



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Chelan County

For the investigation period April 3, 2019 through July 19, 2019

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

November 14, 2019

Board of Commissioners
Chelan County
Wenatchee, Washington

Report on Fraud Investigation

Attached is the official report on a possible loss at Chelan County. On April 10, 2019, the County notified the Office of the Washington State Auditor of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

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: Kristy Harris, Financial Services Manager

FRAUD INVESTIGATION REPORT

Background and Investigation Results

On April 10, 2019, the County Undersheriff notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The Columbia River Drug Task Force (Drug Task Force) is a multi-jurisdictional law enforcement team that includes officers from the Chelan County Sheriff's Office (CCSO), the Washington State Patrol and the City of Wenatchee police department, and often partners with Federal agencies. On April 3, 2019, the Drug Task Force performed a search and seizure at a Chelan County residence. A large volume of cash found at the scene was counted, placed into evidence bags, and placed into custody with CCSO. On April 5, 2019, a CCSO officer initiated an unplanned recount of the cash evidence bags and identified a possible shortage totaling \$19,840.

On April 10, 2019, the CCSO requested an outside independent investigation into the matter. A Detective from the Thurston County Sheriff's Office and a Detective from the Grays Harbor Sheriff's Office conducted the outside investigation from April 17, 2019, to July 19, 2019. The investigation determined multiple officers involved with counting and documenting cash located during the search and seizure event did not follow established cash handling policies set by the Drug Task Force and CCSO.

In August 2019, we reviewed the outside investigation's report and supporting records, determined we could rely on the work conducted. We concluded that it is difficult to determine whether cash initially counted and recorded at the April 3, 2019, seizure was accurate, or was what should have been located in the cash evidence bags. Our review of the investigation found the following:

- On April 3, 2019, a CCSO recorded that 10 cash evidence bags contained a total of \$88,302 at the seizure. One CCSO officer and one non-CCSO officer responsible for counting the cash collected at the scene did not formally document their counts on count sheets. A second CCSO officer at the scene recorded the total count information. After the event, a non-CCSO officer transported the cash bags to evidence and a third CCSO officer placed these cash bags into an evidence locker located at the Drug Task Force.
- On April 5, 2019, the CCSO officer who placed the 10 cash bags in the evidence locker obtained the bags to review the cash to see if it traced to tracked drug buy funds and to recount the recorded total. A non-CCSO officer assigned to the Drug Task Force, who was involved with counting cash found at the scene, observed the CCSO officer with the bags alone and offered to assist. During the recount, three cash bags had a discrepancy in the amounts recorded to the actual amounts located inside the bags. The recount identified the total amount of cash as \$68,462, resulting in a possible cash shortage of \$19,840. The CCSO officer notified his supervisor of the discrepancy.
- On April 9, 2019, two CCSO officers independent of the cash evidence seizure recounted the 10 cash bags, confirming that the cash bags combined totaled \$68,462.

- On April 17, 2019, the outside investigators performed a review of the cash bags and recounted the cash, confirming the bags contained \$68,462. During this review, the investigators said they could not determine if some cash bags were properly sealed once counted and documented at the scene, but that the three largest bags likely were.

Between April 17, 2019 and May 15, 2019, the outside investigators conducted interviews with multiple CCSO officers and non-CCSO officers involved with the seizure. Some officers not interviewed provided written statements. Based on the interviews and statements obtained, no one acknowledged taking funds, and most officers thought that because established cash handling procedures were not properly followed, the discrepancy was due to a documentation error and cash was not really missing.

Control Weaknesses

Internal controls at the CCSO were not adequate to safeguard public resources. The following weaknesses made it difficult to determine if cash evidence initially counted and recorded on April 3, 2019 was accurate and whether a loss had occurred:

- CCSO and non-CCSO officers involved with the cash handling at scene on April 3, 2019 did not follow cash handling policies set by the Drug Task Force. The Drug Task Force cash handling policy states that two employees must count all money exceeding \$500 at the time of possession and that both must initial the property bag.
- It is unclear if all of the cash evidence bags were properly sealed at the scene once counted.
- The CCSO officer who placed the cash bags into the evidence locker obtained the bags out of evidence to review and perform recounts without a secondary person initially present. Under CCSO cash handling policy 800.3.4 (d), all cash shall be counted in the presence of two employees.

Recommendations

We recommend the CCSO inform and train employees on the County's established cash handling policies, which require the presence of two employees at all times when cash evidence is reviewed. The CCSO should put procedures in place to ensure staff adhere to the established policy, and should retain clear documentation for evidence cash count information.

County's Response

Prior to receiving this report the Chelan County Sheriff's Office and Columbia River Drug Task Force proactively implemented new safeguards to help eliminate errors such as this in the future. The Task Force now utilizes denomination evidence envelopes for any amount of U.S. currency. This helps to reduce the human accounting error. The Task Force purchased a portable money counting machine to assist in counting and logging both controlled buy funds and U.S. currency seized as evidence. Finally the Chelan County Sheriff's Office employees who were directly

involved in the incident were coached and counseled on both Sheriff's Office policy and Task Force policy as it relates to processing U.S. currency.

Auditor's Remarks

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

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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.

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