



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

City of Soap Lake

For the investigation period January 1, 2019 through November 22, 2022

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

May 1, 2023

Mayor and City Council
City of Soap Lake
Soap Lake, Washington

Report on Fraud Investigation

Attached is the official report on a misuse of public assets at the City of Soap Lake. On February 6, 2021, our Office received a hotline complaint with concerns relating to the Soap Lake Police Chief purchasing a police vehicle from a small city and then selling it to another for personal benefit.

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: Ruth Wade, Finance Clerk Treasurer

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On February 26, 2021, our Office received a hotline complaint with concerns relating to the Soap Lake Police Chief purchasing a police vehicle from a small city and then selling it to another for personal benefit. In September 2021, we began our regularly scheduled accountability audit of the City and confirmed the hotline concerns. In January 2022, we opened an investigation to determine whether a misappropriation had occurred. We found the Soap Lake Police Chief misused City assets for personal benefit.

During the audit, we also identified problems with the Soap Lake Police Department's asset management, which we reported in Finding 2021-002. This investigation focused on the Soap Lake Police Chief buying and selling police vehicles between January 2019 and December 2021.

On October 27, 2020, the Soap Lake Police Chief bought an inoperable police vehicle for \$1 from the City of Brewster. The Police Chief used his city-issued cellphone to arrange pick up for the vehicle. He also used a city-owned truck and trailer to pick up the vehicle from the City of Brewster during business hours and was dressed in his police department uniform.

On November 3, 2020, using his city email account during business hours, the Soap Lake Police Chief offered to sell the vehicle to the City of Oroville. The Police Chief sent photos of the vehicle, which was stored in the City of Soap Lake shop. The Oroville Police Chief agreed to purchase the vehicle for \$7,500. On the same day, Oroville's City Council approved the purchase of the vehicle from the City of Soap Lake. However, the City of Oroville's check for the vehicle ultimately was made payable to the Soap Lake Police Chief's personal business.

On November 18, 2020, the Oroville Police Chief came to the Soap Lake Police Department during business hours to pick up the vehicle. The Soap Lake Police Chief's timesheets indicate he was on duty when this happened.

These events make clear the Soap Lake Police Chief violated portions of the City of Soap Lake Personnel Handbook—specifically, Section 8.2 (Employment and Conflict of Interest) and Section 8.6 (Use of City Vehicles and Equipment)—by conducting personal business while working for the City and using its assets for personal gain.

Interviews with the Police Chiefs

In July, August and November 2022, we interviewed the police chiefs for the cities of Brewster, Soap Lake and Oroville about the police vehicle transactions.

The Brewster Police Chief said:

- The surplus police vehicle was no longer running and had been “totaled” by the City of Brewster's insurance company because the engine needed significant mechanical work.

- He knew the Soap Lake Police Chief often bought and worked on this type of police vehicle for the City of Soap Lake's vehicle fleet, so he offered it to the Soap Lake Police Chief thinking the Department might want it for parts.
- Management for the City of Brewster consulted with its attorney and determined they could sell the vehicle for \$1 to the City of Soap Lake since it was a government-to-government transaction.
- He thought the City of Brewster was selling the vehicle to the City of Soap Lake.

The Oroville Police Chief said:

- The Soap Lake Police Chief made the offer to sell a vehicle to the City of Oroville by email.
- His understanding was the City of Oroville was purchasing the vehicle from the Soap Lake Police Chief personally, despite what the Oroville City Council approved and what was documented in the meeting minutes.
- He knew the Soap Lake Police Chief had purchased the vehicle from the City of Brewster, and knew he reequipped it himself with a new radiator and completed other minor work before selling the it to the City of Oroville.
- He and the Soap Lake Police Chief agreed on a sale price of \$7,500.

The Soap Lake Police Chief said:

- He personally purchased the police vehicle from the City of Brewster for \$1.
- The motor was seized on the vehicle when he bought it.
- He did some work on the vehicle before selling it to the City of Oroville, but would not specify what work he did.
- He picked up the vehicle from the City of Brewster but said he could not remember what day this happened or whether he was on duty.
- He personally offered and sold it to Oroville's Police Department for \$7,500, and the check was written to his personal business.

Control Weaknesses

The City of Soap Lake's internal controls were inadequate for safeguarding public resources. City management did not provide adequate monitoring and oversight of the Police Chief's purchasing activities. In addition, City management did not have effective monitoring processes to ensure employees complied with personnel policies and did not misuse City assets for personal benefit.

Recommendations

We recommend the City of Soap Lake's management:

- Implement regular, effective monitoring and oversight of the Police Department's purchasing activities
- Review, update and ensure all staff have an appropriate understanding of City personnel policies
- Implement monitoring processes to ensure employees comply with personnel policies and do not misuse City assets for personal benefit

We also recommend the City work with their attorney to assess loss amounts, as appropriate, and recoup assessed loss amounts and related investigation costs of \$6,279 from the Police Chief and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the City 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.

City's Response

We concur with the SAO's findings. We will continue to train staff to be more accurate in their accounting responsibilities.

Auditor's Remarks

We thank City officials and personnel for their assistance and cooperation during the investigation. We will follow up on the City's internal controls during the next audit

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In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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