STATE OF WASHINGTON
OFFICE OF GOVERNOR BOB FERGUSON

EXECUTIVE ORDER 26-05

STRENGTHENING FRAUD PREVENTION AND ACCOUNTABILITY FOR PUBLIC FUNDS

WHEREAS, the state of Washington is entrusted with the stewardship of public funds for the benefit of its residents; and

WHEREAS, fraud, waste, and abuse of fiscal resources undermine public trust, divert critical funding from essential services, and impair the effective delivery of government programs; and

WHEREAS, separately elected officials, agency directors, and commissioners are charged with the responsibility of preventing and responding to fraud; and

WHEREAS, state agencies actively maintain varying policies, procedures, and internal controls to detect, prevent, and respond to fraud involving public funds; and

WHEREAS, state agencies administer programs subject to differing federal and state compliance requirements, resulting in varying approaches to fraud prevention, detection, investigation, recovery, and accountability; and

WHEREAS, existing interagency partnerships demonstrate the value of sharing information, identifying emerging risks, and coordinating fraud prevention and standardized practices; and

WHEREAS, although state agencies' fraud-prevention systems are robust, Washington state lacks an enterprise-wide process to coordinate existing fraud prevention efforts and promote consistent practices where appropriate; and

WHEREAS, new technology and data analytics can revolutionize fraud prevention and detection to better protect public resources while safeguarding confidential and legally protected information; and

WHEREAS, existing agency staff-level fraud prevention and investigative workgroups, including the Washington State Agencies Fraud Investigators Workgroup, provide valuable operational insight into emerging fraud trends, successful practices, barriers, and information-sharing needs; and

WHEREAS, a coordinated, statewide approach that emphasizes prevention, early detection, information sharing, systems improvement, and accountability will strengthen stewardship of public funds while building upon existing agency expertise and successful interagency partnerships; and

WHEREAS, there has historically been no comprehensive, coordinated annual report defining and highlighting fraud risk across state agencies; and

WHEREAS, a coordinated, statewide approach is warranted to strengthen oversight, improve consistency, and adopt best practices;

NOW, THEREFORE, I, Bob Ferguson, Governor of the state of Washington, by virtue of the power vested in me by the Constitution and laws of the state of Washington, do hereby order and direct as follows:

1. Public Funds Fraud Prevention and Accountability Workgroup

The Public Funds Fraud Prevention and Accountability Workgroup ("Workgroup") is hereby established under the purview and subject to the direction of the Office of the Governor to review, evaluate, and recommend improvements to policies, training, reporting, data analytics, and practices related to fraud, waste, and abuse involving public funds.

a. The Workgroup shall be co-chaired by the Governor's Office and the Office of Financial Management, or their designees, and shall include one representative from each of the following agencies:
    - Department of Agriculture
    - Department of Children, Youth and Families
    - Department of Commerce
    - Department of Corrections
    - Department of Ecology
    - Department of Enterprise Services
    - Department of Financial Institutions
    - Department of Health
    - Department of Labor and Industries
    - Department of Licensing
    - Department of Revenue
    - Department of Retirement Systems
    - Department of Social and Health Services

- Employment Security Department
- Health Care Authority
- Washington State Department of Transportation
- Washington Military Department
- Washington Student Achievement Council

b. The Workgroup may invite representatives of additional state agencies, local governments, Tribal governments, institutions of higher education, and subject matter experts to participate in meetings and provide relevant expertise as appropriate.

c. The Workgroup shall leverage existing staff interagency fraud prevention and investigative efforts, including the Washington State Agencies Fraud Investigators Workgroup, and shall seek input from agency staff engaged in fraud prevention, detection, investigation, audit, compliance, and program integrity regarding emerging fraud trends, successful practices, operational barriers, and information-sharing needs. The Workgroup shall communicate relevant enterprise priorities, guidance, and actions to executive branch agencies to support information sharing between executive leadership and agency staff engaged in this work.

2. Enterprise Assessment and Framework

The Workgroup shall develop an Enterprise Public Funds Fraud Prevention and Accountability Framework ("Framework") establishing a coordinated statewide approach to fraud prevention, detection, reporting and referral, response, recovery, and accountability.

a. In developing the Framework, the Workgroup shall build upon recognized fraud-risk management standards, including the COSO Fraud Risk Management Guide, and successful practices already in use by state agencies, to build a consistent and standardized approach across all state agencies.

b. The Workgroup shall assess existing agency fraud-related policies and practices to identify gaps, barriers, and opportunities for enterprise standards or improvements, while maintaining agency-specific statutory, regulatory, and program requirements.

c. Each agency represented on the Workgroup shall review their employee codes of conduct, ethics policies, and fraud reporting procedures; identify opportunities to strengthen fraud prevention and accountability using existing authorities; and report their findings to the Workgroup by June 1, 2027.

