Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

White Pass School District No. 303

For the investigation period September 1, 2021 through January 1, 2024

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Office of the Washington State Auditor
Pat McCarthy

April 7, 2025

Board of Directors
White Pass School District No. 303
Randle, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at White Pass School District No. 303. On January 22, 2024, 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 Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

cc: Angela Bowen, Business Manager

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On January 22, 2024, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). While reconciling Associated Student Body (ASB) receipts for September 2021 through January 2024, the District determined that receipts the ASB collected were never deposited with the County Treasurer.

The ASB Central Treasurer maintained a tracking sheet of all funds collected from clubs and classes, supported by receipting records such a fundraiser forms. The Central Treasurer gave the deposits to the District Secretary to deposit with the County. The Secretary created a separate tracking sheet of amounts collected, and District staff utilized that tracking sheet to book accounting entries and reconcile to bank deposits.

When the District eventually reconciled deposited amounts back to the ASB Central Treasurer's original tracking sheet, rather than to the tracking sheet the Secretary created, the District noticed discrepencies. The District followed up with the Secretary responsible for depositing these ASB funds, and she acknowledged misappropriating ASB funds.

The District's investigation determined the Secretary misappropriated $23,135 of ASB fund cash receipts between February 2022 and November 2023.

We reviewed the District's investigation and agree that misappropriation occurred. However, we could not fully agree with the District's calculated loss, as some transactions lacked the support necessary to clearly identify the receipt as misappropriation. Ultimately, we determined the Secretary misappropriated at least $14,164 with an additional $5,365 in questionable losses between February 2022 and November 2023.

The District interviewed the Secretary multiple times throughout the investigation. After these interviews, the Secretary sent a letter to the District in January 2024 acknowledging responsibility for the misappropriation. She later signed an agreement in March 2024 to repay to the District the entire $23,135 it identified, or the amount determined by the State Auditor's Office and related investigation costs; whichever was greater.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. The following weaknesses allowed the misappropriation to occur:

- To ensure all ASB funds were deposited to the County Treasurer, the District reconciled deposits to the Secretary's tracking sheet. However, the Secretary was responsible for both depositing and creating the tracking sheet, allowing her to misappropriate deposits and omit them from the tracking sheet accordingly without timely detection.
- The District did not perform a timely reconciliation of deposits to the ASB Central Treasurer's tracking sheet or supporting receipting records.

Recommendations

We recommend the District strengthen internal controls over ASB cash receipting to safeguard public resources. At a minimum, we recommend it:

- Perform timely reconciliations of deposits to independent, reliable sources (such as supporting receipting records) to ensure all receipts are deposited intact
- Ensure both staff members count the deposit and sign off on it when a deposit changes hands. This allows for clear assignment of responsibility should funds go missing.

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

We also recommend the District seek recovery of at least the misappropriated $14,164, questionable amounts as appropriate, and related investigation costs of $10,718 from the former Secretary 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 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.

District's Response

The White Pass School District has made several changes to tighten internal controls. The Central Treasurer and District secretary use InTouch to receipt the funds so there is an electronic record of the funds receipted. The ASB Central Treasurer stays while the District Secretary counts the funds when they change hands from one to the other. Once the funds have been deposited the District Secretary gives the Central Treasurer a copy of the receipts to acknowledge the deposit. The deposits will be listed on both the treasurer's spreadsheet and the secretary's spreadsheet. The Business Manager and the Central Treasurer are balancing monthly to ensure all deposits are accounted for.

Auditor's Remarks

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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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