



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Spokane County

For the investigation period August 5, 2014 through July 15, 2023

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

May 19, 2025

Board of Commissioners
Spokane County
Spokane, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Spokane County. On August 3, 2023, 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 Assistant Director of Communications Adam Wilson at (564) 999-0799. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor
Olympia, WA

cc: Melissa Wage, Accounting Manager

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On August 3, 2023, the County notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). In June 2023, staff at the Geiger Correctional Facility reviewed security camera footage and saw a mechanic had taken several pieces of shop equipment on his final day of County employment. Staff notified the Spokane County Sheriff's Office.

The Sheriff's Office investigated and determined the mechanic had misappropriated six pieces of shop equipment, valued at \$11,470 total, on his last day of employment. The next month, on July 27, deputies executed a search warrant, and Geiger Correctional Facility personnel went to the former mechanic's home to recover the misappropriated assets. While there, they noted six additional items at the home that were County property.

Spokane County Sheriff's deputies arrested the former mechanic, then questioned him about the misappropriated County equipment. He acknowledged responsibility to the deputies for taking these items, as well as six additional items at his home. The Sheriff's Office referred the case to the Spokane County Prosecutors Office, which filed criminal charges against the mechanic.

We reviewed the Sheriff's Office's investigation and agree that misappropriation of \$11,470 worth of equipment occurred. That investigation did not determine the value of the six additional items also found at the mechanic's home, nor did it determine the value of other tools the former mechanic acknowledged during his criminal trial to have taken.

Using supporting documents the County provided, we determined an additional misappropriation totaling \$3,361 and a questionable loss of \$7,380.

The misappropriated amount is the value of the six additional items the County staff found at the former mechanic's home, when they went to recover the original six missing items. The questionable amount is the value of 38 additional tools and pieces of equipment that the former mechanic said he also removed from County property while he worked there. We cannot definitively say these items were misappropriated because they were not recovered as part of the investigation, and the County did not have the tools inventoried and tracked to prove they were County property.

As part of its investigation, Geiger Correctional Facility staff recovered both the original six pieces of equipment and the additional six items.

In April 2024, the former mechanic pled guilty to one count of second-degree theft in Spokane Superior Court. He then was sentenced to one day in jail and ordered to pay \$700 in restitution.

Control Weaknesses

While the County has internal controls over theft-sensitive assets, those controls have some weaknesses in their design and therefore did not safeguard public resources. Specifically:

- The County's current capital asset policy does not require tracking of assets under a \$5,000 capitalization threshold.
- While County mechanics sometimes use their own tools on the job, the County does not have a process to clearly distinguish between personal and County-owned.

Recommendations

We recommend the County evaluate and strengthen its internal controls over theft-sensitive assets at the maintenance facility to ensure assets are properly tracked and inventoried to safeguard public resources. This would include evaluating its capital asset policy for tracking items under the capitalization threshold of \$5,000, and tracking personal tools brought by employees when starting or leaving county employment.

We also recommend the County seek recovery for the investigation costs of \$4,214 from the former mechanic 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 (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

County's Response

We appreciate the opportunity to work with the State Auditor's Office regarding this investigation and appreciate their support in that process.

Immediately after reporting this incident to the State Auditor's Office, County staff in the Detention Services began implementing improved internal controls to significantly reduce the risk of another, or similar, situation like this. These include:

- *Shop staff are no longer allowed to bring personal tools*
- *County issues all tools necessary for shop staff to perform their jobs*
- *County engraves and/or tags tools and equipment with a Detention Services sticker when feasible. Detention Services maintain inventory control of these items.*
- *All new tool requests and justifications are submitted to inventory control for approval. Old/damaged tools are turned in to the Sergeant at time of request for new/replacement tools.*
- *Prior to this incident, a security surveillance system, with recording capability, was installed at the shop. This system allowed for the detection and reporting of this incident and will continue to provide monitoring activity in the Shop.*

We appreciate the assistance of the State Auditor's Office in identifying the reasons for the loss and quantifying the value of the loss. While the value of this loss was relatively small, the incident clearly identified additional controls are needed to secure county property.

Auditor's Remarks

We thank County officials and personnel for their assistance and cooperation during the investigation. We will follow up on the County'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.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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