

Washington State Auditor's Office  
 Audit Reports Disclosing Fraud  
 Totalling more than \$5,000  
 January 1, 2005 Through December 31, 2005

Entity Name	Amount	Fraud Description
Department of Corrections Walla Walla State Penitentiary	\$16,906	A whistleblower asserted the Health Care Manager at the Washington State Penitentiary in Walla Walla failed to require contracted physician's assistants to sign in on the Consultant's Log. Our audit found at least 270 instances in which the Penitentiary and another public or private entity were billed for the same hours of work at a cost to the state of at least \$15, 269.05; at least 104 instances in which contractors were paid by the state for more than 24 hours of work per day in violation of contract provisions at a cost to the state of at least \$511.95; and one physician charged the Coyote Ridge Correctional Center for nine unauthorized trips at a cost to the state of at least \$1,125.
City of Walla Walla Public Works Department	\$5,055	The City discovered assets valued at \$5,055 purchased through its procurement system had been delivered to the home of a Public Works Assistant. The police department searched the employee's home and found most of the missing computer-related equipment.
Sequim School District	\$18,989	A police department investigation found two night custodians misappropriated small and attractive assets from the District in fall 2004.
Okanogan County Public Hospital District No. 3 Pharmacy	\$12,228	A pharmacist misappropriated prescription drugs valued at \$12,228.39 over a two-year period. Accounting records were falsified and destroyed to conceal this activity. As a result, the total amount of the loss could not be determined. The Hospital did not notify our Office about the loss as required by state law, did not file a police report, and entered into a restitution agreement with the employee without the approval of the Attorney General's and State Auditor's offices as required by state law (RCW 43.09.260).
Chelan County Regional Justice Center	\$6,295	While attempting to recover unclaimed prisoner funds from the Regional Justice Center, the family of a former inmate found the funds were missing from the individual's account. During a Sheriff's Department investigation, a control room operator admitted misappropriating funds from prisoner accounts. The employee accessed and closed inactive accounts and changed billing amounts for prisoner intakes. At least \$6,295.42 was misappropriated.
Shoreline Water District	\$14,245	An Accounting Supervisor falsified her timesheets by under-reporting the hours she worked during December and June of each year. While the hours of work omitted in these months were reported on her timesheet in the following pay period, the District did not detect this condition when approving timesheets. As a result of these manipulations, the employee was eligible to waive a requirement that she purchase medical insurance, and therefore received a higher monthly medical allowance from the District for her Insurance Reimbursement Fund. The District then over-reimbursed the employee for personal medical expenses because she was a part-time employee collecting the benefits of a full-time employee (\$11,174.30). The employee was also paid for unauthorized sick and vacation pay as a part-time employee (\$3,070.36).
Taholah School District	\$39,972	We were notified about a possible payroll issue. We determined the Superintendent misappropriated \$39,971.58 for over four years by issuing at least 58 manual warrants to herself. While described as payroll draws, these transactions were not recorded in the District's payroll

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		system and were not approved by the School Board. Instead, the warrants were concealed in the accounting system through an entry in the District's general ledger stating that the transaction represented a general fund transfer for a given month. The loss amount represented the cumulative amount of mid-month payroll draws not deducted from the Superintendent's end-of-month payroll.
City of Seattle Department of Neighborhoods – Southeast Neighborhood Service Center	\$17,356	On July 6, 2004, Center employees opened the building and safe and found that \$17,356 in currency was missing from bank bags containing money collected on July 2, 2004. The bank bags had been cut open. Because access to the building and the safe was not adequately restricted, the police investigation could not determine who was responsible for the loss.
Snohomish County Assessor's Office	\$7,414	An appraiser falsified time sheets claiming work on a special project over a two-month period. No work was performed.
Franklin County Public Utility District No. 1	\$6,244	During its daily cash reconciliation review, the PUD determined a bank deposit including \$14,400.85 in checks and \$5,968.76 in currency was missing. The PUD was able to obtain replacement checks from customers for the check portion of the missing deposit. However, it had to pay \$275 in bank charges to customers to stop payment on their original checks. The PUD's insurance company reimbursed it for the amount of the loss plus bank charges. It could not be determined who was responsible for the loss.
Washington State Historical Society	\$8,169	A fiscal technician misappropriated cash receipts from museum admission fees for 11 months. Entire daily bank deposits were not made and accounting records were either destroyed or falsified to conceal this loss. Checks from these missing bank deposits were included in subsequent bank deposits by using a check for cash substitution scheme.
Port of Seattle Aviation Maintenance Department	\$10,000	A whistleblower asserted an employee misappropriated Port supplies and equipment for personal use. Some of these items were obtained by using the Port's purchasing card. The Port recovered these assets or obtained reimbursement.
Department of Social and Health Services Consolidated Support Services Medical Lake Facility	\$51,410	An employee alleged another employee was selling state assets on eBay. An investigation found the employee was selling radios, batteries, and other fire detection equipment at a fraction of the cost on eBay. The sales proceeds were kept by the employee for personal benefit (\$5,488.05). The employee admitted to this activity and entered into a diversion agreement with the prosecutor for this amount. The Department determined an additional \$45,962.15 in similar assets were missing from its warehouse (new and salvage items). These additional losses were uninsured and the Department could not determine who was responsible for the loss.
State agencies and local governments (Summary of all cases less than \$5,000	\$44,677	Losses included: Shortages from missing cash receipts (\$21,423); misappropriation of change funds and cash receipts (\$8,773); credit card abuse (\$7,205); telephone abuse (\$4,234); fraudulent vendor billings and bid quotes (\$2,349); and misappropriation of assets (\$693).
<b>Total</b>	<b>\$258,960</b>	