



Office of the Washington State Auditor  
Pat McCarthy

## Fraud Investigation Report

# Spokane Regional Health District

For the investigation period June 6, 2022 through January 13, 2023

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**Office of the Washington State Auditor  
Pat McCarthy**

May 8, 2025

Board of Health  
Spokane Regional Health District  
Spokane, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Spokane Regional Health District. On January 20, 2023, the District notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of the former Medical Case Manager's questionable activities at the District from June 6, 2022 through January 13, 2023. The purpose of our investigation was to determine if a misappropriation had occurred.

Our investigation was performed under the authority of state law (RCW 43.09.260) and included procedures we considered necessary under the circumstances.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor

Olympia, WA

cc: Kim Kramarz, Controller

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# FRAUD INVESTIGATION REPORT

## Investigation Summary

On January 20, 2023, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The District discovered that a Medical Case Manager in the Opioid Treatment Department worked a second outside full-time job during a period when she reported working full-time at the District. The District opened an internal investigation and hired a third party to determine whether the Medical Case Manager worked her required hours for the District.

The District's investigation determined it paid the Medical Case Manager for 869 hours or \$78,947 in compensation for time not worked between June 6, 2022, and January 13, 2023. The investigation also determined that another 44 hours or \$4,091 of payroll compensation to the Medical Case Manager was questionable, meaning it was unclear if she completed work for the District during that time.

We reviewed the District's investigation and gathered additional payroll records from the second employer. The District concluded, and we agree, that time the Medical Case Manager reported working at both jobs was unreasonable and the veracity of her compensation and time reported while employed at both jobs is in doubt. However, we cannot definitively quantify the amount of compensation misappropriated at the District due to control weaknesses at the District and work activity information available to us for review.

## Background and Investigation Results

The Spokane Regional Health District serves a population of more than 500,000 in Spokane County and employs about 250 employees. For fiscal year 2022, the District operated on an annual budget of approximately \$48 million, including \$23.6 million in payroll expenses.

In December 2022, the District human resources learned of the Medical Case Manager's second outside job and noted it had not previously approved her outside employment or schedule changes. The District started an internal investigation and in January 2023 hired a third party to help investigate time the Medical Case Manager reported.

The District's investigation concluded the Medical Case Manager at the Opioid Treatment Department reported hours not worked between June 6, 2022, and January 13, 2023 and for a period of that also held a second job. The District's investigation and our review found the following:

- The Medical Case Manager worked at the District on site 40 hours a week, Monday through Friday from 6 a.m. to 2:30 p.m.
- On August 3, 2022, the Medical Case Manager submitted a letter of resignation to her supervisor, the Division Director, stating her last day would be December 31, 2022. The Division Director forwarded the resignation letter to human resources.
- Both before the resignation letter and after – on July 25, 2022, and again on August 22, 2022 – the Medical Case Manager's second employer sent an employment verification form to the Division Director asking for information about the Medical Case Manager's employment at the District. The form said the employee was applying for a position at the second employer. The Division Director forwarded the form to human resources. On August 23, 2022, human resources replied to the second employer and confirmed the Medical Case Manager's employment status.
- That same month, the Division Director verbally approved a change to the Medical Case Manager's schedule and a switch to remote work at the District, as the Director was aware that the Medical Case Manager started a new full-time position with a second employer. However, once the second employer hired the Medical Case Manager, neither she nor her supervisor properly communicated to or received approval from human resources for outside employment or schedule changes.

The investigation revealed the following events occurred after the Medical Case Manager began the second job:

- In September 2022, the Medical Case Manager worked 40 hours a week, Monday 10 hours on-site and the remaining hours Tuesday through Friday remotely. The remote hours occurred at unknown times of the day. Meanwhile, on September 15, the Medical Case Manager started working at the second job on-site 40 hours a week, Tuesday through Friday from 7 a.m. to 5 p.m.
- One month later, in October 2022, with the approval of the Division Director, the Medical Case Manager reduced her District work schedule to 36 hours a week.
- On November 2, 2022, the District's payroll department questioned the Medical Case Manager's October timesheet because she did not report full-time hours. The Medical Case Manager told the payroll department she was working a reduced work schedule but still had enough work to complete full-time hours. The payroll department informed her this was not approved and she would need to correct her timesheet to report leave time used to make up the difference.
- On November 16, 2022, the Medical Case Manager withdrew her resignation letter. After the New Year, in January, the Division Director asked the Medical Case Manager when she could return to on-site work. The Medical Case Manager officially resigned employment with the District on January 12, 2023.

