



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Cowlitz County

For the investigation period January 1, 2016 through December 31, 2019

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

April 1, 2021

Board of Commissioners
Cowlitz County
Kelso, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Cowlitz County. On August 5, 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 (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy
State Auditor
Olympia, WA

cc: Brooke Poor, Accounting Manager

FRAUD INVESTIGATION REPORT

Investigation Summary

On August 5, 2019, Cowlitz County notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The County communicated concerns indicating the Cowlitz County Coroner received personal reimbursements from a professional organization for expenses that were paid by the County, and therefore should have been reimbursed and deposited to the County.

We investigated and determined a loss totaling \$12,602.71 related to travel expenses occurred at the County between February 10, 2016, and May 10, 2019.

The County has filed a report with Washington State Patrol, which is investigating this case.

We will refer this case to the Cowlitz County Prosecuting Attorney's Office.

Background and Investigation Results

The County operates on an annual budget of about \$250 million. In Cowlitz County, the Coroner is an elected position. The Coroner's department spends about \$8,000 on travel each year.

The Coroner served as President of the Washington Association of Coroners and Medical Examiners (WACME) during the investigation period. In this capacity, the Coroner traveled to attend or present at trainings and conferences and for legislative meetings. The Coroner also attended International Association of Coroners and Medical Examiners (IACME) conferences and performed accreditation audits on behalf of the Association. Both Associations reimburse individuals for incurred travel expenses related to Association business. To obtain reimbursement, individuals complete a reimbursement request form and submit copies of receipts to support the personal expense they incurred.

In August 2019, the County became aware that the County Coroner was possibly submitting reimbursement requests to the WACME for travel expenses paid by the County. The Coroner did not subsequently deposit the WACME reimbursements with the County to recoup the public funds originally spent.

We opened an investigation in August 2019 and requested travel expense reimbursement documentation from the two Associations. Shortly after our requests, the Coroner made two personal cash deposit payments back to WACME for travel expense reimbursements he had received from them.

Our investigation focused on travel expenses of the Coroner's department from January 2016 to May 2019 in which County funds were used to pay for travel. This included County accounts payable checks, credit cards, and employee reimbursements. We contacted the WACME and IACME Associations and obtained copies of travel reimbursements paid to the Coroner for the

same time period. We then compared the County records to the Association records and found travel expenses incurred and paid by the County that the Coroner later submitted for personal reimbursement. Our investigation determined a loss totaling \$12,602.71 occurred at the County between February 10, 2016 and May 10, 2019 as follows:

- \$7,777.90 of County-paid expenses were reimbursed to the Coroner personally by WACME.
- \$4,701.31 of County-paid expenses were reimbursed to the Coroner personally by IACME.
- \$123.50 of County-paid airfare expenses were not for legitimate County business, as they related to an IACME accreditation audit of Ada County, Idaho.

On October 8, 2020, the WACME Treasurer informed us that the Coroner had contacted him in September 2019 and asked for the total amount he (the Coroner) had been reimbursed by the Association. The Coroner told the WACME Treasurer this was because he had been claiming reimbursements from both the County and WACME. On September 25 and 26, 2019, the Coroner made two cash deposits into the WACME bank accounting totaling \$14,300.

In September 2019, a change in how the Coroner submitted reimbursements to WACME occurred. Reimbursement records indicate that WACME began paying the Coroner for hours submitted based on a general service agreement, and stopped paying travel reimbursements from actual expenditures incurred.

On December 15, 2020, we interviewed the Coroner, who acknowledged personally receiving reimbursement funds from the WACME and IACME Associations for County-paid travel expenses, and offered to repay the County with personal funds.

Control Weaknesses

As an independent elected official, the Coroner was responsible for managing his own department's expenses and budget. As such, the County relied upon the Coroner to validate all departmental expenses. Additionally, the County relied on the Coroner's certification that travel expenses incurred were necessary for County business and that no reimbursement had been received for the expenses. Although the County performed a review of the Coroner's expenses, it would be difficult for them to know the Coroner was seeking payment from an outside organization for the same expenses.

Recommendations

We recommend the County further improve its internal controls over the approval of travel expenses. Considerations for the County include:

- Design an oversight process over elected officials' expenditures – especially for activities such as association involvement, which may benefit both the County and the association.

- Obtain a yearly disclosure from elected officials of any outside organization involvement that includes a description of the purpose of involvement and how, if at all, it relates to County business.

We also recommend the County seek recovery of the misappropriated \$12,602.71 and related investigation costs of \$21,850 from the Coroner and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the County 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 matthew.kernutt@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

County's Response

In October of 2018 the Cowlitz County Human Resources Department received complaints concerning actions within the Cowlitz County Coroner's office. The County took these allegations seriously and immediately began discussion with the State Auditor's Office and law enforcement. An investigation into the allegations ensued and a report of the findings was issued by the SAO.

The County is disappointed in the elected Coroner and deeply concerned with the facts that have emerged out of the investigative process. The County acknowledges and agrees with the opinions and findings from the SAO, however, given the weakness in transparency of the Coroner's office, it would be difficult, if not impossible, for the County to know the Coroner was seeking payment from an outside organization.

The County's policies and procedures are in line and comply with the guidance and resources that are provided by the SAO. The County will continue to use all resources within our authority to ensure that the reimbursement of travel expenses follow those policies and procedures.

Moving forward, the County would welcome the assistance of the State Auditor's Office in designing a legal, reasonable oversight process that would deter this type of fraud from happening in the future.

Auditor's Remarks

The County is responsible for the design and implementation of internal controls sufficient to safeguard public resources. This responsibility extends to all County departments, functions and officers, regardless of whether an officer or department head has been separately elected.

The County's auditing officer must certify claims for payment, which in no manner relieves members of the governing body from the responsibility and liability for each voucher approved. It is the Commissioners' responsibility to ensure that the system of auditing and certifying vouchers is operating in a manner to provide the greatest possible protection for the County. The

Commissioners have ultimate authority in approving payment of claims, and should hold payment on any claim not adequately supported by officers or staff.

We thank County officials and personnel for their assistance and cooperation during the investigation. We will follow up on corrective action taken during the next audit.

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	
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