

PERFORMANCE AUDIT



Office of the
Washington
State Auditor
Pat McCarthy

Reducing the Risk of Inappropriate Dual Payroll Payments

December 23, 2024

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Executive Summary

State Auditor's Conclusions (page 19)

Dual employment, in which one person is employed by two government agencies, can easily be misunderstood by members of the public, who might assume the person is attempting to fill two conflicting, full-time jobs. As this performance audit shows, it can very well be appropriate for a state employee to be compensated for work conducted outside of their primary position. However, there have been rare cases in which it was not appropriate.

This report identifies several leading practices to ensure dual employment in state agencies is properly overseen. They include practical steps for state agencies, such as identifying dual employment by routinely comparing their payroll to the available list of all dual-employed state workers. They also include ensuring state workers understand their responsibilities to report and manage their dual employment. Human resource agencies in several other states have developed specific guidance around dual employment, which Washington's Office of Financial Management also should consider.

The recommendations in this report will help Washington's state agencies be clear and direct with workers about the rules for outside employment. These recommendations will help agencies develop better policies and practices around dual employment, allowing workers to supplement their incomes or gain experience, and helping government maintain public trust by protecting public resources.

Background (page 7)

The COVID-19 pandemic was a challenging time for employers and workers across the nation and changed the way people work. It increased opportunities for people to work remotely and to work multiple jobs. Employers had to quickly adapt to remote work environments – such as allowing their employees to work from home. Employers' support of remote work as well as providing flexible work schedules allowed people to hold two or more jobs from home – known as dual employment. Dual employment supplements workers' incomes and offers other benefits, such as gaining new skills or creating more career opportunities.

Despite its benefits, dual employment can pose several challenges and risks to state agencies when public funds are used inappropriately. The State Auditor's Office

has investigated a few instances in which employees inappropriately worked at two agencies during overlapping office hours. A more common risk is that some dual-employed workers struggle to maintain engagement at both jobs due to fatigue, which could reduce their productivity at one or both jobs. While uncommon now, dual employment may become more common in remote-work environments.

State agencies and the Office of Financial Management (OFM) have a role in mitigating risks associated with dual employment. State agencies are required to follow a number of personnel and payroll requirements, or independently develop their own policies and procedures when explicit rules do not exist. For example, agencies may choose to disapprove employees' dual employment if it causes a conflict of interest for the agency.

OFM provides employee-management guidance to most state agencies, and collects payroll data from them through the Human Resources Management System (commonly referred to as HRMS). Furthermore, OFM can identify most state workers who are receiving payroll payments by more than one state agency.

This audit assessed strategies to help state agencies identify and manage employees' dual employment. As state agencies continue to adapt to remote work environments, addressing risks like inappropriate payroll payments as a result of dual employment helps ensure they safeguard public resources.

State agencies can take steps to mitigate risks associated with dual employment, including inappropriate payments (page 10)

We selected five state agencies with high numbers of dual-employed workers, and held two focus groups to identify challenges around dual employment. We learned that state agencies experience several challenges to identify, coordinate and manage risks associated with dual employment.

Agencies have few avenues to identify workers who are dual employed, and instead rely on employee honesty and self-disclosure. We also learned that when there is a lack of coordination between the primary and secondary agencies, it can lead to several issues around work schedules, overtime pay and leave accruals. Finally, we found that most selected state agencies lack up-to-date information about workers' dual employment status.

Leading practices suggest employers develop policies and processes to identify and manage instances of dual employment. We identified leading practices from organizations such as the U.S. Office of Personnel Management. We also

reviewed practices used in other states as well as the five selected state agencies in Washington. These practices fall into five categories:

1. Developing dual employment policies and procedures
2. Identifying dual-employed workers
3. Coordinating schedules, benefits and overtime between employers
4. Keeping up-to-date information on dual-employed workers
5. Providing guidance to supervisors around remote work

OFM provides technical guidance to agencies regarding dual employment (page 16)

OFM provides some technical guidance to state agencies around people employed by more than one state agency. Its website contains guidance on hiring dual-employed workers, and the need to coordinate with other state agencies around hours worked and benefits. Additionally, HRMS permits state agency payroll staff to run a report on all active dual-employed state workers. State agencies may not be aware that they can run this report, however: only one of the five selected state agencies was aware of it. In 2029, OFM plans to transition to Workday, a statewide enterprise reporting system that will merge many of the state's business processes. OFM staff believe Workday will more easily allow agencies to view all active state workers.

Because OFM already provides technical guidance, the agency is well suited to provide additional guidance around dual employment. Currently, Washington lacks statewide guidance around dual employment policies and procedures to ensure agencies consistently identify workers and coordinate with other employers.

