

BONNER COUNTY
FAIRGROUNDS
INVESTIGATION

CONFIDENTIAL

BONNER COUNTY FAIRGROUNDS INVESTIGATION

TABLE OF CONTENTS

| | |
|---|----|
| Section I– BACKGROUND..... | 3 |
| Section II – EXECUTIVE SUMMARY..... | 3 |
| Section III – SCOPE..... | 5 |
| Section IV – APPROACH..... | 5 |
| Section VI - TABLE OF FINDINGS SUMMARY..... | 7 |
| Section V – FINDINGS..... | 9 |
| Section VI – POLICY CONCERNS..... | 21 |
| Section VII – RECOMMENDATIONS..... | 22 |
| Section VI - INTERVIEWS..... | 23 |
| Section VIII– EXHIBITS..... | 91 |

I. BACKGROUND

On July 7, 2022, I met with [REDACTED] reference a possible employee misconduct involving Bonner County Fairgrounds Director Darcey Smith. A complaint had been received that Smith was possibly using the Fairgrounds Mountain West debit card for personal use.

In October 2022, a criminal investigation was initiated by Sandpoint Police Department involving Smith. The initial information received was that Smith had allegedly made a personal purchase of a pair of boots with county funds by creating a false invoice. Smith was interviewed by Sandpoint Police Department on October 27, 2022, regarding the allegations. On October 31, 2022, Smith committed suicide.

[REDACTED]
[REDACTED]
[REDACTED]

- Identify any misappropriation of Bonner County Fairgrounds and/or county funds.
- Attempt to quantify any loss of county funds.
- Identify any policy violations
- Make recommendations to improve internal controls and/or processes where needed.

II. EXECUTIVE SUMMARY

Resolve Investigations LLC was retained in response to allegations that Bonner County Fairgrounds Director Darcey Smith misappropriated funds during her tenure as Director. Darcey Smith has been the Director of the Bonner County Fairgrounds since approximately January 2018. This investigation began with an interview of Sandpoint Police department detectives who confirmed they had sufficient evidence to show that Darcey Smith had created a fictitious invoice to purchase a pair of boots for personal gain.

Initial interviews with [REDACTED] were conducted to determine the types of financial processes currently in place and identify sources and use of income. [REDACTED]

[REDACTED] I determined through these interviews that two main bank accounts were used by the Fairgrounds during 2018-2022, Columbia Bank checking account and Mountain West checking account. I also identified a debit card associated with the Mountain West account.

Over a period of 3-4 weeks, financial documents from Smith's office inside the Fairgrounds main office were collected. Statements, receipts, check stubs, ledgers, payroll documents, vendor contracts, and other documents were collected from Smith's main desk, office tables, and a file cabinet. These documents were scanned and organized into files for analysis.

Located in the office was a large plastic bin full of loose financial documents. My investigation revealed that this bin was being used by Smith to pack up her office prior to her committing suicide. I collected and inventoried the documents within the bin and located over 800 purchase receipts and bank receipts, including personal banking receipts belonging to Smith and her husband, James Smith. Over 250 of these purchase receipts were purchases made using the Fairgrounds Mountain West debit card. During this time, electronic documents used by the Fairgrounds were also collected; 2021 Profit & Loss spreadsheets documenting Fair event proceeds, and 2020-2022 Sponsorship spreadsheets documenting sponsor donations.

I obtained the Fairground's Columbia Bank and Mountain West bank statements from 2018-2022. Financial data was extracted from these statements and imported into spreadsheets for analysis. A forensic examination was completed on both accounts including, but not limited to, debit card transactions, check transactions, cash deposits and withdrawals, and payroll. During this examination, I discovered a separate PayPal account that had been open in 2018.

