



PUBLIC REPORT

Ombudsman Complaint A2006-0451

Finding of Record and Closure

June 20, 2007

(Edited to remove confidential information per AS 24.55.160)

On April 18, 2006, the Office of the Ombudsman received a complaint about official misconduct at the Department of Health & Social Services (HSS), Office of Children's Services (OCS). Specifically, the complainant alleged that a staff member was releasing confidential information, using a state computer to send sexually explicit emails, and stealing food vouchers.

The complainant originally alleged to the ombudsman and OCS that the staff member had stolen and used grocery store gift cards, fast food chain gift cards, and bus vouchers that had been donated to OCS for use by families receiving OCS services. The voucher cards can be used as money in the grocery chain stores, at the fast food restaurant for meals, and for transportation. The vouchers are not provided to OCS employees for their own use. The complainant provided a written complaint and sufficient credible evidence to the ombudsman to initiate an ombudsman investigation.

OCS subsequently investigated the allegations and terminated the staff member from employment for sending the emails and releasing confidential information.

OCS was unable to investigate the issue of theft of food vouchers because an agency log tracking the vouchers had been destroyed. After the staff member was terminated, OCS implemented a new procedure to secure accountability of its food vouchers. After review of the new OCS procedures, the ombudsman opened an investigation into the following allegation stated in terms to conform with AS 24.55.150, which authorizes the ombudsman to investigate complaints about administrative acts of state agencies:

The changes that the Office of Children's Services made to its food voucher security and accounting procedures are unreasonable.

The ombudsman found this allegation *justified* for the reasons set forth in this report.

Intake Officer Denise Duff gave written notice of the investigation to Human Resource Specialist II Erin Shepherd-Ham, on July 5, 2006 in accordance with AS 24.55.140. Ms. Duff investigated the allegations and forwarded her findings to Assistant Ombudsman David Newman who drafted this report and forwarded it to the ombudsman for review.

INVESTIGATION

In April 2006, OCS received information that a staff member was releasing confidential information, using a state computer to send sexually explicit emails, and stealing food vouchers. This staff member was subsequently terminated from employment with OCS.

The ombudsman reviewed the termination and found that OCS took the appropriate steps to investigate and resolve the charges against the staff member. Therefore, the ombudsman did not duplicate the OCS investigation of the misconduct allegations. However, the ombudsman remained concerned about OCS methods for securing food vouchers and transportation vouchers and ensuring they were properly accounted for.

On November 1, 2006, Ms. Duff sent OCS social worker Sara Childress an email asking whether OCS had modified its procedures to ensure accountability of the food vouchers. On November 6, 2006, Ms. Childress responded in an email stating:

The main change that we have implemented is that one person now holds all of the vouchers and keeps them locked. There would not be any question if any were missing, as there is now one person solely responsible.

After receiving this response, Ms. Duff emailed Ms. Childress with some follow-up questions. The questions and Ms. Childress' response are summarized here:

Ms. Childress said that an Administrative Clerk II monitors the vouchers which are kept in a lock box. If the person in charge of the vouchers was out of the office or not available when a voucher is needed, staff managers know where the lock box key is kept. The division created a log sheet that is prepared when the vouchers are received. She provided a copy of the log sheet.

Ms. Childress said that any staff manager can access the voucher logs and compare the log with vouchers on hand to audit the voucher usage. She said the division created only one type of voucher log and that is for McDonald's coupons. Ms. Childress said the division had created no policy or procedure for issuing the vouchers.

STANDARDS

The ombudsman consulted with Legislative Auditor Pat Davidson to determine the level of accounting that Legislative Audit recommends for resources such as cash and gift cards. Ms. Davidson stated that her division recommends that more than one person have oversight of cash or resources. She stated:

While periodic reconciliation can highlight discrepancies; a basic segregation of duties is critical to prevent both intentional and unintentional errors. Three key activities should not be vested in the same people.

1. Physical custody of the asset - either on a temporary or permanent basis.
2. Authorizing the use of the asset.
3. Recording the use of the asset.

If these functions are done by just one or two people, then a situation exists for unintentional error to go uncorrected and intentional misuse of assets will go undetected. It is management's responsibility to ensure that there are adequate safeguards over assets - which includes an appropriate segregation of duties.