Recommendations (page 20)

We made a series of recommendations to OFM to provide state agencies with guidance around dual employment policies and procedures and running reports on all active dual-employed employees. We also recommended the agency ensure the replacement for HRMS has controls in place to alert state agencies when people have more than one state employer.

This is audit does not make formal recommendations to the five state agencies interviewed. However, we consider the audit results so broadly applicable that it is in the state's best interest for all government agencies to consider the strategies highlighted in this report.

Next steps

Our performance audits of state programs and services are reviewed by the Joint Legislative Audit and Review Committee (JLARC) and/or by other legislative committees whose members wish to consider findings and recommendations on specific topics. Representatives of the Office of the State Auditor will review this audit with JLARC's Initiative 900 Subcommittee in Olympia. The public will have the opportunity to comment at this hearing. Please check the JLARC website for the exact date, time, and location (www.leg.wa.gov/JLARC). The Office conducts periodic follow-up evaluations to assess the status of recommendations and may conduct follow-up audits at its discretion. See **Appendix A**, which addresses the I-900 areas covered in the audit. **Appendix B** contains information about our methodology.

Background

The COVID-19 pandemic increased opportunities for people to work remotely and to work multiple jobs

The COVID-19 pandemic was a challenging time for employers and workers across the nation. Some employers had to quickly adapt to remote work environments – such as allowing their employees to work from home. While many workers missed social interactions natural to in-office settings, remote work offered some benefits. For instance, remote work eliminated long work commutes and their associated costs. Additionally, employers' support of remote work as well as providing flexible work schedules allowed people to hold two or more jobs from home – known as dual employment. For example, a person may hold a primary, daytime job throughout the week and hold an on-call position in the evenings.

Dual employment supplements workers' incomes and offers other benefits, such as gaining new skills or creating more career opportunities. While it is possible to hold two traditional, on-site jobs, the nature of remote work can reduce some barriers, like work commutes, making dual employment more attractive to more people and increasing the likelihood that people work multiple jobs at once.

Dual employment can pose risks to state agencies

Dual employment can pose several challenges and risks to government agencies as well as to Washingtonians when public funds are used inappropriately. The State Auditor's Office has investigated a three instances in which employees inappropriately worked simultaneously at a state agency and another employer during overlapping office hours, and multiple investigations are underway. In one case, a remote government employee held two full-time jobs for a state agency and an outside company for more than one year. In addition to their regular full-time hours, the employee requested pay for over 800 overtime hours, all in all resulting in approximately \$70,000 of questionable payroll payments. A second case concerned questionable payroll payments of just over \$11,000.

A more common risk is that some dual-employed workers struggle to maintain engagement at both jobs due to fatigue, which could reduce their productivity at one or both jobs. Additionally, due to overtime pay requirements, state agencies that hire the same person may need to retroactively pay employees overtime and recalculate leave accruals when state workers do not disclose they are holding a job with another state agency.

Read the State Auditor's fraud investigation report concerning the Community Colleges of Spokane on our website [here](#); the report concerning the City of Spokane and the Health Care Authority [here](#); and the report concerning an employee at the Employment Security Department [here](#).

While uncommon now, dual employment may become more common in remote-work environments

To assess how common dual employment has become among state workers, we reviewed state agencies' payroll data on the state's payroll management system, Human Resources Management System (commonly referred to as HRMS). We identified 93 of 75,000 state workers employed at more than one state agency during fiscal years 2023 and 2024 – with an average of six months of overlapping payroll payments. While some received no more than one month of payroll payments, five consistently received payroll payments throughout the entirety of both fiscal years. These 93 people only represent when there was an overlap in payments disbursed to them and does not indicate instances of inappropriate payments. While the number of dual-employed state workers is small, our Office has begun to identify a few cases of inappropriate payments for dual-employed people. Furthermore, government organizations can better adapt to remote work by mitigating the risks associated with dual employment.

State agencies and the Office of Financial Management have a role in mitigating risks associated with dual employment

In Washington, state agencies are required to follow a number of state and federal personnel and payroll requirements. State agencies also independently develop their own policies and procedures when explicit rules do not exist. For example, they may choose to disapprove employees' dual employment if it may cause a conflict of interest for the agency. State agencies are also responsible for developing their own policies and procedures around hiring and onboarding new employees – such as asking workers to disclose if they plan to hold another job when they join the agency.

The Office of Financial Management (OFM) provides guidance to, and collects statewide payroll data from, most state agencies – with the exception of higher education institutions and agricultural commissions. Its State Human Resources Division manages statewide human resources policy functions such as compensation, civil service rules and recruitment. Additionally, it collects statewide payroll data from all state agencies through HRMS and is responsible for distributing payroll. OFM staff use payroll data to make financial projections, advise the Office of the Governor and legislative staff, and publish workforce data. Furthermore, OFM can identify state workers who are receiving payroll payments from more than one state agency.