Sandpoint Police department had determined through their investigation that Smith had created a fraudulent invoice for a personal purchase using Fairgrounds funds. During my initial investigation, I looked over the other invoices that were collected for any signs of fraud. I identified one invoice from a company called "Custom Awards" for the purchase of "Fair Awards" for \$449.42 that didn't appear authentic. The vendor didn't exist and there was no contact information for them. Further investigation revealed that this invoice was fraudulently created for the purchase of Bonner County Fair & Rodeo presentation folders, items that are purchased every year by the Fairgrounds. The purchase was made through PayPal, an account that the Fair Board was not aware of.

[REDACTED] identified over \$10,000 in unauthorized purchases not benefiting the Fairgrounds from the Mountain West debit card receipts collected from the Fairground's office. Additionally, another \$14,000 in unauthorized debit transactions from the Mountain West debit card were identified.

Checks written from Columbia Bank and Mountain West Bank were extracted and placed into a spreadsheet for analysis. [REDACTED], they identified over \$23,000.00 in unauthorized transactions.

During the analysis of checks purchases, from both Columbia Bank and Mountain West, several checks written to various people for "Fair help" were identified. [REDACTED] identified over \$20,000 in checks written to people not hired by Bonner County during

the dates they allegedly worked at the Fairgrounds. Additionally, Smith wrote 13 checks for a total of \$8,096 to her son, Austin Smith, between 2020-2021. Austin Smith was never hired by Bonner County.

A forensic examination of year to year cash deposits from Fair and Rodeo proceeds was conducted. These known deposits were compared to the expected deposits and to internal ledgers maintained by the Fair Director. The analysis revealed several inconsistencies of the expected cash deposits in 2021 and 2022. Additionally, from 2018-2022, “seed money” checks for cash had been written every year prior to the Fair and Rodeo, but the redepositing of these funds could not be accounted for.

As a result of this investigation, I find there is evidence to support that funds were misappropriated through the misuse of the debit card, unauthorized check purchases, unauthorized payments to part-time employees. Additionally, the expected cash proceed deposits from the Fair and Rodeo are unaccounted for.

III. SCOPE

The objective of this investigation is as follows:

- Identify any misappropriation of county funds.
- Attempt to quantify any loss of county funds.
- Identify any policies that were not followed.
- Make recommendations to improve internal controls and/or processes where needed.

