

Washington State Auditor's Office
Fraud Investigation Report

White River School District No. 416
Pierce County

Investigation Period
September 1, 2010 through January 31, 2014

Report No. 1012162

Issue Date
July 3, 2014



Washington State Auditor
Troy Kelley

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White River School District No. 416
Buckley, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the White River School District No. 416. On February 12, 2014, the District notified the State Auditor's Office 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 Community Activities Program Assistant's unallowable activities at the District from September 1, 2010 through January 31, 2014. 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.

Questions about this report should be directed to Sarah Walker, Fraud Manager, at (509) 454.3621.

TROY KELLEY
STATE AUDITOR

cc: Ms. Ramona Moan, Business Manager

Fraud Investigation Report

White River School District No. 416 Pierce County September 1, 2010 through January 31, 2014

INVESTIGATION SUMMARY

The District Business Manager notified our Office regarding a potential loss of public funds on February 12, 2014, as required by state law.

The District initiated an investigation and determined the Community Activities Program Assistant did not pay for services he received at the District through its Kids Klub program, which led to a loss totaling \$9,473 between September 1, 2010 and January 31, 2014. The District also determined the Assistant collected \$10,747 in Kids Klub payments that were not deposited with the District. The District also determined the Assistant did not pay for \$243 in services he received in recreational programs.

The District has filed a report with the Pierce County Sheriff's Department, which is investigating this case. We will refer this case to the Pierce County Prosecuting Attorney's Office for any further action it determines is necessary.

BACKGROUND AND INVESTIGATION RESULTS

The District, located in Pierce County, operated on an annual budget of approximately \$35 million in fiscal year 2013, including \$250,483 in revenue for the Community Activities Program. The District's Community Activities Program offers the Kids Klub program and other programs involving recreation, athletics, and special events. Two District staff members operate these programs, the Community Activities Program Coordinator and an Assistant who reports to the Coordinator. The Kids Klub program is staffed by instructional assistants at three locations within the District and provides activities both before and after school for elementary age students. The District charges fees to parents based on how often their children participate in the program.

The District's investigation initially focused on the Community Activities Program Assistant's use of Kids Klub program services for his two children. Two of his children participated in this program from September 2010 through January 2014. The District determined the Assistant did not pay for \$9,473 in services in that period, since he received \$12,449 in services and paid only \$2,976.

In order to determine if any additional participants did not make payments or if any other additional misappropriations occurred, the District examined systems to which the former Assistant had access. The District reviewed cash receipting in the Kids Klub program where the Assistant had responsibilities for preparing invoices for program fees,

collecting fees, recording payments, receipting and depositing to the District bank account. The Assistant used a bookkeeping software program on a computer at the Community Activities Program office to prepare the Kids Klub invoices, record payments made and maintain account balances for each participant. The District compared payments recorded on participant ledger sheets and in its accounts in the bookkeeping software program to amounts receipted in the District's receipting system. The District identified \$10,747 in cash payments that were recorded in the bookkeeping program but were not recorded in the District's receipting system or deposited with the District from September 2010 through February of 2014.

The District also reviewed Community Activities Program revenues for sports camps, recreational programs, facility rentals, and other programs. The District identified \$243 in fees for the Assistant's children to participate in recreational programs that were not receipted in the District's receipting system.

We reviewed the District's investigation of the receipting of Community Activities Program and agreed with the results. The District considered other systems the Assistant had access to and did not find additional misappropriation.

In April 2014, we interviewed the Assistant about the nonpayment for services of \$9,473 and the \$10,747 in undeposited payments. He acknowledged he did not pay for the services and he received the payments but did not receipt them into the District's receipting system or deposit them to the District's bank account.

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 former Coordinator did not adequately monitor whether Kids Klub fees were charged and collected for all children participating in the program.
- The former Coordinator did not monitor whether all Kids Klub fees collected in the Community Activities Program office were receipted into the District receipting system and deposited into the District bank account.
- Payments for the Kids Klub program were recorded on ledger sheets kept in the participant files in the Community Activities Program office and into a bookkeeping program used only in the Community Activities Program office. The staff prepared the deposits to a District bank account and reconciled payments on hand to reports of payments recorded into the District receipting system. However there was no reconciliation of the payments recorded on the participant ledger sheets and in the bookkeeping program to the District receipting system.

RECOMMENDATION

We recommend the District strengthen internal controls over Community Activities Program revenues.

The District sought recovery of the misappropriated \$20,463.69 and related investigation costs of \$5,261.68 from the former Community Activities Program Assistant, for a total amount to be paid by the Assistant of \$25,725.37. The settlement of this claim by the District was approved by the Attorney General and State Auditor, as directed by state law (RCW 43.09.260).

DISTRICT'S RESPONSE

We would like to thank the Auditor's Office staff for their support and assistance. Their review validated the District's internal investigation and provided helpful guidance through the process.

The District would also like to recognize the efforts of the new Community Activities coordinator for identifying and strengthening processes within the department and restoring controls. Immediate action was taken to limit cash receipting responsibilities by directing all payments for the Community Activities Program to a central location and giving all patrons a system-generated receipt. The District is currently revising the reconciliation process between the Community Activities bookkeeping program and the District's receipting system. Additional internal controls have been established over the program that will be monitored and assessed on an on-going basis. The District will continue to provide cash handling training to the Community Activities coordinator and assistant coordinator and all staff in the District with responsibility and oversight of cash management.

STATE AUDITOR'S OFFICE REMARKS

We thank District officials and personnel for their assistance and cooperation during the investigation.



ABOUT THE STATE AUDITOR'S OFFICE

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We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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