3. Prevention and Early Detection

a. The Department of Enterprise Services (DES) and Office of Financial Management (OFM), including OFM's statewide accounting and state human resources departments, shall determine the best mechanism to deliver two levels of fraud prevention training: basic fraud awareness and ethics training ("Fraud 101") for all executive branch employees, and advanced training for those employees whose job responsibilities include fraud prevention. OFM shall determine the appropriate frequency and cadence of these trainings for the appropriate staff.

b. The Governor's Office and OFM, in coordination with the state agencies represented in the Workgroup, shall inventory current fraud-reporting processes and protections for individuals who report fraud involving public funds within existing authorities. The Workgroup shall develop recommendations to ensure that employees of each agency represented on the Workgroup have access to a confidential pathway outside their agency for reporting suspected fraud and that their employees receive training on how to make such reports. The Workgroup shall report its recommendations to the Governor within 12 months of the issuance of this Executive Order.

c. The Washington State Patrol (WSP), in coordination with the Washington State Criminal Justice Training Commission (CJTC) and other relevant agencies as needed, shall develop financial crimes training resources on the topics of financial records, business structures, legal requirements for businesses operating in Washington, fraud-related criminal laws, and electronic-based currency for state and local law enforcement agencies to strengthen their ability to identify and investigate fraud involving public funds.

d. All executive cabinet agencies shall make continual efforts to identify opportunities to improve business processes to reduce fraud risk before loss occurs and share successful fraud prevention practices with OFM to help improve fraud prevention across agencies.

e. Washington Technology Solutions (WaTech), DES, and OFM shall evaluate opportunities to use existing data and analytics capabilities to identify suspicious payment trends while protecting confidential and legally restricted information. OFM shall make recommendations on how to use these capabilities and ensure appropriate safeguards are in place by June 30, 2027.

4. Response and Recovery

WSP shall provide investigative coordination and technical assistance to state agencies as needed regarding suspected fraud involving public programs funded by state resources, consistent with existing statutory authorities.

5. Workforce, Program, and Procurement Integrity

a. A Chief Fraud Prevention Officer is hereby established to strengthen oversight and coordination of fraud prevention, detection, investigation, and recovery efforts related to health and human services programs administered by executive cabinet agencies. The Chief Fraud Prevention Officer shall coordinate with the Department of Health, the Health Care Authority, the Department of Social and Health Services, the Department of Labor and Industries, and the Department of Children, Youth & Families, and other appropriate partners, and shall seek legal advice from the AGO as needed, to improve program integrity and preserve federal funding. The position shall be implemented using existing resources to the extent practicable.

b. OFM, in coordination with its state human resources department, shall evaluate workforce needs and opportunities to develop a job pathway for state jobs dedicated to strengthening fraud prevention, whistleblower reporting, compliance, investigation, and program integrity capabilities across state agencies.

6. Implementation, Transparency, and Recommendations

a. OFM shall provide staffing and logistical support to the Workgroup, and shall establish timelines for fulfillment of the directives within this Executive Order (except as to timelines already established by this Order).

b. The Workgroup shall work with other state agencies as appropriate to scope and offer recommendations to develop a public-facing accountability dashboard that reports statewide fraud prevention and accountability performance measures, trends, recoveries, corrective actions, and implementation progress, as appropriate, while protecting confidential, investigative, and legally restricted information. The Workgroup shall provide these recommendations to the Governor no later than June 30, 2027.

c. The Workgroup shall submit to the Governor no later than June 30, 2027, the Framework, findings, and specific, actionable recommendations for strengthening statewide fraud prevention and accountability.

d. The recommendations shall address each of the following potential actions:

    i. Statutory or regulatory changes to strengthen statewide fraud prevention, detection, investigation, recovery, and accountability;

    ii. Expansion of civil enforcement authorities, including recommendations related to False Claims Act authorities and other legal remedies to recover public funds obtained through fraud;

    iii. Contractor suspension and debarment standards for entities found to have committed fraud against the state; and

iv. Strengthening whistleblower protections and reporting mechanisms that encourage the reporting of fraud while protecting individuals from retaliation.

e. The Workgroup shall provide annual updates to the Governor regarding implementation progress and key milestones following its submission of the Framework.

This Executive Order shall be implemented consistent with applicable law. Provisions of this Order are not intended to alter any existing collective bargaining agreements. This Order is not intended to confer and does not confer any legal right or entitlement and shall not be used as a basis for legal challenges to any rule or any other action or inaction of the governmental entities and employees subject to it.

This Order shall take effect immediately.

Signed and sealed with the official seal of the state of Washington on this 27th day of October, AD, Two Thousand and Twenty-Six, at Olympia, Washington.

By:

/s/
Bob Ferguson
Governor

BY THE GOVERNOR:

/s/
Secretary of State