IV. APPROACH

Investigation Team Members

Christopher Swan, Investigator

Chuck Schoonover, Investigator

Leah Wietholter, MBA, CFE, PI, CPA

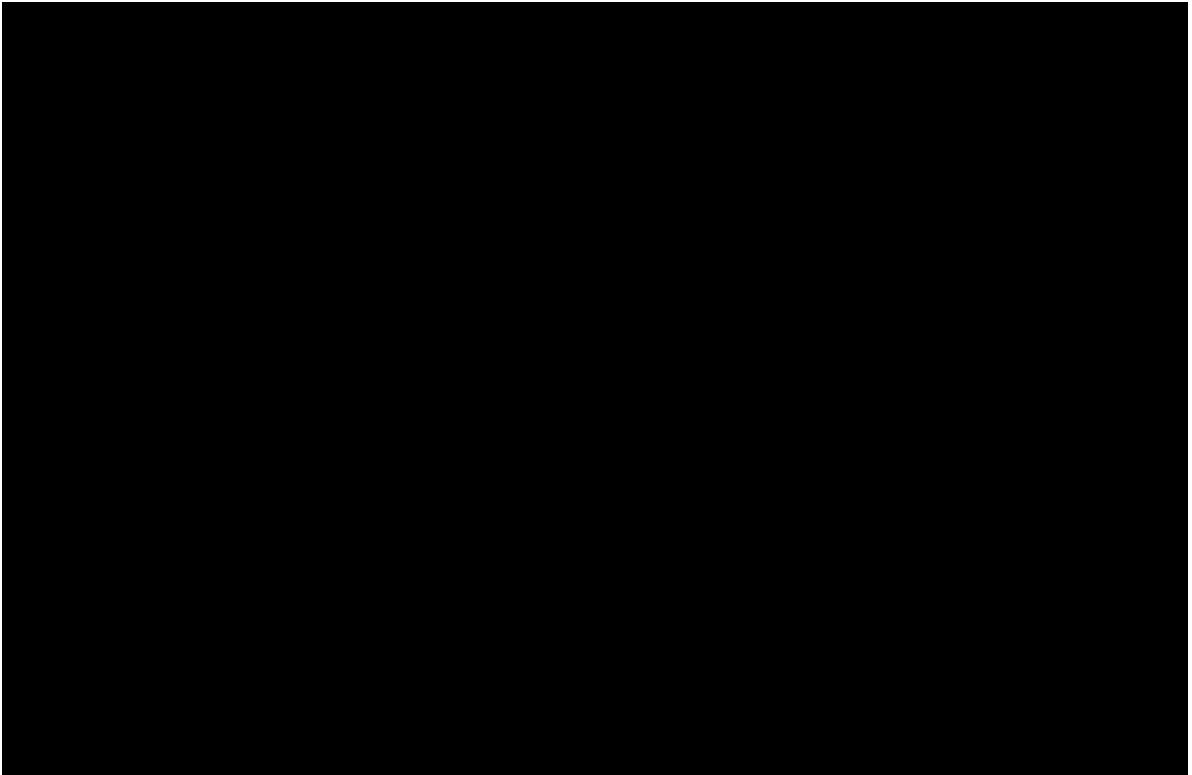
Procedures

As part of the examination of this matter, the following actions were taken:

- Collected, reviewed, and analyzed financial and electronic documents collected from the Bonner County Fairgrounds office.
- Obtained, reviewed, and analyzed bank financial documents from the Bonner County Fairgrounds accounts, Columbia Bank, Mountain West Bank, and PayPal from 2018-2022.

- Conducted interviews with Fairgrounds personnel, Fair Board members, vendors, and other witnesses.
- Attempted to compare expected cash deposits with actual cash deposits by analyzing internal bank ledgers, previous years cash deposits, and bank statements.

Individuals Interviewed: The following individuals were interviewed in person or by telephone by Christopher Swan:





SUMMARY OF FINDINGS TABLES

The tables below are the findings from this report that show a misappropriation of funds or the potential misappropriation of funds. Table 1 (Summary of Findings) represents those findings where a misappropriation of funds was apparent based on the available evidence and data. Table 2 (Summary of Interesting Findings) represent those findings where misappropriation of funds was possible, but there was insufficient data to reach a conclusion.

SUMMARY OF FINDINGS TABLE 1

| Finding No. | Description | Investigation Results | Comments | Approx \$ amount of loss |
|--------------------|--|---|--|---------------------------------|
| 2 | "Custom Awards" Invoice | Invoice was fraudulently created | | \$449.42 |
| 3 | Mountain West debit card 9039 | Unauthorized purchases from receipts and statements identified by 5 Fair Board members | Data collected from receipts and bank statements - Loss amount determined by overall average of unauthorized purchases | \$9,132.24 |
| 8 | Checks written to Austin Smith | 13 checks were written by Darcey Smith to son over 2 year period for part time work at Fair | Austin Smith never hired by Bonner County as employee | \$8,096.00 |
| 8 | Checks to part time employees | Unauthorized checks from Fairground's Columbia and Mountain West Banks were written to part time employees not on Bonner County payroll | Total amount written to these employees was \$20,724.00. Amount of loss does not include above amount paid to Austin Smith | \$12,628.00 |
| 10 | 2022 Rodeo deposit vs Expected deposit of pre-sale tickets | Expected deposit from Rodeo pre-sale locations is approx \$13,232.56 - Reported deposit from Rodeo ledger indicates \$8,180.00 - Diff of \$5,052.56 | 2021 Pre-sale Rodeo ticket proceeds were \$14,931.00 | \$5,052.56 |
| 19 | Posse Account | A \$5,000 check written in 2022 for "posse" was ever included in the deposited funds into the new Rodeo account. | | \$5,000.00 |
| TOTAL | | | | \$40,358.22 |