This audit assessed strategies to help state agencies identify and manage employees' dual employment

As state agencies continue to adapt to remote work environments, addressing risks like inappropriate payroll payments as a result of dual employment helps ensure they safeguard public resources. While this audit examined leading practices to identify and manage dual-employed workers between state agencies, some practices could also be useful for state-to-local or state-to-private-sector dual employment.

To conduct this audit, we selected five state agencies to learn about dual employment practices they implemented as well as the challenges they encounter. We selected agencies with high numbers of employees who had received two or more payroll payments from at least two state agencies during fiscal years 2022-2024. They include the Department of Corrections, Department of Health, Department of Social and Health Services, the Military Department and the Office of Administrative Hearings. Agencies had between four and 23 dual-employed workers.

This audit answered the following question:

- What opportunities exist for state agencies and the Office of Financial Management to prevent inappropriate dual employment payroll payments?

Audit Results

State agencies can take steps to mitigate risks associated with dual employment, including inappropriate payments

Answer in brief

State agencies experience several challenges to identify, coordinate and manage risks associated with dual employment. Leading practices suggest employers develop policies and processes to identify and manage instances of dual employment. This includes developing dual employment policies and procedures, identifying dual-employed workers, coordinating schedules and benefits, keeping up-to-date information on dual-employed workers, and providing supervisors with remote work guidance.

State agencies experience several challenges to identify, coordinate and manage risks associated with dual employment

Government agencies may support their workers seeking a second job by providing them with flexible work schedules. However, we learned that dual employment poses some challenges. We selected five state agencies with high numbers of dual-employed workers and held two focus groups to identify challenges and practices they used around dual employment. We identified the key challenges listed below.

- **Few avenues to identify dual employment.** Government agencies have few avenues to identify workers who are dual employed. Agencies rely on employee honesty and self-disclosure to identify those who hold more than one job. It can be especially challenging to identify dual-employed workers if they work remotely from home since supervisors cannot as easily observe employees' work activities. Without knowledge of a worker's other job, agencies cannot assess whether that position poses any risks to the agency, such as a conflict of interest.

In the case of state agencies, it is up to the hiring agency to contact other state agencies when they hire one of their workers. State law requires state agencies to use HRMS for payroll purposes. When state agencies hire a new worker who is already employed by another state agency, this system

automatically alerts them that the worker's social security number is already in the system. However, the statewide payroll system only alerts the hiring agency and not the agency where worker is currently employed.

- **Lack of coordination between employers.** When there is a lack of coordination between the primary and secondary government agencies, it can lead to several issues around work schedules, overtime pay and leave accruals. Two of the five selected state agencies said they rely on their workers to coordinate their work schedule with the other agency, limiting their ability to ensure workers have separate schedules. Additionally, staff at another selected state agency said that, when other state agencies hire their current workers and do not contact them to coordinate hours, both agencies may be left with unexpected costs in overtime pay for workers who qualify. They also said that workers employed by two state agencies may be receiving double the benefits from each employer, such as leave accruals. For example, state workers are entitled to three days of paid bereavement leave, which could be unintentionally doubled if each state agency assigns three days of paid bereavement leave.
- **Lack of up-to-date information about workers' dual employment status.** Some state agencies said they ask new workers if they plan to hold another job through a self-disclosure form. However, most selected state agencies only inquire about whether a worker plans to hold other jobs at the start of employment with the agency. This means they lack current information about which workers have continued or started new jobs outside of their agency. Without this information, agencies could be unaware of workers who have other jobs and will not be able to coordinate separate work schedules with other employers.

Leading practices suggest employers develop policies and processes to identify and manage instances of dual employment

We identified leading practices from organizations such as the U.S. Office of Personnel Management to address challenges around dual employment. We also reviewed practices used in other states, as well as the five selected state agencies here in Washington. These practices fall into five categories:

1. Develop dual employment policies and procedures
2. Identify dual-employed workers
3. Coordinate schedules, benefits and overtime between employers
4. Keep information up to date on dual-employed workers
5. Provide guidance to supervisors around remote work

Practice 1: Develop policies and procedures that specifically address dual employment

Establishing clear policies and procedures ensures there are guidelines and expectations around dual employment. It also ensures there is a process to determine whether a worker's second job poses any conflicts for the agency. Ultimately, it is up to each agency to implement policies and procedures and to ensure they are followed.

