Request the nonprofit organization to surrender assets purchased with grant funds.</li> </ul> <p>The Office discontinued reimbursements to the nonprofit organization.</p> <p>The case was referred to law enforcement in March 2019. The Office may also resort to file a civil action lawsuit to recover the remaining misappropriated funds.</p> <p>Melanie Nevares          Accounting Director and Audit Liaison          PO Box 40107          Olympia, WA 98504-0107          (360) 586-0778  <a href="mailto:melanie.nevares@atg.wa.gov">melanie.nevares@atg.wa.gov</a></p>