The investigator asked how often the assets should be audited. Ms. Davidson replied:

There really is no standard - it depends on the liquidity of the asset; the strength of the overall internal controls.

Some examples: general field warrants require an accountability report every 6 months, WIC (Women, Infant & Children food voucher program) are reconciled with the bank on a monthly basis; the food stamp program has one group that sends out the cards to eligible individuals while the contractor separately issues the PIN to the eligible individual. Information from the contractor and from EIS are matched on a daily basis.

ANALYSIS AND FINDING

The standard used to evaluate all ombudsman complaints is the preponderance of the evidence. If the preponderance of the evidence indicates that the administrative act took place and the complainant's criticism of it is valid, the allegation is found justified. In this case, the ombudsman investigated whether the changes OCS made to its food voucher procedures were unreasonable.

The Office of the Ombudsman's Policies and Procedures Manual at 4040(2) defines *unreasonable*. The portion of the definition relevant to this investigation is:

A procedure adopted and followed by an agency in the management of a program is inconsistent with, or fails to achieve, the purposes of the program.

This case originally was brought to the ombudsman's and OCS's attention because the complainant alleged that an OCS staff member was releasing confidential information, using a state computer to send sexually explicit emails, and stealing food vouchers. OCS conducted an internal investigation and terminated the staff member's job. After a review of the circumstances in this case, the ombudsman concluded that OCS took appropriate action by investigating and taking action against the staff member. However, the ombudsman believed that OCS had not gone far enough to ensure the security and accurate accounting of its food and transportation vouchers.

Ms. Childress told the ombudsman investigator that OCS responded to the food voucher problem thusly:

The main change that we have implemented is that one person now holds all of the vouchers and keeps them locked. There would not be any question if any were missing, as there is now one person solely responsible.

However, upon further questioning, she acknowledged that any manager can retrieve a voucher for a client if the one person is absent at any given time, thus more than one person can access the vouchers. OCS also has not established a procedure to audit the logs on a regular basis. As it stands, “any Staff Manager can pull the voucher logs and compare the log with vouchers on hand.” However, there are no written policies and procedures about the issuance of vouchers.

The ombudsman believes that OCS has implemented procedures insufficient to properly secure and account for food vouchers. Specifically, one person should not be solely responsible for keeping track of the vouchers nor should auditing of these monetary assets be done on a ‘catch-as-catch-can’ basis.

OCS has a fiduciary responsibility to implement procedures to adequately monitor all food vouchers. The new procedure does not fulfill that responsibility.

Because OCS took insufficient measures to ensure the security of the food vouchers or the accuracy of the food voucher logs, the ombudsman found this allegation *justified*.

RECOMMENDATIONS

The ombudsman made the following recommendation, in line with the Legislative Auditor’s suggestions.

RECOMMENDATION: OCS should draft policies and procedures to ensure the security and accuracy of its food and transportation vouchers and voucher logs. Specifically, the policies and procedures should require an OCS staff manager to properly segregate the custody, authorization, and recording of the food vouchers. This policy should provide for regular audits of the vouchers.

The food voucher logs should be reviewed monthly or, at the very least, quarterly, and duplicate logs should be kept separate from the vouchers themselves. Records of such audits should be maintained in accordance with OCS records retention policy.

AGENCY RESPONSE

On May 3, 2007, Deputy Commissioner Tammy Sandoval responded on behalf of OCS to the ombudsman’s preliminary report. Ms. Sandoval wrote:

The Office of Children’s Services agrees with the Ombudsman’s findings and recommendations. We agree to draft policies that ensure food and transportation vouchers are secure; that appropriate logs are kept and duplicated; and that the custody, authorization, and recording of the vouchers are properly segregated. Logs will be updated quarterly.

We agree to provide copies of these policies and procedures to your office within 30 days of the date of this response for your review and follow-up recommendations should there be any.

OCS provided copies of policies and procedures and a tracking log to the ombudsman on June 12, 2007. This satisfies the recommendation.

FINDING OF RECORD AND CLOSURE

Based on OCS's decision to comply with the recommendation, the ombudsman closed this complaint as *justified* and *rectified*.