



Office of the Washington State Auditor  
Pat McCarthy

# Fraud Investigation Report

## Bellevue College

For the investigation period January 1, 2017 through June 1, 2022

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

May 16, 2024

Board of Trustees  
Bellevue College  
Bellevue, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Bellevue College. On May 31, 2022, the College 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).

This report contains the results of our investigation of the former Director of Food Service and Event's unallowable activities at the College from January 23, 2017 through December 22, 2021. 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 (564) 999-0800. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor

Olympia, WA

cc: Jennifer McMillan

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# FRAUD INVESTIGATION REPORT

## Investigation Summary

On May 31, 2022, the College notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). During its investigation of a potential ethics violation, the College discovered the Director of Food Services and Events had made multiple unsupported purchases.

The College investigated further and determined the Director had used a College-issued purchase card to make purchases and then refunded them for personal gain. We reviewed the College's investigation and determined a purchase card misappropriation totaling \$31,510 occurred between January 23, 2017, and December 22, 2021. In addition, we identified questionable purchases, refunds and other activities totaling \$12,093 for the same period.

The College has not filed a report with law enforcement. We will refer this case to the King County Prosecuting Attorney's Office.

## Background and Investigation Results

The College, located in King County, operates on an annual budget of about \$155.4 million, including \$2 million in food services. The Food Services Department has 51 employees and serves the main campus through the operation of a cafeteria, two coffee shops and a café in student housing. The Director of Food Services and Events oversees all food and events operations at the College, including purchasing and staffing.

On March 29, 2022, the College interviewed the Director about a potential ethics violation, as well as some past due financial documents. During the interview, the Director was unable to provide requested documentation for multiple unsupported purchases, and also gave conflicting information in his responses to questions. Based on this, the College opened a review into the Director's purchasing activity, which identified concerns over his use of college-issued credit cards.

The College issues two types of credit cards to its employees: purchase cards and travel cards. Certain staff or departments use purchase cards, as their job duties require, and the College pays the balances on a monthly basis. The College also issues travel cards for select staff, but each cardholder is responsible for paying the balance. Eligible travel expenses incurred on the card are then submitted for reimbursement by the cardholder and paid for by the College. The Director was issued both a purchase and travel card because the position required him to frequently purchase food and supplies, as well as periodically travel. The College found concerns with the activity on both cards issued to the Director, and subsequently terminated his employment on August 6, 2022.

The College's investigation found the Director:

- Was the sole administrator of the College's membership accounts with a grocery and supply vendor. As part of his duties, the Director would frequently use his College-issued purchase card to buy supplies from the vendor. When reviewing the vendor membership accounts, the College noted that a large number of purchases were refunded, but not to the College-issued purchase card that the Director used to pay for them.
- May have incurred personal expenses using his College-issued purchase card.
- Violated the cardholder agreement by using his travel card for both work-related and personal travel expenses.

To determine if the potential loss was misappropriation, we reviewed the College's investigation and completed an expanded review of the Director's credit card activities, which included obtaining additional source records. Through our review, we determined the Director misappropriated \$31,510 between January 23, 2017, and December 22, 2021. We also identified an additional \$12,093 in questionable amounts from the same period.

Our investigation found:

- The Director misappropriated \$31,206 by purchasing items from a vendor using College funds, and then returning them to his travel card, a personal card, or for cash. The majority of refunds were issued to the Director's travel card, which meant the Director inappropriately used College funds to reduce the travel card balance he was responsible for paying. We identified an additional \$8,551 of this same refund activity, which we determined to be questionable.
- On two occasions, the Director used his travel card to pay for personal out-of-state travel expenses during the work week. The Director did not have a documented leave of absence for this travel, so 56 hours should have been reduced from his leave balance. Since the Director did not take leave for this personal travel, we determined \$2,832 in payroll costs are questionable.
- The Director used his purchase card to make personal purchases, some of which he shipped to an out-of-state relative. We identified \$304 in personal purchases that we consider to be misappropriation, and an additional \$710 we determined to be questionable.

Between January 8, 2024, and February 23, 2024, we contacted the former Director for an interview. He initially agreed to meet with us, but later his attorney sent our Office a letter dated February 27, 2024, that stated the former Director now declined to meet us for an interview.

## Control Weaknesses

The College's internal controls were inadequate for safeguarding public resources. We found the following weaknesses allowed the misappropriation to occur:

- The College did not have a process in place to monitor or review activity on travel cards.
- The College performed a monthly review and reconciliation over purchase card activity. During our review, we found the College detected some of the Director's personal purchases and required immediate repayment. However, this process was insufficient for detecting or preventing all personal purchases.

## Recommendations

We recommend the College implement a review of employees' travel cards to ensure all activity is allowable and complies with its cardholder use policy. Further, we recommend the College strengthen its review and reconciliation process over purchase cards to ensure it does not use public funds to pay for employees' personal purchases.

We will refer this case to the King County Prosecuting Attorney's Office and the Washington State Executive Ethics Board, for any further action they determine is necessary.

We also recommend the College seek recovery of the misappropriated \$31,510, questionable amounts as appropriate, and related investigation costs of \$7,271 from the former Director and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the College must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.330). 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](mailto: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 (509) 726-1886 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## College's Response

*We agree with the auditor's findings in that there were deficiencies in controls over travel procurement cards and their reconciliation. College staffers were the first to identify and start the investigation into the misappropriation. We appreciate the support of the State Auditor's Office in continuing the investigation.*

*Immediately after the misappropriation was suspected, we began to collect, reconcile, and close the travel procurement cards. During that process, we found no additional suspected activities amongst other cardholders. Additionally, since the conversion to the ctcLink financial system, controls over reconciliations have been strengthened. We will continue to strengthen the*

*transaction review process by training budget authorities to more closely scrutinize transactions sent for approval to ensure that purchases are appropriate uses of public funds.*

*We will be filing a police report, referring the case to Prosecuting Attorney's Office and working to seek restitution of the lost funds.*

### **Auditor's Remarks**

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

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