

Washington State Auditor's Office

Fraud Investigation Report

Intercity Transit Thurston County

Investigation Period
February 1, 2009 through April 30, 2013

Report No. 1012242

Issue Date
July 18, 2014



**Washington State Auditor
Troy Kelley**

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

July 18, 2014

Board of Directors
Intercity Transit
P.O. Box 659
Olympia, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Intercity Transit. On May 1, 2013, the Transit 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 a volunteer vanpool coordinator's unallowable activities at the Transit from February 1, 2009 through April 30, 2013. 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: Mr. Ben Foreman, Director of Finance

Fraud Investigation Report

Intercity Transit Thurston County February 1, 2009 through April 30, 2013

INVESTIGATION SUMMARY

On May 1, 2013, the Vanpool Manager notified our Office regarding a potential loss of public funds, as required by state law, when a rider in the vanpool contacted the Transit questioning why the rate the rider was being charged was not the same as the fare schedule.

We reviewed the investigation performed by the Transit and agree that a volunteer vanpool coordinator was billing riders in his van more than what was being paid to the Transit, which led to a loss totaling \$10,203.90 between February 2009 and April 2013.

We recommend the Transit file a report with the Olympia Police Department. We will refer this case to the Thurston County Prosecuting Attorney's Office for any further action it determines is necessary.

BACKGROUND AND INVESTIGATION RESULTS

Background

The Transit, located in Thurston County, operates on an annual budget of approximately \$35 million, including \$1.9 million for the Vanpool program, which operates 215 vans with approximately 1,700 riders.

The volunteer vanpool coordinator was responsible for calculating and billing riders who traveled in his van each month. He would collect fares from the riders and then prepare a report summarizing the van's activity and send a single payment to the Transit.

Review

Our investigation focused on reviewing the Transit's investigation, which compared the amounts the volunteer vanpool coordinator billed his riders to how much he paid to the Transit. We agreed with the work performed by the Transit, which determined the \$10,203.90 misappropriated was due to the volunteer vanpool coordinator billing \$57,306.12 (including \$3,106 in overcharges to riders) but paying the Transit only \$47,102.22. The volunteer vanpool coordinator concealed the shortage from the Transit by:

- Routinely billing riders more than the amount listed on reports to the Transit and fare chart.
- Not reporting all riders in the Van to the transit.

Interview

In July 2013, we interviewed the volunteer vanpool coordinator with Transit staff present to get an explanation for why amounts billed to riders were more than what was paid to the Transit. The volunteer vanpool coordinator stated that it was due to confusion about how to account for the drivers' credit and four riders consistently not paying the full amount due.

The volunteer vanpool coordinator also stated that if riders did not pay in full, the shortage would be added to the next month's fare by being spread across all riders.

Follow up

In our review of the drivers' credit, we found it to be calculated correctly and shown on the bills sent to riders. It would also not affect the difference between what was billed to riders and remitted to the Transit, because it would have simply lowered the amount billed.

We requested the following information from the volunteer vanpool coordinator:

- Identify the riders paying less than the full-billed amount.
- Copies of his bank statements and deposits to show he was receiving less than billed.

He declined to provide the requested information.

We subpoenaed the volunteer vanpool coordinator's bank statements and received copies of checks deposited into his account. We compared seven months of the amount billed to amounts deposited and found:

- 64 checks deposited to be for the same amount as billed.
- Four billed amounts for the same rider we could not confirm were deposited, but the rider stated she paid in cash.
- In one month, two riders claimed a \$90 voucher but only one was deposited with the Transit.

The results of our comparison did not support the volunteer vanpool coordinator's statement that riders were paying less than the amount billed. The amounts we could not confirm totaled \$219, while the shortage between what was billed to riders compared to the amount paid to the transit for the same seven months totaled \$1,386.05.

We also found the billed amount to be consistent from month to month, which did not support the volunteer vanpool coordinator's statement that if there was a shortage, it would be added to the next month's bill.

CONTROL WEAKNESSES

Internal controls at the Transit were not adequate to safeguard public resources. We found inadequate controls over monitoring vanpool rider billings to ensure the amounts being billed to riders were being remitted to the Transit allowed the misappropriation to occur.

RECOMMENDATION

We recommend the Transit strengthen internal controls over monitoring vanpool coordinator billings to ensure adequate oversight to safeguard public resources and compliance with Transit policies.

We also recommend the Transit seek recovery of the misappropriated \$10,203.90 and related investigation costs of \$6,138.52 from the volunteer vanpool coordinator and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the Transit 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 matk1@atg.wa.gov. The contact for the State Auditor's Office is Sadie Armijo, Deputy Director of Local Audit, who can be reached at (360) 676-2165 ext. 108 or Sadie.Armijo@sao.wa.gov.

TRANSIT'S RESPONSE

We thank you for your time and efforts in helping us to resolve this fraud. This issue came to our attention on May 1, 2013 and we contacted your office immediately. On May 2nd we changed our vanpool fare collection procedures to correct this issue.

STATE AUDITOR'S OFFICE REMARKS

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov