



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

San Juan County Fire Protection District No. 2

(Orcas Island Fire & Rescue)

For the investigation period February 17, 2022 through October 20, 2023

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

April 22, 2024

Board of Commissioners
Orcas Island Fire & Rescue
Eastsound, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Orcas Island Fire & Rescue. On October 20, 2023, 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, State Auditor

Olympia, WA

cc: Holly vanSchaick, Fire Chief

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On October 20, 2023, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). A District Emergency Medical Technician/Firefighter failed to report in a timely manner a change in the status of an adult who was covered by his health insurance. This resulted in the District paying health insurance premiums for someone who no longer qualified for coverage.

The District hired a third-party investigator, who determined a loss totaling \$14,453 occurred at the District between February 17, 2022, and September 20, 2023. We reviewed the investigation and agree with its conclusions.

The investigation found that in February 2022, the firefighter notified the District that he was going through a legal proceeding that would result in a change to his covered dependents. District officials told the firefighter they were unable to process the change until the final legal documentation was available. The District paid health insurance premiums for the adult dependent until September 2023, when the firefighter learned that the legal proceeding had in fact been finalized at the time of his original notification to the District – in February 2022.

The firefighter asserted he contacted several legal parties multiple times over the course of those 20 months to inquire about the status of the legal proceeding, and he never received a direct answer or verification of a final decree.

In September 2023, the firefighter promptly notified the District of the decree and submitted the requested documentation to process the change.

The investigation concluded the firefighter did not intentionally omit or delay the dependent status change information. However, the time gap still resulted in a loss of public funds to the District.

Control Weaknesses

The investigation found the loss occurred because the District did not have a process to follow up on dependent status changes after an employee had made the initial notifications.

Recommendations

We recommend the District ensure it has a process in place to follow up on dependent status changes once employees make the initial notifications. We also recommend the District ensure its employees are aware of their responsibilities to report these changes in a reasonable timeframe to preserve public funds.

We recommend the District seek recovery of the lost \$14,453 and related investigation costs of \$3,570 from the firefighter 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 District has been informed by the Union that the Union will not be representing the Employee in negotiating terms of repayment in this matter. The District will be sending a repayment plan recommendation directly to the Employee. The District will update the State Auditor's Office on that agreement as it progresses. In addition, the District will continue to remind employees during open enrollment regarding updating their dependents for department provided benefits, including health insurance.

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.

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.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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