SUMMARY OF INTERESTING FINDINGS TABLE 2

| Finding No. | Description | Investigation Results | Comments | Projected amount of possible loss |
|--------------------|--|--|---|--|
| 6 | Columbia and Mountain West checks | Unauthorized check purchases were identified by 2 Fair Board members | Average was high because one Fair Board member identified a significant higher amount than the other | \$12,813.36 |
| 10 | 2022 Rodeo deposit vs Expected deposit (Overall) | In 2022, Smith reported \$24,232.00 as Rodeo proceeds cash deposit. Prior years in 2021 and 2019 showed a minimum of \$38,355.80 in cash Rodeo proceeds. | 2022 Rodeo proceeds deposit slip showed no itemized event information - Unable to determine confirm precise loss amounts | \$14,123.80 |
| 11 | 2022 Cash deposits August - September | Cash deposits related to Fair and Rodeo significantly lower in 2022 than in 2021 and 2019 | Cash Deposits (2022 - \$88,549.82) (2021 - \$116,000.00) (2019 - \$138,118.20) - Approx loss based off average expected deposits \$127,059.10 | \$38,509.28 |
| 12 | Seed money Fair and Rodeo | 6 checks and 1 withdrawal for Fair and/or Rodeo seed money were identified from 2018-2022. No evidence of the seed money being redeposited could be found. | Incomplete deposit slips after the Fair/Rodeo in 2021 and 2022 made it difficult to show the sources of cash deposits. \$128,010.00. | \$128,010.00 |
| 18 | Fair and Rodeo Sponsorship | 2022 Rodeo Sponsorship was \$49,250.00. Smith's Rodeo bank ledger showed \$37,750.00. | \$49,250.00 represents actual deposit into bank. \$37,750.00 represents Smith's entry on ledger. | \$13,500.00 |
| TOTAL | | | | \$206,956.44 |

V. FINDINGS

Finding No. 1 – Fairgrounds accounts

During the initial examination of the financial documents collected from the Fair office, the below listed accounts were identified:

Checking accounts

Columbia Bank 1955 (Main Fairgrounds account)
Mountain West Bank 5935 – Debit cards 9039/1421
Mountain West Bank 9798 (Rodeo)
Mountain West Bank 0117 (Royalty)
Columbia Bank 3435 (Grad night account)
P1FCU 5222 (Darcey Smith account)
P1FCU 2385 (James Smith account)

Credit Accounts

Home Depot 1261
North 40 (Account # 60069)
Walmart Corporate cards 9324/9498/9415/9217
Walmart credit account 627337
COOP 084275
Staples 7082
Amazon Business (Account # A6FN3M53CU1VT)
Yokes (Account # 000235)

Finding No. 2 – “Custom Awards” invoice

[REDACTED], they both brought to my attention an invoice and a financial entry debit for \$449.42 on Darcey Smith’s Rodeo banking ledger. The invoice showed that the purchase was from a company called “Custom Awards” for 11 Fair awards. There was no contact information on the invoice. My investigation revealed that the invoice was fraudulent, and no such company “Custom Awards” existed. This purchase was made using a Bonner County PayPal account, not known to the Fair Board, and then funds were used to pay for the items from Mountain West bank.

