



**Office of the Washington State Auditor**  
**Pat McCarthy**

# **Fraud Investigation Report**

## **Evergreen School District No. 114**

**For the Investigation Period October 1, 2016 through October 24, 2018**

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**Report No. 1024422**





**Office of the Washington State Auditor  
Pat McCarthy**

September 12, 2019

Superintendent  
Evergreen School District No. 114  
Vancouver, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at Evergreen School District No. 114. On October 25, 2018, 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 Communications Manager's unallowable activities at the District from October 2016 through October 2018. 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.

If you are a member of the media and have questions about this report, please contact Director of Communications Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Investigation Manager Sarah Walker at (509) 454-3621.

Pat McCarthy  
State Auditor  
Olympia, WA

cc: Bill Thackeray, Accounting and Purchasing Manager

## FRAUD INVESTIGATION REPORT

### Investigation Summary

On October 25, 2018, the District's Chief Operations and Financial Officer notified our Office of a potential loss of public funds, as required by state law.

The District investigated and determined the former Communications Manager misappropriated public funds totaling \$59,874 between October 2016 and October 2018 by not disclosing his relationship with a vendor and approving payments for services the District did not receive. We reviewed the District's investigation and agreed with its conclusions.

The District has filed a report with Vancouver Police Department, which is investigating this case. We will refer this report to the Clark County Prosecuting Attorney's Office.

### Background and Investigation Results

The District, located in Clark County, operates on an annual budget of about \$369 million, including \$178 million in disbursements. The Communications Department is responsible for all the marketing, communications, and public relations efforts for the District, including content creation and implementation for print newsletters and annual community report, website, social media accounts, press releases, public information inquiries, bond and levy informational campaigns, video production and cable broadcast content, community outreach, tours, events and partnerships, and staff liaison to the Evergreen School District Foundation and Evergreen Citizens for Schools.

In October 2018, the Accounting Department received a purchase order for web hosting services from the Communications Department and researched it further. The District's research into the vendor identified the Communications Manager was the registered business owner. The District opened an investigation focusing on all the invoices paid to this vendor from April 2017 to July 2018.

We reviewed the District's investigation and agreed with its conclusions. The District's investigation found:

- The Communications Manager approved requisitions authorizing four payments to his own company for services the District did not receive. This occurred between April 2017 and July 2018, totaling \$58,547.
- The Communications Manager created a fictitious owner name to use as the contact on the District's service provider agreement and tax documentation.
- The Communication Manager's calendar showed 29.5 hours of falsified meetings from October 2016 through October 2018 where he represented he was holding meetings with the vendor. This amounted to \$1,327 of inappropriate time paid.

The District interviewed the Communications Manager on October 22, 2018, and October 24, 2018. The Communications Manager acknowledged violating District policy and procedures and obtaining financial gain by authorizing payments to a business registered under his name. The Communications Manager resigned on October 24, 2018.

## **Control Weaknesses**

Internal controls at the District were not adequate to safeguard public resources. We found the District did not have a process to independently verify vendor credentials before establishing them into the Accounts Payable system as an approved vendor, which allowed the misappropriation to occur.

## **Recommendations**

We recommend the District strengthen internal controls over vendor verification and disbursements to ensure adequate oversight and monitoring to safeguard public resources and compliance with District policies.

We also recommend the District seek recovery of the misappropriated \$59,874 and related investigation costs of \$6,193 from the former Communications Manager 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 (306) 586-0740 or [mattk1@atg.wa.gov](mailto:mattk1@atg.wa.gov). The contact for the State Auditor's Office is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (360) 489-4591 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## **District's Response**

*The School District appreciates the State Auditor's Office assistance in this matter. The District takes these issues seriously, and will use the auditor's recommendations to help strength internal controls over its vendor's process.*

## **State Auditor's Office Remarks**

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

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<b>Public Records requests</b>	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
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