Dual employment policies should outline employer expectations and rules

Establishing policies around dual employment can ensure workers and supervisors are aware of relevant rules and expectations. They also ensure supervisors have guidance for decision-making, such as having clear guidelines when determining whether to approve dual employment requests. The policy should include several key components:

1. Define outside employment to ensure there is clear understanding between the agency and its workers around what constitutes holding a job outside the agency. For example, an agency may not consider a paid board member position as a job held outside the agency.
2. Include clauses that help set clear expectations, such as that outside employment cannot:
 - Be worked during their work schedule at the agency
 - Interfere with their work performance
 - Cause conflict of interest to the agency
 - Use agency's resources, data or premises
3. Provide guidance to supervisors to ensure they make appropriate determinations to approve or disapprove worker's dual employment requests
4. Describe actions the agency may take if the policy is violated to ensure workers are aware of potential consequences
5. For workers employed by two state agencies, the policy should clarify whether the agency is willing to authorize overtime pay resulting from dual employment

Dual employment policies should include a clear procedure to review and approve worker requests to hold other jobs outside the agency

Establishing a procedure to review disclosure forms from people who plan to work a second job ensures that agencies appropriately evaluate whether the employee's role may create conflicts for their agency. The procedure should outline key steps, including a worker formally requesting dual employment, internal management reviews and communication with the secondary employer.

For example, state agencies in Pennsylvania, North Carolina and Connecticut follow a process in which workers submit disclosure forms that includes agency names, job titles, job descriptions and work schedules for both jobs. Typically, direct supervisors and human resources management at both agencies sign off on the form to approve worker's dual employment requests.

Finally, the procedures should outline how often the dual employment agreement should be revisited. Doing so allows supervisors to reassess if an employee's second job is posing any issues, such as interfering with job performance, and address those concerns. At Washington's Department of Social and Health Services (DSHS), as well as at state agencies in Pennsylvania, supervisors revisit dual employment agreements on an annual basis.

Practice 2: Identify dual employment through employee self-disclosure and contacting previous employers during hiring and onboarding

Require new employees to disclose dual employment as part of their hiring and onboarding process

Agencies can identify dual-employed workers during the hiring and onboarding process by having them submit a disclosure form. We found that three of the five selected agencies require new employees to fill out the dual employment disclosure form – with three agencies requiring it within the first five to 30 days on the job. One agency asks candidates if they plan to hold more than one job during the hiring process, providing the agency with more time to determine whether the other job could cause any conflicts. Identifying people with a second job by using disclosure forms relies solely on self-reporting, so agencies can take additional precautions outlined below to further mitigate risks.

Contact new worker's most recent employer to verify employment status in high-risk situations

Contacting a person's most recent employer at the start of the new job – which differs from calling a job candidate's work references before the offer of employment – allows the hiring agency to verify whether that person is currently employed. An investigation conducted by our Office found a remote employee of state and local agencies had maintained full-time jobs at a local agency after being hired full time at the state agency for more than one month – resulting in questionable payroll payments. Conducting reference checks with the most recent employer could allow agencies to catch similar issues earlier.

Because contacting each new worker's most recent employer could be time-consuming and require increased capacity, agencies can use a risk-based approach. For example, agencies may choose to only conduct these reference checks for remote positions.

Practice 3: Coordinate between employers to prevent conflicts around work schedules, benefits and overtime pay

Agencies with dual-employed workers can prevent conflicts, such as employees working overlapping work schedules, by communicating and coordinating as soon as possible. Three states we reviewed communicate and document employee's work schedules for each position by collecting and documenting the information needed to determine if a person has established separate work schedules for each employer using a disclosure form.

State agencies have additional considerations when coordinating around dual-employed workers. They can prevent unexpected overtime pay and leave accrual errors by communicating promptly after hiring someone who is actively employed by another state agency. Three state agencies said they contact other state agencies to discuss workers' benefits and overtime eligibility, and which agency is responsible for paying overtime. State agencies have the option to share and review employees' timesheets for both positions to ensure they are paid appropriately if they are overtime eligible. This step is a requirement in Connecticut.

Practice 4: Keep information up to date on dual-employed workers

Agencies can identify and appropriately manage dual-employed workers by requiring all employees to periodically review the dual employment policy and fill out a disclosure form. For example, DSHS requires all its workers to fill out its disclosure form annually, which serves as a tracking mechanism around dual employment. Periodic reviews allow the agency to ensure current information on which employees have dual employment beyond the initial information people provide when they were first employed. If an agency learns that a current worker holds another job, it can follow its procedures to review whether the job poses any conflicts to the agency.

Practice 5: Provide guidance to supervisors on remote work

Agencies can attract and retain a talented workforce by enabling remote work options, while maintaining outcomes and accountability by providing guidance to supervisors managing workers in remote environments. Federal law requires federal employees and their supervisors to complete remote work trainings. The U.S. Office of Personnel Management provides trainings on remote work as well as guidance to agencies. It advises completing written remote work agreements, which should include employees' work schedules. It also recommends having supervisors and employees revisit these agreements annually, renewing them if appropriate.