The investigation revealed that this \$449.42 purchase was made from a company called Prudent Publishing Co Inc. for the purchase of 300 printed presentation folders that said, “Bonner County Fair & Rodeo”. Prudent Publishing Co Inc. does not sell Fair awards. I was unable to positively

determine why the fraudulent invoice had been created. [REDACTED]
[REDACTED]

SEE EXHIBITS 1-3

Finding No. 3 – Mountain West bank debit card 9039

One of the initial allegations in this investigation was that Smith was using the Fairgrounds Mountain West debit card for personal use. During my investigation I collected over 800 purchase receipts from the Fairgrounds office. Over 250 of these receipts were from purchases using the Mountain West debit card. The data from each of these receipts were extracted and categorized by date, vendor, dollar amount, and a description. The transactions were independently reviewed by [REDACTED]

[REDACTED] Listed below is the sum of unauthorized transactions identified:

[REDACTED] \$7,023.81
[REDACTED] \$6,919.54
[REDACTED] \$4,041.52
[REDACTED] \$2,260.70
[REDACTED] \$1,764.08

SEE EXHIBITS 4-9

Additionally, all other Mountain West account debit card transactions from the 2020-2022 were extracted and placed into a spreadsheet for analysis. These transactions were independently reviewed by [REDACTED] [REDACTED] Listed below is the sum of unauthorized transactions identified:

[REDACTED] \$9,574.95
[REDACTED] \$14,076.61

SEE EXHIBITS 10-11

Finding No. 4 – Out of State purchases

Noted during the review of the Mountain West debit card receipts, were several out of state purchases. The purchases consisted of meals, snacks, gas, and gift shop purchases. These receipts were consistent with the dates and locations of when Darcey Smith attended out of state Fair conventions. [REDACTED] confirmed that the Mountain West debit card was only authorized for day to day Fair related purchases. The only out of state Fair convention purchases that were authorized were the bookings of flights and hotel, and the entry fees for the conventions.

SEE EXHIBIT 12

Finding No. 5 – Sandpoint Super Drug purchases

During my examination of the Mountain West account, I located seven debit transactions in 2020 and 2022 from Sandpoint Super Drug. My investigation revealed that two of the purchase receipts totaling \$134.68 were unauthorized and not for the benefit of the Fairgrounds.

SEE REPORT

SEE EXHIBIT 13

Finding No. 6 – Columbia Bank and Mountain West checks

All checks and payees from Columbia and Mountain West banks from 2020-2022 were extracted from bank statements and placed in a spreadsheet for analysis by date, amount, payee, and description, if any. These checks were independently reviewed by [REDACTED]

[REDACTED] Listed below is the sum of unauthorized transactions identified:

| | | |
|------------|---------------------------|-------------------------------|
| [REDACTED] | Columbia Bank \$663.48 | Mountain West Bank \$580.00 |
| [REDACTED] | Columbia Bank \$14,498.00 | Mountain West Bank \$9,385.25 |

- Noted during the examination of these checks were payments for “part time” work (see Finding No. 8)
- Noted during the examination were several checks for “per diem” all signed by Darcey Smith. [REDACTED] “per diem” was not authorized.
- Noted during the examination were several Christmas bonus checks written and signed by Darcey Smith. [REDACTED] these bonuses were not authorized.

SEE EXHIBITS 14-19

Finding No. 7 – Pre-signed checks

While I was examining checks from both Columbia and Mountain West bank accounts, I noted that most checks were signed by Darcey Smith and [REDACTED]. During my interview with [REDACTED] she said she would typically pre-sign 30 checks at a time so that Smith could pay the bills. [REDACTED] said she assumed the checks were just being used to pay the Fairgrounds monthly bills, and she was unaware of other purchases.

Finding No. 8 – Part-time employees paid through Columbia Bank and Mountain West Bank never hired by Bonner County

During the examination of the checks from both Fairground accounts from 2020-2022, I located approximately 37 checks that appeared to be paid out to people working part time at the

Fairgrounds. These checks were written out of the Columbia Bank and the Mountain West Bank. I reviewed the information on these checks with [REDACTED].

[REDACTED] identified some of the payees as never being hired by Bonner County. The others she identified as working for Bonner County previously, but not during the dates indicated on the check. Additionally, persons hired by Bonner County part-time should receive a payroll check, not a check written out of the Fairgrounds accounts. [REDACTED] had no documentation showing these payees as sub-contractors. The total amount paid out to these employees from 2020-2022 was \$20,724.00.

