

Office of Administrative Hearings

Agency 110

| Audit Report | Finding Number | Finding and Resolution  |   |
|--------------|----------------|---|---|
| 1035189      | 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 Department’s internal controls over agency purchase cards were inadequate for safeguarding public resources, resulting in a misappropriation by an employee between June 2019 and May 2023.</p> <p>\$878,115</p> <p>\$994,115 (fraud and investigation costs)</p> <p>\$0</p> <p>To address the internal control weaknesses identified by the audit, the Office hired a consulting firm to review its financial processes and make recommendations for improvement. In December 2023, the Office received the consultant’s final report and adopted all the recommendations and immediately began revising its fiscal policies and procedures.</p> <p>The Office has also implemented the auditor’s recommendations and is integrating ongoing oversight and monitoring of credit card activities to ensure internal controls remain effective. This includes establishing segregation of duties, strengthening review processes and updating system access roles and security.</p> <p>The Office is seeking recovery of the misappropriated and questionable amounts, and related investigation costs, from the former employee and from the Office’s insurance bond, as appropriate.</p> <p>As of November 2024, there has been no recovery of the \$878,115 fraud amount or the \$116,000 in the State Auditor’s Office (SAO) investigation audit costs.</p> <p>When the suspicious activity was discovered, the Analyst immediately took leave, and then resigned as SAO began its investigation.</p> <p>The Office notified the SAO under RCW 43.09.185, as well as the Olympia Police Department (OPD). OPD elected to wait for the forensic accounting of SAO. SAO provided OPD with their working papers around July 1, 2024, and OPD will determine next steps that may include criminal prosecution.</p> <p>Rob Cotton<br/>                     Chief Financial Officer<br/>                     PO Box 42488<br/>                     Olympia, WA 98504-2488<br/>                     (360) 407-2708<br/> <a href="mailto:rob.cotton@oah.wa.gov">rob.cotton@oah.wa.gov</a></p> |