

Administrative Policy No. 16.10

Subject: Reporting Known or Suspected Loss of Public Funds or Assets

Information Contact: Chief Audit Executive
Internal Audit and Consultation
Office of the Secretary
MS: 45804
(360) 664-6001

Authorizing Source: [RCW 43.09.185](#),
Office of Financial Management
State Administrative and Accounting Manual
[Chapter 20.10](#), [20.15](#), and [20.20](#)
[Chapter 9.01](#)
[Chapter 13.11](#)

Effective Date: July 29, 2013

Revised: November 28, 2017 ¹Housekeeping update 1/28/2020

Approved By: original signed by Sharon Swanson
Senior Director, Policy & External Relations

Definitions

Public Funds or Assets – Money or assets belonging to or for the benefit of the state. Includes but is not limited to petty cash, purchase cards, or state property.

Criminal / Illegal Activity – Financial related crimes including theft of public or client funds or property.

Client Funds – Money held for clients, residents, or patients that belongs to the clients, residents, or patients.

Client Assets – Personal property that belongs to a client, resident, or patient.

Purpose

This policy establishes the Department of Social and Health Services (DSHS) responsibilities and processes for promptly reporting to the State Auditor's Office (SAO) all known or suspected losses of state funds, state assets, client funds, and client personal property due to theft or criminal / illegal activities by DSHS employees, contractors, employees of contractors, or state

vendors.

Scope

This policy applies to all DSHS supervisors, managers, and superintendents or their designees as it relates to known or suspected:

- Loss of any public funds or assets involving a DSHS employee(s) regardless of monetary value
- Criminal / illegal activity involving a DSHS employee, contractors, employees of contractors, or state vendors that results in a loss of public or client funds or assets

These reporting requirements are in addition to those existing in DSHS administrative policies: [9.01 Incident Reporting](#), [10.06 Contractor/Vendor Investigation](#), [14.07 Control of Capitol Assets](#), [13.11 Monitoring Contractor Performance](#) and [18.62 Allegations of Employee Criminal Activity](#).

Exceptions to this reporting requirement are:

- Normal and reasonable “over and short” errors in recording cash transactions from cash receipting operations
- Reasonable inventory shortages identified during a physical count
- Overpayments resulting from the normal course of doing business
- Breaking and entering or vandalism of property

Policy

- A. DSHS supervisors, managers, and superintendents or their designees must immediately report known or suspected losses to the Internal Audit and Consultation unit.
- B. Internal Audit and Consultation (IAC) will serve as the principle point of contact with the SAO for all DSHS reports of loss or illegal activity.

Procedures

- A. DSHS local supervisors, managers, and superintendents or their designees will:
 1. Use the Loss of Public Funds, Assets, or Illegal Activity Report ([DSHS 17-169](#)) to report known or suspected losses of state funds, resources, client funds, and client personal property due to theft or criminal / illegal activities by DSHS employees, contractors, employees of contractors, or state vendors to IAC immediately. The form can be sent to IAC via FAX (360) 664-6007, e-mail at [DSHS IAC Internal Audit and Consultation](#) or by campus mail at mail stop 45804 and should be sent within two (2) business days of identifying the issue;
 2. Secure pertinent records and protect them from alteration or destruction;

3. Provide related detail and information to SAO staff during inquiries, investigations, and audits;
4. Not enter into a restitution agreement with an employee unless it has been approved by the state auditor and the attorney general's offices; and
5. Address questions to the chief audit executive at (360) 664-6001.

B. IAC staff will:

1. Review, log, and enter information from Loss of Public Funds, Assets, or Illegal Activity Reports online at the SAO Fraud Report Client Portal within two (2) business days of receipt;
2. Maintain a log of reports forwarded to the SAO;
3. Retain logs of the reports sent to the SAO for three (3) years;
4. Forward a quarterly summary of losses and suspected losses to the assistant secretary Facilities, Finance, and Analytics Administration and the chief risk officer;
5. Coordinate, when necessary, communication between SAO fraud investigation staff and DSHS employees; and
6. Provide additional clarification to staff on specific issues as requested.

¹ Updated titles and agency references due to agency reorganization.