More specifically, Darcey Smith's son, Austin Smith, who had never been hired as an employee, was written 13 checks totaling \$8,096.00 between 2020-2022 from the Columbia Bank and Mountain West Banks. Smith sent an email to Human Resources in 2020 stating her son, Austin, was not working at the Fair.

SEE REPORT

SEE EXHIBITS 20-21

Finding No. 9 – Rodeo / Royalty account balance presented at Rodeo Committee meetings by Darcey Smith didn't match amounts on Smith's Rodeo ledger balance.

in 2022, after several requests, Darcey Smith provided the the Rodeo / Royalty internal bank ledger to [REDACTED]. This ledger contained a running log of debits, deposits, and current balance of the Rodeo and Royalty accounts. Until this time, Smith had not provided the committee with any statements from either account. During the Rodeo committee meetings, Smith only provided the committee with current balances for each account. During her examination of the ledger, [REDACTED] noted several discrepancies between the balance Smith had reported at their meetings, and the balance provide on the ledger.

My examination of the Columbia and Mountain West bank accounts showed the Rodeo and Royalty proceeds were frequently deposited into the Columbia Bank account, even though the Mountain West bank account had been used for Rodeo transactions also. Because the Rodeo funds were deposited into the Columbia Bank main Fairgrounds account, I was unable to obtain an accurate month to month bank balance for the Rodeo. However, I was able to obtain the Rodeo committee minutes for 2021-2022 and compare the Rodeo bank balance given by Smith in the meetings to the balance in the Rodeo and Royalty ledger provided by Smith. I identified several times where the reported balances did not match the Rodeo ledger.

Comparison results:

- May 26, 2021, Treasurer's reported balance Rodeo : Balance \$91,171.26 (Last balance reported on ledger on 3/15/21 is \$ 91,003.31)
- July 14, 2021, Treasurer's reported balance Rodeo : Balance \$112,987.26 (Last balance reported on ledger on 7/6/21 is \$ 90,899.26)

- September 22, 2021, Treasurer's reported balance Rodeo : Balance \$163,840.44 (Last balance reported on ledger on 9/22/21 is \$147,555.92)
- January 26, 2022, Treasurer's reported balance Rodeo: Balance \$163,840.44 (Last balance reported on ledger on 12/29/21 is \$137,363.01)
- February 2, 2022, Treasurer's reported balance Rodeo: Balance \$163,840.44 (Last balance reported on ledger on 12/29/21 is \$137,363.01)
- February 2, 2022, Treasurer's reported balance Royalty: Balance \$10,032.60 (Last balance reported on ledger on 1/10/22 is \$9,584.15)
- April 27, 2022, Treasurer's reported balance Rodeo: Balance \$163,840.44 (Last balance reported on ledger on 4/26/22 is \$127,592.54)
- May 25, 2022, Treasurer's reported balance Rodeo: Balance \$147,810.36 (Last balance reported on ledger on 5/19/22 is \$122,790.54)

SEE EXHIBITS 22-23

Finding No. 10 – 2022 Rodeo deposits vs Expected deposit

Smith reported a cash deposit on the Rodeo ledger of \$33,732.00 on 8/11/22 into Columbia Bank for Rodeo proceeds that included the following:

Friday tickets \$3,929.00
 Saturday tickets \$4,605.00
 Seed \$ 9,500.00
 Miracle Minute \$1,290.10
 Bar Saturday \$6,945.00
 Bar Friday \$5,047.00
 Office ticket sales \$2,415.90

I confirmed the deposit into Columbia Bank on 8/11/22 for \$33,732.00. The deposit slip states "Rodeo, Bar, Tickets, and M.M." There is no entry included for a re-deposit of \$9,500.00 "seed money".

Comparisons were made of the reported 2022 Rodeo tickets/bar sales in 2022 to 2019 and 2021 Rodeo tickets/bar sales. 2020 was not included due to COVID.