The Office of Personnel Management's guidance on managing teleworkers states that performance standards should not vary between remote and non-remote workers, but setting clear expectations around remote work is important. It advises supervisors and remote workers to communicate regarding:

- The employee's work schedule and how to keep supervisors and colleagues up to date about changes to their schedule
- The employee's availability and applications used to maintain contact
- What person or team will provide technical assistance in the event of equipment disruptions

Washington's Office of Financial Management provides technical guidance to agencies regarding dual employment

OFM provides some technical guidance to state agencies around workers employed by more than one state agency. The HRMS Support Hub website includes a webpage dedicated to payroll procedures for dual-employed workers. It includes guidance in the following three areas.

- **Hiring dual-employed workers.** According to the webpage, if an agency receives an automatic error message after entering a new worker's Social Security number, it is because that number has already been assigned to another employee. The page explains that this scenario could mean the employee is transferring from another state agency or may be seeking dual employment with both agencies.
- **Coordinating with other state agencies.** The dual employment webpage also encourages state agencies to contact one another to clarify a worker's employment status. If the worker is seeking dual employment, the page encourages agencies to coordinate hours worked, benefits, leave eligibility and leave accruals. Ultimately, it is the hiring agency's responsibility to contact other agencies if it is hiring one of the other agency's employees.
- **Running a report on all active state workers.** The state's payroll system permits state agency payroll staff to run a report on all active state workers with multiple personnel numbers, indicating they are concurrent employees. Staff at OFM said they also provide instructions for running this report on the agency's website.

However, payroll staff at state agencies may not be aware they can run reports on all active dual-employed state workers. Only one of the five selected agencies was aware of this report. Running the report would be especially helpful for an agency that was not made aware a current employee was hired by another state agency.

When the hiring agency enters a new employee's Social Security number in the statewide payroll system, it will be alerted if that the number has already been assigned to another employee. However, the system does not automatically notify the current agency if its employee has been hired by another state agency. Staff with the hiring state agency may not consistently contact other state agencies when hiring their workers.

OFM plans to transition to Workday in 2029, which staff said promises to be a more integrated system

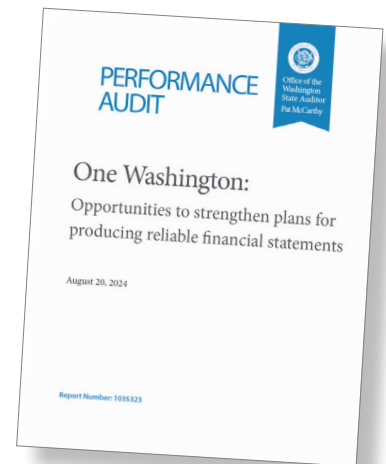
OFM will begin the planning phase of its transition to Workday in fall 2025, and expects to implement the new enterprise system early in 2029. Workday is a cloud-based enterprise resource planning system that helps organizations combine their finance, human resources, planning, professional services automation, project management and analytics into a single system.

According to OFM staff, Workday is a much more integrated information technology system than the current state payroll system, and it will promote standardization across agencies and departments. Workday will merge an agency's financial and human resources systems into a single platform; according to OFM staff, it should also improve communication between departments. While they have yet to gather requirements for the system, OFM staff believe Workday will more easily allow agencies to view all active dual-employed state workers. (See sidebar for a link to our performance audit around One Washington, the state's program to implement Workday.)

Because OFM provides technical guidance, the agency is well suited to offer additional guidance around dual employment

Currently, Washington lacks statewide guidance around dual employment policies and procedures to ensure agencies consistently identify workers and coordinate with other employers. We found that the payroll and human resources agencies in Arkansas, Connecticut, North Carolina and Pennsylvania have developed specific guidance around dual employment. For example, they provide statewide policies or directives on dual employment, including disclosure forms for their state agencies to use.

- Connecticut's dual employment policy provides a description of relevant state laws, as well as agency responsibilities and ongoing obligations to manage dual-employed workers. For example, ongoing obligations for state agencies include reviewing worker's attendance to monitor instances in which overtime pay may apply and reviewing dual employment agreements annually.
- The Arkansas disclosure form, shown in **Exhibit 1** on the following page, includes information about both agencies' job titles and job descriptions, work schedules and overtime eligibility.



Learn more about Workday in our 2024 performance audit "One Washington: Opportunities to strengthen plans for producing reliable financial statements." <https://portal.sao.wa.gov/ReportSearch/Home/ViewReportFile?arn=1035323&isFinding=false&sp=false>

Exhibit 1 – Arkansas’ dual employment disclosure form

Employee's Name	Personnel Number	Primary Business Area
	PRIMARY EMPLOYER INFORMATION	
Employer		
Address		
Phone Number		
Contact Person		
E-mail Address		
	SECONDARY EMPLOYER INFORMATION	
Job Title		
Position Number		
Pay Grade		
FLSA Status	<input type="checkbox"/> Exempt <input type="checkbox"/> Non-Exempt	<input type="checkbox"/> Exempt <input type="checkbox"/> Non-Exempt
Salary		Proposed Salary
Line Item Max		
Employment Dates		
Work Days		
Work Times		
DUTIES PERFORMED AND EXPLANATION/JUSTIFICATION		

While Washington’s state agencies may operate in a more decentralized system, developing a template that addresses dual employment could be useful for state agencies as remote and flexible work opportunities expand. Given the technical guidance OFM provides and its expertise in this area, it is well positioned to provide additional guidance around dual employment.

