



**Bob Ferguson**

**ATTORNEY GENERAL OF WASHINGTON**

Administration Division

PO Box 40100 • Olympia, WA 98504-0100 • (360) 753-6200

April 4, 2019

The Honorable Pat McCarthy  
Washington State Auditor  
302 Sid Snyder Avenue SW  
P.O. Box 40021  
Olympia, WA 98504

Dear Auditor McCarthy:

The State of Washington and the Attorney General's Office (AGO) are the victims of fraud perpetrated by the Washington Coalition of Crime Victim Advocates (WCCVA). The AGO discovered this fraud and asked the State Auditor's Office (SAO) to conduct a fraud investigation. After receiving the initial draft of the investigation report, the AGO referred this matter for criminal investigation to law enforcement. The AGO is doing everything in its power to recover the misused grant funds that were a product of WCCVA's fraud.

Unfortunately, an organization whose mission is to advocate on behalf of crime victims perpetrated fraud upon taxpayers and the victims they claimed to represent. The Legislature singularly appropriated funds to this organization – not directly, but by name, in statute, through the AGO. This organization defrauded my office – and by extension, taxpayers – out of nearly \$200,000. The fraud was perpetrated by an Executive Director who lied to the AGO, lied to her Board, falsified documents, and made false declarations under penalty of perjury.

I wish to highlight the following points not sufficiently covered by the SAO report:

- The AGO uncovered this fraud and reported it to the SAO;
- The AGO scrutinized invoices and obligated the organization to swear to the accuracy of invoices “under penalty of perjury”; and
- The AGO is committed to making taxpayers whole.

**The AGO uncovered this fraud and reported it to the SAO.**

Every year, my office uncovers millions of dollars in taxpayer fraud. This is another example of my office uncovering fraud. In this case, however, the fraud was perpetrated against my office.

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As soon as my team began to suspect impropriety, they launched an immediate and extensive investigation that demanded hundreds of hours of labor. While my team investigated, we stopped payments to this organization, even in the face of political threats from Board Members and the Executive Director.<sup>1</sup>

At the time the AGO referred this matter to the SAO, we handed over extensive evidence and background information to aid in the analysis. SAO representatives acknowledged this fact in the first interagency meeting. In response, the SAO audited my office.

The SAO would not have known about this fraud had it not been for my office. Moreover, by the time the SAO learned of the matter from my office, the AGO had already put a stop to the fraud.

**As a control measure, the AGO contractually obligated the Executive Director to certify invoice materials “under penalty of perjury”.**

The AGO carefully scrutinized all invoice packets with supporting documentation provided by the organization. The Executive Director signed the disputed invoice packages “under penalty of perjury”.

Additional checks were also in place. For example, the AGO knew the organization’s board, consisting of esteemed former elected officials and other prominent community members would also oversee the organization’s spending.

As the SAO noted in a recent investigation (SAO Report #1020143), it is very difficult for an agency to discover problems with an outside vendor’s invoices and supporting documentation when this vendor is committing outright fraud.

While we would like to believe that compliance would have been achieved had the auditor’s recommended controls been in place – bank records as an example – our experience does not support this theory. As soon as we became aware of concerns, we pursued documentation that would help us get to the truth of what occurred. Our efforts to obtain requisite audits and bank records were met with significant resistance and obfuscation. Compliance with these requirements was not attained until my office stopped any payments supporting WCCVA staff who were involved in the mismanagement of public funds. To date, despite the best efforts of both of our staffs and nearly a year of work, certain bank statements remain missing.

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<sup>1</sup> In April 2018, the AGO flatly refused to allow disbursement of grant funds to compensate personnel involved in the then suspected misappropriation of funds. WCCVA representatives responded to this action by threatening that services to the Crime Victims’ Community of Washington State would be jeopardized. This threat was conveyed specifically in regard to a then upcoming training event that, per WCCVA, would need to be cancelled. While the AGO was troubled by these threats, my staff directly consulted third party providers involved in the upcoming training event. The providers described that WCCVA personnel were not necessary for the training. The AGO took the unusual step of directly coordinating with the third party to ensure that funds would not be conveyed through WCCVA but that the services would continue.

Finally, the Executive Director implored us to keep our costs low in order to facilitate her organization's success – further evidence of the extent of the deception.

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**The AGO is committed to making taxpayers whole.**

On March 5, 2019, we referred this matter to law enforcement. We have recovered approximately \$50,000 of the misappropriated money. We're not done. We intend to see taxpayers made whole, and ensure those responsible for committing fraud are held accountable.

We will be tracking the developments in the criminal matter closely. It is likely the matter will conclude with a court order to restore the missing funds as restitution. If it does not, we intend to file a civil action to recover the remaining \$150,000 in misappropriated funds.

We have experience combating fraud. Since 2012, my office has recovered \$146 million in stolen taxpayer dollars. The public expects us to do everything we can to recover stolen tax dollars. We intend to live up to that expectation. Sincerely,



BOB FERGUSON

Attorney General

RWF/jlg

cc: Shane Esquibel, Chief Deputy, AGO  
Mark Melroy, Chief Financial Officer, AGO  
Sadie Armijo, Director of State Audit, SAO  
Sarah Walker, Fraud Manager, SAO  
Stephanie Sullivan, Assistant Fraud Manager, SAO