



# Washington State Auditor's Office

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## Fraud Investigation Report

# Davenport School District No. 207

Lincoln County

For the Investigation Period January 1, 2013 through May 31, 2015

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## Washington State Auditor's Office

May 23, 2016

Davenport School District No. 207  
Davenport, Washington

### Report on Fraud Investigation

Attached is the official report on a misappropriation at the Davenport School District No. 207. On May 19, 2015, 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 High School Secretary's unallowable activities at the District from January 1, 2013 through May 31, 2015. 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  
OLYMPIA, WA

cc: Ms. Leslie Oliver, Business Manager

## **FRAUD INVESTIGATION REPORT**

### **Investigation Summary**

The District's Business Manager notified our Office on May 19, 2015, regarding a potential loss of public funds, as required by state law (RCW 43.09.185).

The District initiated an investigation for the time period January 2013 to May 2015. The District determined that the High School Secretary had misappropriated approximately \$20,895.34 in cash that was receipted but not deposited. A personnel check from the High School Secretary was later deposited to cover the cash that was not deposited. The investigation determined that the secretary had paid all but \$374.34 back to the District. The Secretary's employment with the District ended in May 2015.

The District has made contact with local law enforcement but has not filed a report. This report is being referred to the Lincoln County Prosecuting Attorney's Office.

### **Background and Investigation Results**

The District, located in Lincoln County, operated on revenue of approximately \$7.2 million in fiscal year 2014, with \$187,700 in the Associated Student Body (ASB) Fund. The High School Secretary, who had worked at the District for 38 years, was responsible for the majority of the cash receipting at the High School Office, including fundraising, gate fees, student club activities and drivers education. In May 2015, the ASB clerk attempted to make a cash box using the petty cash and she noticed that the petty cash was significantly short. It was at this time that the High School Secretary said she had borrowed petty cash funds and cash that had been receipted into the ASB funds. She also told the District that she had been replacing the borrowed cash by depositing personal checks into the District's bank account. The High School Secretary was uncertain on the total amount and time period of the misappropriation.

The District's investigation focused on cash receipting at the High School Office since this is the only activity to which the High School Secretary had access. This included all payments in cash and checks made to the High School's Office that were recorded and deposited into the District's bank account. The District's investigation focused on the time period from January 2013 through May 2015. The District's investigation found that the check for cash substitution scheme started in May 2013; all checks written to the District from the High School Secretary prior to this date could be traced to a legitimate fundraising activity.

The District's investigation compared the receipt books to the deposits that took place during this time period, including the total amount deposited and the check/cash composition from the receipts to the actual amounts that were deposited to the bank. The bank provided copies of all of the checks that were deposited between September 2013 and May 2015. The investigation found that \$15,508 recorded on receipts was not deposited to the bank and the High School

Secretary had deposited a total of \$20,521 in personal checks that could not be traced back to any legitimate fundraiser or other amounts owed to the District.

The District then reviewed the ASB fundraisers, yearbook sales and drivers education receipts and traced the transactions to support and the deposits. The District did not find any discrepancies in the receipting and deposits for the yearbook or drivers education activities. However, the District identified another \$5,386 cash discrepancy when it traced the fundraising receipts back to a deposit. During the investigation, the District could not trace the High School Secretary's personnel checks directly to missing cash from a deposit slip. Once the ASB fundraiser receipts were reviewed, District personnel were able to trace more of the receipts activity to the deposits made to the bank.

The total cash discrepancy between receipts and deposits made to the general fund, ASB fund and fundraisers from the High School Office totaled \$20,895.34 which is comparable to the total amount of the High School Secretary's personnel checks deposited to the District bank account of \$20,521. There is a difference of \$374.34. The District determined \$100 of the \$374.34 that could be assigned to the District Secretary that had not been paid back to the District. There was another \$274.34 that could not be directly assigned.

We reviewed the District's investigation and agree with its conclusions.

## **Control Weaknesses**

Internal controls at the District were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- No one reviewed cash receipt books used at the High School Office to assure that the amounts coincided to the bank deposits.
- Fund raising deposits were not reconciled prior to being turned into the District Office.

## **Recommendations**

We recommend the District strengthen internal controls over cash receipting at the District Office's and that a timely reconciliation of the cash receipts to the bank statements be performed.

We also recommend the District seek recovery of the misappropriated \$100.00 and related investigation costs of \$916.50 from the former High School Secretary and/or its insurance bonding company, as appropriate. 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 [matk1@atg.wa.gov](mailto: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) 902-0362 or [Sadie.Armijo@sao.wa.gov](mailto:Sadie.Armijo@sao.wa.gov).

## **District's Response**

*Davenport School District placed the High School Secretary on administrative leave when the fraud was detected. The High School Secretary did not return to work. During the months of the investigation, the District implemented new procedures to ensure cash handling. We installed a point of sale system at all cash handling areas. All the secretaries can now receipt in all funds for the District and ASB. Through this system, we track receipts for cash and checks. Our District Accounts Payable Clerk reviews all deposits and matches them to the reports from the point of sale system to verify they are intact and accurate.*

*We have implemented new procedures for fund raising deposits. All fund raising deposits are counted by two people prior to being turned into the office, including gate deposits. Also, we installed a night drop safe at each building where employee can drop their deposits after hours. We have locking cash bags or plastic bank bags that the employee seals before dropping the counted and verified deposit in the safe. The safe is opened by the building secretary and one other employee together and all deposits are checked for completeness. If not complete, the deposit is sealed back up and placed back in the safe and the employee is contacted to complete the deposit.*

*Once the fraud report is complete the district will forward the report to the prosecuting attorney's office with the recommendation that we collect the misappropriated \$100 and the auditor's cost for the investigation of \$916.50.*

## **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

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.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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