After reviewing the District's investigation, we determined we needed records from the second employer. We obtained a court order in May 2024 for payroll and time reporting records from the second employer. We did not receive all the records until nine months later, in December 2024.

We then compared date and time reporting records from the Medical Case Manager's second employer to the dates and times she reported having worked at the District. This covered a period of September 15, 2022, to January 13, 2023. Our comparison identified multiple dates when the Medical Case Manager worked a full day on site at the second employer and then also recorded having worked a full day at the District. During this period, the Medical Case Manager reported working 632 hours at the District while also reported working 470 hours at the second employer.

On December 5, 2024, we interviewed the Division Director who said she approved the Medical Case Manager to work a flexible schedule and was aware she held a second full-time job. She told us she did not monitor the Medical Case Manager daily as she trusted managers to complete their duties and understood the Medical Case Manager was accomplishing her work.

On January 8, 2025, we interviewed the former Medical Case Manager, who said she performed District work remotely in the mornings before and in the evenings after working her second job. Additionally, she said she performed District work remotely during her lunch break and at other times throughout the day while working at the second employer. She also emailed us photos of her working that she claimed demonstrated how she was able to actively cover her District job duties while working at the second employer.

## Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- The Medical Case Manager did not have a completed and approved outside employment request on file with human resources. This is against District policy and would prohibit an employee from seeking outside employment that would adversely affect the employee's time and availability with the District.
- The Division Director knew the Medical Case Manager obtained outside employment and agreed to an adjusted work schedule, which would not have been allowable per District policy.
- After allowing the Medical Case Manager to work a revised schedule, the Division Director approved the Medical Case Manager's timesheet without monitoring work performed to ensure it aligned with hours she reported on her timesheet.
- The District's records did not have enough information to confirm the amount of time the Medical Case Manager did or did not work.

## Recommendations

We recommend the District improve monitoring over employee time reporting, remote work arrangements, and outside employment work. Specifically, the District should ensure that:

- All employees follow District policy regarding outside employment and remote work arrangements
- When outside employment inquiries are received or remote work arrangements are authorized, supervisors monitor work productivity and time reported worked for those employees
- After receiving resignation letters, it keeps track of the employee's work arrangements and hours the employee worked before their last day

We also recommend the District work with its attorney to assess hours paid for time not worked, as appropriate, and recoup assessed amounts and related investigation costs of \$18,383 from the former Medical Case Manager and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the District must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or [Matthew.Kernutt@atg.wa.gov](mailto:Matthew.Kernutt@atg.wa.gov). The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (509) 726-1886 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## District's Response

*The Spokane Regional Health District (SRHD) takes the loss of public funds very seriously and is committed to ensuring all necessary controls are in place and followed by all staff to protect the public's resources. SRHD has reviewed this report and agrees with all the recommendations presented by the State Auditor's Office. In response to the State Auditor's recommendations:*

- *The Medical Case Manager resigned from employment with SRHD on January 13, 2023.*
- *SRHD informed the State Auditor's Office of the potential misappropriation and hired an outside third-party investigator on January 19, 2023, to investigate the potential misappropriation.*
- *SRHD has provided and documented additional training to all employees regarding outside employment and remote work arrangement policies and will do refresher training annually.*
- *SRHD has begun conducting training on managers' roles and responsibilities when it comes to supervising work productivity and the time reported when approving their staff's timesheet.*
- *SRHD will track resignation letter submissions for work arrangement changes prior to the employee's last day worked.*
- *SRHD is finalizing a code of conduct policy that outlines the ethics and consequences of incorrect entry or time theft by SRHD employees.*

*SRHD will work with its legal counsel to assess the hours not worked and attempt to recoup the misappropriated funds and all investigation costs incurred.*

*The Spokane Regional Health District (SRHD) appreciates and thanks the State Auditor's Office for investigating this matter.*

## **Auditor's Remarks**

We thank District officials and personnel for their assistance and cooperation during the investigation. We will follow up on the District's internal controls during the next audit.

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