State Auditor's Conclusions

Dual employment, in which one person is employed by two government agencies, can easily be misunderstood by members of the public, who might assume the person is attempting to fill two conflicting, full-time jobs. As this performance audit shows, it can very well be appropriate for a state employee to be compensated for work conducted outside of their primary position. However, there have been rare cases in which it was not appropriate.

This report identifies several leading practices to ensure dual employment in state agencies is properly overseen. They include practical steps for state agencies, such as identifying dual employment by routinely comparing their payroll to the available list of all dual-employed state workers. They also include ensuring state workers understand their responsibilities to report and manage their dual employment. Human resource agencies in several other states have developed specific guidance around dual employment, which Washington's Office of Financial Management also should consider.

The recommendations in this report will help Washington's state agencies be clear and direct with workers about the rules for outside employment. These recommendations will help agencies develop better policies and practices around dual employment, allowing workers to supplement their incomes or gain experience, and helping government maintain public trust by protecting public resources.

Recommendations

For the Office of Financial Management

To provide additional guidance around dual-employed workers, as described on pages 10-15, we recommend the agency:

1. Develop and share guidance on key components on dual employment to include in a policy, including:
 - a. Clauses around the use of agency resources for other jobs, conflicts of interest, ensuring other positions cannot impair an employee's performance, and the consequences of violating the policy, as described on page 12
 - b. A process to approve dual employment by both employers, including establishing separate work schedules and requiring reapprovals annually
 - c. A description of relevant state laws, an agency's responsibilities and its ongoing obligations to monitor dual-employed workers
2. Disseminate existing instructions to state agencies' human resources departments on how they can run reports of all active dual-employed employees using the Human Resources Management System
3. When developing requirements for the human resources component of Workday, include controls to alert:
 - a. The hiring state agency that the new employee is an active state employee
 - b. The primary state agency that an active employee has been hired at another state agency

Guidance for all government agencies

We consider these audit results so broadly applicable that it is in the state's best interest for all government agencies to consider the strategies highlighted in this report, including:

- Ensure that policies and procedures include key components on dual employment, as described on page 12
- Identify dual-employed workers using several approaches, such as requiring all new workers to submit self-disclosure forms
- Coordinate work schedules between employers to prevent conflicts around dual employment
- Keep information up to date on dual-employed workers
- Provide guidance to supervisors on remote work

Guidance for state agencies

To address challenges specific to state agencies, it is in the state's best interest for all state agencies to consider the strategies highlighted in this report, including:

- To include a clause in the dual employment policies outlining whether the state agency is willing to authorize overtime pay to an employee as a result of that person working at another state agency
- When employing a dual-employed worker at two state agencies:
 - Communicate with the other state agency, to inform them the agency has hired an active employee
 - Coordinate schedules, benefits and overtime with the other agency
- Periodically use the state payroll system to run reports to identify if active workers are employed at other state agencies

Agency Response



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December 17, 2024

Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

The Office of Financial Management appreciates the State Auditor's Office (SAO) work on the *Reducing the Risk of Inappropriate Dual Payroll Payments* performance audit. We would like to make a distinction between remote work and dual employment because the report seems to combine the two concepts.

The ability for eligible positions and staff to work remotely is a vital element in the modern workforce and culture. During the pandemic, remote work enabled state agencies to continue providing critical services while maintaining a functional government.

Dual employment refers to a situation where an individual holds two or more jobs simultaneously. It has become a normal part of the modern workforce, as it offers employees opportunities to gain more skills and earn more income in today's high-cost living environment. Additionally, as the gig economy grows, the abundance of platform-based employment opportunities continues to appeal to workers seeking flexible and multiple streams of earning.

Although this is an important and evolving issue, we want the reader to understand that dual employment is fairly uncommon among state employees. The audit identified 93 employees with an overlap in payments, and did not identify any inappropriate payments. Of more than 75,000 general government state employees, 93 employees represent 0.124% of the state workforce. This data suggests employees are using this type of employment judiciously and agencies are managing it appropriately.

Regarding the audit recommendations, we disagree with the first recommendation about OFM providing additional guidance around dual-employed workers. The core tenet of this issue is related to employee ethics, which is governed by the Executive Ethics Board (EEB). OFM believes that SAO should work with the EEB and the Attorney General's Office to address the ethics, legal issues, and responsibilities of agencies in monitoring dual employment.

