



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Central Kitsap School District No. 401

For the investigation period September 1, 2013 through August 31, 2019

Published June 29, 2020

Report No. 1026427





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

June 29, 2020

Board of Directors
Central Kitsap School District No. 401
Silverdale, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Central Kitsap School District No. 401. On January 2, 2019, the District 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 (564) 999-0800. Otherwise, please contact Acting Fraud Investigation Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy

State Auditor

Olympia, WA

cc: Paula Bailey, Business Services Director

FRAUD INVESTIGATION REPORT

Background and Investigation Results

On January 2, 2019, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). In November 2018, the District became aware of a Central Kitsap High School teacher allegedly engaging in unauthorized trading or sale of school equipment and supplies.

In conjunction with the Kitsap County Sheriff's Office, the District investigated and determined a misappropriation occurred at the District between January 1, 2017, and December 7, 2018, resulting from the trade and sale of school equipment and supplies totaling \$3,250. Additionally, the District identified 64 items posted for sale from a District Internet Provider (IP) address, but could not determine if these items belonged to the District.

We reviewed the investigation and agree with its conclusions. The investigation found that the teacher:

- Traded a District 37-inch-wide belt sander valued at \$2,250 for 100 pounds of solder
- Traded a District pin router valued at \$600 for 50 rolls of solder
- Sold a District oven kiln valued at \$400
- Sold 64 items using a District IP address, but the items sold did not directly link to purchases made by the District
- Had District tools and equipment at his home and at a rental home

In November 2018 and December 2018, the teacher met with School District management and a union representative and acknowledged trading the belt sander, and pin router and selling the kiln. The teacher also acknowledged having other school property at his home. On December 6, 2018, two Sheriff's deputies met with the teacher to interview him, but he refused to speak without having an attorney present.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources, allowing the misappropriation to occur. The District's investigation found the inventory of high school shop supplies and theft sensitive assets was not tracked or inventoried on a regular basis. While the District's policy requires tracking of "theft-sensitive assets", the policy defines the term to only include certain computer and audio/visual equipment.

Recommendations

We recommend the District strengthen internal controls over theft-sensitive assets to adequately safeguard public resources. The District should re-evaluate its current asset policy and related asset

tracking procedures for other categories of theft-sensitive assets in order to reduce the risk of future loss.

We will refer this case to the Kitsap County Prosecuting Attorney's Office for any further action it determines is necessary.

We also recommend the District seek recovery of the misappropriated \$3,250 and related investigation costs of \$3,360 from the former teacher 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 mattk1@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

District's Response

The Central Kitsap School District concurs with the findings and recommendations of the State Auditor's Office report of fraud investigation. The district will revise existing policies and procedures to strengthen controls over theft sensitive assets to adequately safeguard the district's resources.

Auditor's 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.

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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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