



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Seattle School District No. 1

For the investigation period September 1, 2019, through June 30, 2023

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

December 28, 2023

Superintendent and Board of Directors
Seattle School District No. 1
Seattle, Washington

Report on Fraud Investigation

Attached is the official report on questionable activities at Seattle School District No. 1. On November 29, 2022, 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: Amy Fleming, Director, Accounting

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On November 29, 2022, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185).

On June 13, 2022, the District's Ethics Office had received an anonymous complaint that an instructor at Wedgwood Elementary School used District facilities for a musical produced by her private company, and she charged for admission without depositing the proceeds with the District.

The District retained a contractor to investigate whether the instructor had violated its ethics policy during the 2021–2022 school year. The contractor issued a report on November 8, 2022, which concluded the instructor misused her position and violated the ethics policy by holding the event at District facilities and keeping the proceeds.

We reviewed the contractor's investigation and expanded the timeframe for additional investigation into the instructor's activities. We concluded that in school years 2019–2020, 2020–2021 and 2021–2022, the instructor collected at least \$21,850 in student participation fees and ticket sales, which were deposited into her company's bank account instead of with the District. The investigations found the following:

- The instructor worked full-time at Wedgwood Elementary School as a multi-arts specialist from September 2015 and through June 2022. Beginning in September 2022, she worked half-time at Wedgwood Elementary School as a multi-arts specialist while also occasionally working as a substitute teacher. Though it was not part of her regular job duties during her employment, the instructor directed and produced seven annual musicals that involved students. The District terminated her employment in June 2023.
- For the first three musicals in school years 2016–2017 through 2018–2019, the instructor relied on school funds and a grant from the Parent Teacher Association to cover most costs while paying additional expenses herself. However, starting in the 2018–2019 school year, she charged students a participation fee. Those funds were not deposited into a District account.
- For the musicals held in school years 2019–2020, 2020–2021 and 2021–2022, the instructor formed a business to produce the musicals. The instructor continued to market the musicals using the school's name, used both her work email account and a private email account whose name was similar to her school email address, held meetings on school grounds about the musicals, and instructed parents to make checks payable to her business but send them to school with their children.
- In March 2020, the District closed its facilities because of the COVID-19 pandemic. Schools remained closed to all outside businesses for two years, with limited access to staff, students and child care. Between December 2021 and March 2022, the instructor started holding rehearsals with students in the school's cafeteria. Even though the musical involved students, it was produced by the instructor's private company, so the District

would have needed to authorize it through a rental space waiver. No such waiver existed for these rehearsals.

- Two days of a musical series were held on a Monday during the 2019–2020 and 2020–2021 school years. These events occurred during the instructor’s normally scheduled workday in her capacity as a District employee. She did not report leave on her timesheet during these days.
- In March 2022, the District asked the instructor if the 2021–2022 musical event was sponsored by the school. The instructor said it was a “school-sponsored event.” The school principal decided not to cancel the event. Instead, the principal determined it was a school-sponsored event, which required the instructor to stop selling tickets. The school communicated this decision via email to the instructor on March 21, 2022. However, the instructor continued to sell tickets up until the performance was held in April 2022.

In the 2022–2023 school year, the instructor held another musical at the school. We determined this musical was a privately sponsored event where the school, the instructor and her company properly followed District policy. We would not expect the revenue from the 2022–2023 musical to be deposited with the District.

Control Weaknesses

The District’s internal controls were inadequate for safeguarding public resources. The District’s investigation found the following weaknesses allowed the misappropriation to occur. The District did not:

- Adequately monitor activities that met the criteria of a school-sponsored event to ensure funds collected were properly receipted by the District.
- Adequately monitor events held at schools to ensure proper rental waiver forms were completed and people had permission to use District facilities, as policy requires.
- Adequately train staff on District policies for school-sponsored events.

Recommendations

We recommend the District:

- Strengthen its monitoring over activities that meet the criteria of a school-sponsored event to ensure funds collected are properly receipted. The District should also consider updating its policy to clearly define the criteria for school-sponsored events versus non-school-sponsored events.
- Provide adequate training to employees over the difference between school-sponsored events and non-school-sponsored events to ensure they follow the respective policies and procedures for each event type.
- Strengthen its monitoring over events held at schools to ensure rental waiver forms are properly completed in accordance with District policy.

District's Response

The District concurs with this finding. We will continue monitoring activities for school versus non-school sponsored events and continue training school staff on procedures surrounding these types of events.

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.

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