OFM agrees with the second and third recommendations and will work with agencies to address them during the configuration of Workday, the state's enterprise resource and planning (ERP) system.

Sincerely,

Pat Sullivan
Director

cc: Joby Shimomura, Chief of Staff, Office of the Governor
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CABINET RESPONSE TO PERFORMANCE AUDIT ON REDUCING THE RISK OF INAPPROPRIATE DUAL PAYROLL PAYMENTS – DECEMBER 17, 2024

The Office of Financial Management (OFM) provides this management response to the State Auditor's Office (SAO) performance audit report received on November 7, 2024.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO's performance audit addressed this question:

1. What opportunities exist for state agencies and the Office of Financial Management to prevent inappropriate dual employment payroll payments?
-

Recommendations to OFM in brief:

To provide additional guidance around dual-employed workers:

SAO Recommendation 1:

1. Develop and share guidance on key components on dual employment to include in a policy, including:
 - a. Clauses around the use of agency resources for other jobs, conflicts of interest, ensuring other positions cannot impair an employee's performance, and the consequences of violating the policy, as described on page 12
 - b. A process to approve dual employment by both employers, including establishing separate work schedules and requiring reapprovals annually
 - c. A description of relevant state laws, an agency's responsibilities and its ongoing obligations to monitor dual-employed workers.

STATE RESPONSE: OFM disagrees. The core tenet of this issue is related to employee ethics, which is governed by the Executive Ethics Board (EEB). OFM agrees that dual employment should be properly managed at the agency level with sufficient oversight. OFM believes that SAO should work with the EEB and the Attorney General's Office to address the ethics, legal issues, and responsibilities of agencies in monitoring dual employment.

Action Steps and Time Frame

- Not applicable
-

SAO Recommendation 2:

2. Disseminate existing instructions to state agencies' human resources departments on how they can run reports of all active dual-employed employees using the Human Resources Management System.

STATE RESPONSE: OFM agrees with the recommendation and will work with payroll and human resources organizations' communities of practice to identify and disseminate the numerous tools available to agency human resource and payroll staff.

Action Steps and Time Frame

- Remind agency human resource and payroll staff of available tools. *By January 31, 2025.*
-

SAO Recommendation 3:

3. When developing requirements for the human resources component of Workday, include controls to alert:
 - a. The hiring state agency that the new employee is an active state employee
 - b. The primary state agency that an active employee has been hired at another state agency

STATE RESPONSE: OFM agrees in principle with the recommendation. The Workday software is used throughout the world by governments and the private sector and is the enterprise resource and planning (ERP) system for our state's administrative systems modernization project. The initial requirements for Workday policy alignment documentation, prepared by the system integrator, already address dual employment functionality.

Action Steps and Time Frame

- Complete
-

State Auditor's Reply

As part of the audit process, our Office provides a final draft of our reports to audited agencies and offers management an opportunity to respond. The response for this audit expressed an area of disagreement with one of the report's recommendations. For all performance audit reports, generally accepted government auditing standards, which are published by the U.S. Government Accountability Office, require us to consider the areas of disagreement and determine whether our audit report should be adjusted. If we determine an adjustment is not appropriate, audit standards require us to explain why. This response serves as our explanation. We summarize the agency's main concern below and explain our reasoning.

The report conflates remote work and dual employment

As stated in the report, it can be appropriate for a state employee to be compensated for work conducted outside of their primary position. The audit stressed the risks in remote work situations, instead of simple dual employment, because remote work increases the risk of inappropriate dual employment. Our own agency's fraud investigations have identified such risks. However, we acknowledge the distinction between remote work and dual employment.

Dual employment is an issue of ethics, thereby warranting participation from the Executive Ethics Board and the Attorney General's Office

OFM contends that issues of dual employment are an issue of ethics and should be addressed through the Ethics Board and the Attorney General's Office.

While dual employment can in some circumstances prompt ethical concerns, the practices outlined in the report emphasize the importance of processes and controls to manage instances of dual employment. OFM provides guidance and resources to state agencies on a host of topics, including technical payroll information about dual employment, making it well-positioned to provide guidance to identify and manage instances of dual employment.

Additionally, other states (Arkansas, Connecticut, North Carolina and Pennsylvania) and their statewide human resources equivalents offer precedence for providing guidance similar to that which we proposed in our recommendation.

Appendix A: Initiative 900 and Auditing Standards

Initiative 900 requirements

Initiative 900, approved by Washington voters in 2005 and enacted into state law in 2006, authorized the State Auditor’s Office to conduct independent, comprehensive performance audits of state and local governments.

Specifically, the law directs the Auditor’s Office to “review and analyze the economy, efficiency, and effectiveness of the policies, management, fiscal affairs, and operations of state and local governments, agencies, programs, and accounts.” Performance audits are to be conducted according to U.S. Government Accountability Office government auditing standards.

