

SPECIAL INVESTIGATION REPORT

Investigation Summary

On December 5, 2016, the Deputy Superintendent of West Valley School District No. 363 notified our Office regarding a potential loss of public funds after a parent raised a concern about cash payments to a student to help with a summer football camp. We initiated an investigation and determined a High School Football Coach opened an unauthorized bank account titled West Valley Football and inappropriately deposited and spent District funds. The Coach said he opened the bank account in 2008 or 2009 to allow payments to be made more quickly during the summer months, when no secretary was on duty to accept money. The Coach also deposited personal funds into the account. The Coach was the only person who had access to the account, and it was closed on February 22, 2017. He took possession of the \$368 remaining in the account.

The District's understanding was that the camp was funded by a non-profit organization through the District's Booster Club, making the camp's operation outside the District's purview. However, the non-profit made the checks payable to "West Valley High School," and they were deposited into a bank account opened by the High School Football Coach.

Because the camp was held on School property, directed by a School District employee, funded by checks payable to and deposited in an account described as the high school football program, the camp had the appearance of a District-supported activity. District-supported activities must follow state law and District policy, and must be governed by processes that adequately safeguard public funds from misuse. The District and Coach helped our Office obtain records for review. We analyzed bank account activity from January 1, 2014 to February 22, 2017, when the Coach closed the account.

Background and Investigation Results

West Valley School District No. 363, located in Spokane County, operates on an annual budget of about \$46 million and provides educational services to about 3,700 students in kindergarten through 12th grade. An elected, five-member Board of Directors governs the District. The Board appoints management to oversee the District's daily operations as well as its 500 employees, including the Football Coach, who has been responsible for managing the football program since 2004 and the golf program since 2007. The Coach also supervised the District's weight room. As a head coach, he is responsible for fundraising activities for the football and boys golf athletic activities, including summer camps. He also collects fees from students for using the District's weight room.

The Coach used the bank account he opened, called West Valley Football, for multiple purposes, and commingled personal and District funds. The Coach did not retain supporting documentation for all of the transactions processed through the bank account and did not reconcile the activity in the account to ensure all District revenue deposits were used to fund payments that benefited students and activities related to the District’s football and golf athletic programs. The Coach said he felt the funds received for the camp were his personally so he used the funds throughout the year for football expenses and some personal expenses because he did not receive a District coaching stipend from the District for operating the camp.

The District has written policies related to sports programs and other student fundraising activities, but these policies do not provide specific guidance about depositing and using student activity funds including sports camps.

Bank deposits

To determine if a misappropriation of funds occurred, we examined all bank activity for the West Valley Football bank account from January 1, 2014, to February 22, 2107, when the account was closed. We summarized the bank deposits and identified a total of \$12,958 in District revenue funds and \$2,187 in personal deposits into the bank account.

Bank withdrawals

The Coach was unable to provide supporting receipts for a majority of the bank withdrawal activity. However, he did provide a summary spreadsheet for some disbursements and a few itemized receipts. We also interviewed the Coach and District management to gain additional information related to the bank activity. Using the bank statements, limited supporting information, and results of our interviews, we summarized the bank withdrawals and identified each disbursement as either legitimate, questionable or personal.

We summarized the District bank withdrawal activity as follows:

	2014	2015	2016	Total
Legitimate expenses	\$1,046	\$1,860	\$380	\$3,286
Questionable expenses	\$2,929	\$2,640	\$1,684	\$7,253
Personal expenses	\$2,030	\$1,801	\$1,510	\$5,341

Examples of questionable and personal expenses from 2014 to 2016:

- \$3,531 in food purchases. Food purchases had no receipts or support that identified who participated in the meals, the meeting times or the District benefit derived. We identified \$1,549 appearing to be for coaches’ meetings, and \$808 appearing to be for team meals. District management said team meals would be a legitimate District expense if the

Football Team had fundraising money available, and the Coach had used the proper process and provided supporting receipts. District management also said food for coaches' meetings could be a legitimate District expense if it met the meals with meetings policy requirements. We identified other purchases – such as \$754 for meals with the equipment manager and \$420 that appeared to have no District benefit – as personal.

- \$1,160 in cash withdrawals made by the Coach. The Coach said he paid his players and assistant coaches for helping run the summer football camp. We also know that the Coach paid students cash because that is how the potential loss was detected and reported by the parent to the District. Sometimes the Coach would withdraw funds from his personal account and then pay them back later. Other times he would withdraw the funds directly from the bank account at the time of the camp. There is no documentation to support these cash transactions. We identified \$760 in withdrawals that occurred during the camp period that could have been considered legitimate, but due to a lack of records were considered questionable.
- \$6,416 in other payments. Other payments included items like association memberships, parking, lodging, sports apparel, football program supplies, and payments to general merchants and a home improvement store. We classified as District-related expenses those withdrawals for which the Coach provided a receipt or that were easily identifiable as having a District benefit. We identified other costs for which the Coach could not provide a receipt and it was reasonably possible that the costs could benefit District programs as questionable. For example, the Coach said he purchased building materials for equipment bins and an outdoor storage area. District management also confirmed this. These questionable purchases totaled \$1,225. Items like a utility bill payment and the cost of continuing education clock hours were clearly personal.
- \$973 in fuel purchases. We identified these expenses as personal because District policy requires employees to use a District vehicle if one is available. Also, the District pays a mileage-based reimbursement when a personal vehicle is used, not for fuel costs.

Control Weaknesses

Because the Coach felt he could use the funds at his discretion, he did not follow established District practices and policies to safeguard public resources. Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the unauthorized use to occur:

The Coach did not:

- Deposit all District funds in authorized bank accounts
- Follow established policies related to meals with meetings and the travel costs reimbursement
- Retain supporting documentation to validate District revenues and expenditures
- Receive adequate training and direction about how to administer the financial responsibilities of his position

The District did not:

- Have adequate cash receipting controls to ensure the Coach deposited all District funds in authorized bank accounts
- Require the coach to follow established policies related to meals with meetings and the travel costs reimbursement

Recommendation

We recommend the District strengthen athletic financial activity oversight and monitoring internal controls to ensure adequate safeguarding of public resources and compliance with District policies.

We also recommend the District analyze the details of our investigation and determine the appropriate amount to recover, including related investigation costs of \$6,724.18. 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 mattk1@atg.wa.gov. The contact for the State Auditor's Office is Sadie Armijo, Assistant Director of Local Audit, who can be reached at (360) 902-0362 or Sadie.Armijo@sao.wa.gov.

District's Response

West Valley School District has and will continue to send Athletic Directors, ASB Activity Directors, coaches and activity advisors to workshops focused on the supervising and administration of ASB Funds in the State of Washington.

The district has implemented an "ASB Fact Sheet" that provides basic ASB guidelines that was distributed to all coaches and activity advisors and annually will be redistributed.

State Auditor's Office Remarks

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