In addition, the law identifies nine elements that are to be considered within the scope of each performance audit. The State Auditor’s Office evaluates the relevance of all nine elements to each audit. The table below indicates which elements are addressed in the audit. Specific issues are discussed in the Results and Recommendations sections of this report.

I-900 element	Addressed in the audit
1. Identify cost savings	No.
2. Identify services that can be reduced or eliminated	No.
3. Identify programs or services that can be transferred to the private sector	No.
4. Analyze gaps or overlaps in programs or services and provide recommendations to correct them	No.
5. Assess feasibility of pooling information technology systems within the department	No.

I-900 element	Addressed in the audit
6. Analyze departmental roles and functions, and provide recommendations to change or eliminate them	No.
7. Provide recommendations for statutory or regulatory changes that may be necessary for the department to properly carry out its functions	No.
8. Analyze departmental performance data, performance measures and self-assessment systems	No.
9. Identify relevant best practices	Yes. The audit examined leading practices to identify and manage dual employment to prevent inappropriate payroll payments.

Compliance with generally accepted government auditing standards

We conducted this performance audit under the authority of state law (RCW 43.09.470), approved as Initiative 900 by Washington voters in 2005, and in accordance with generally accepted government auditing standards as published in *Government Auditing Standards* (July 2018 revision) issued by the U.S. Government Accountability Office. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The mission of the Office of the Washington State Auditor

To provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective. The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic [subscription service](#). We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program. For more information about the State Auditor's Office, visit www.sao.wa.gov.

Appendix B: Objectives, Scope and Methodology

Objectives

The purpose of this audit was to examine leading practices to identify and manage dual employment to prevent inappropriate payroll payments. The audit addressed the following objective:

- What opportunities exist for state agencies and the Office of Financial Management (OFM) to prevent inappropriate dual-employment payroll payments?

For reporting purposes, the audit results have been organized into key findings. The messages relate to the original objective as follows:

1. Leading practices suggest employers develop policies and processes to identify and manage instances of dual employment (pages 10-15)
2. Because OFM provides technical guidance, the agency is well suited to provide additional guidance around dual employment (pages 16-18)

Scope

This audit examined leading practices to help identify and manage dual-employed workers in state agencies to reduce risks, such as payroll fraud. We also identified practices that could apply to local and regional government agencies across the state. While we identified workers receiving payroll at more than one state agency, we did not evaluate whether there were instances of payroll fraud.

Methodology

To answer our audit objectives, we used a variety of quantitative and qualitative methods. We obtained the evidence used to support the findings, conclusions and recommendations in this audit report during our fieldwork period (July-August 2024). We have summarized the work we performed to address the audit objective in the following sections.

Objective 1: What opportunities exist for state agencies and OFM to prevent inappropriate dual-employment payroll payments?

To address this objective, we conducted a literature review to identify leading practices, reviewed practices used in other states and selected state agencies in Washington, and interviewed staff at OFM to learn about guidance they provide around dual employment.

Conducted a literature review

We conducted online research to evaluate leading practices for agencies to identify and manage people with dual employment. We reviewed leading practices from federal agencies and business consulting groups, such as the U.S. Office of Personnel Management and Fit Small Business. We also reviewed dual employment policies and procedures used in other states, including Connecticut, North Carolina, Arkansas and Pennsylvania. Finally, we reviewed fraud report recommendations issued by our own Office, addressed to government agencies that had employees working two jobs at the same time, resulting in payroll fraud.

Selected state agencies and held focus groups

To learn about practices state agencies in Washington use around dual employment, we selected five state agencies with higher numbers of dual employed workers. We did this by reviewing payroll data for fiscal years 2022 to 2024 provided by OFM. We first assessed the reliability and completeness of the data. We then identified the number of state workers who had received two or more payroll payments, of at least \$800, from more than one state agency. We then judgmentally selected state agencies with a high number of employees who met these criteria. Agencies had between four and 23 dual-employed workers. We selected the following state agencies:

- Department of Corrections
- Department of Health
- Department of Social and Health Services
- Military Department
- Office of Administrative Hearings

After selecting the five state agencies, we conducted two focus groups to learn about the practices they use to identify and manage workers with a second job. We also learned about the challenges state agencies experience around dual employment.

Researched and interviewed staff at OFM

To gain an understanding of the guidance OFM provides to state agencies around dual employment, we conducted online research of guidance the agency provides on its website. We also met with staff from the State Human Resources Division to learn about other resources and supports they provide to state agencies.

Work on internal controls

We identified key controls and assessed the implementation of key controls. We assessed OFM's control activities around its external communication with state agencies around dual employment to prevent payroll fraud. Note: We did not evaluate operational effectiveness or design of identified controls.



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– Pat McCarthy, State Auditor

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