1. Smith's Rodeo ledger indicate total deposits of \$20,526.00 were made from the 2022 Rodeo tickets/bar sales. I was unable to compare this with actual bank deposits because there was no itemization on the deposit slip after the Fair/Rodeo, just a bulk cash deposit for "Rodeo and Fair cash" of \$116,000.00.
 1. I analyzed *Smith's 2021 P&L internal ledger*. This shows a cash profit for 2021 Rodeo tickets/bar sales as \$38,355.80.
 2. I analyzed the Columbia Bank account deposit slips from the 2019. These show *itemized* bank deposits for Rodeo tickets/bar sales as \$38,932.00.
 - 3. There appears to be a significant decrease in cash Rodeo tickets/bar sales in 2022 compared to 2019 and 2021.**
2. Smith's Rodeo ledger also indicates a deposit of \$8,180 for 2022 pre-sale Rodeo ticket sales.
 1. Based on my interviews at pre-sale locations and Rodeo committee personnel most of the Rodeo tickets for Friday and Saturday were sold out in 2022.
 2. 1200 tickets were distributed to the pre-sale locations. Smith's P&L internal spreadsheet show each off-site business received 100 adult and 50 youth tickets for both days of the Rodeo. 232 tickets were not sold.
 3. The average price for the Rodeo ticket was figured at \$13.67 based on online ticket sales. **If there were 968 tickets sold at pre-sale locations, this would have generated an expected \$13,232.56 in revenue in 2022.**
 4. In 2021, Smith's P&L internal spreadsheet reported Rodeo pre-sale ticket proceeds of \$8,785.00 for Friday and \$6,241.00 for Saturday, for a total of \$14,931.00.
 - 5. \$13,232.56 was the expected amount of revenue from the 2022 pre-sale Rodeo tickets, compared to \$8,180.00 reported on the Rodeo ledger, a difference of \$5,052.56.**

SEE EXHIBIT 24

Findings No. 11 – Columbia Bank deposits 2018-2022

As part of this investigation, all check and cash deposits into Columbia Bank from 2018-2022 were extracted and compiled into a table for analysis. The overall year by year deposits are listed in the table below.

| Columbia Bank Account 1955 | | | | | | |
|--|------------|------------|---------------|------------|------------|-----------------------|
| Deposits Year to Year | | | | | | |
| For the period of 1/1/18 through 10/31/22 | | | | | | |
| DEPOSIT TYPE | 2018 | 2019 | 2020 COVID | 2021 | 2022 | DEPOSIT TYPE TOTAL |
| CHECK DEPOSITS | 110,732.11 | 52,095.61 | 83,156.90 | 68,655.49 | 145,353.74 | 459,993.85 |
| CASH DEPOSITS | 105,681.72 | 142,639.20 | 70,970.50 | 133,683.12 | 120,719.31 | 573,693.85 |
| ANNUAL TOTAL | 216,413.83 | 194,734.81 | 154,127.40 | 202,338.61 | 266,073.05 | 1,033,687.70 |

My examination focused on the cash deposits during the months of August and September. The Fair and Rodeo take place during the month of August and typically August and September have the largest amount of cash transactions compared to the rest of the year. The overall cash deposits in August and September 2018-2022 for the Fair/Rodeo are listed in the table below.

Columbia Bank Cash deposit 2018-2022:

| | COVID | | | | |
|-----------|-----------|------------|-----------|------------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| August | 95,297.52 | 47,713.20 | 66,168.50 | 116,000.00 | 88,549.82 |
| September | 2,724.00 | 90,405.00 | | | |
| Total: | 98,021.52 | 138,118.20 | 66,168.50 | 116,000.00 | 88,549.82 |

During the examination of these cash deposits, several interesting findings were noted:

- ***I noted that cash deposits in 2022 were significantly lower than in past years.***
- In 2018, 2019 and 2020, there were ***itemized cash deposits slips completed*** after the Fair and Rodeo, documenting the sources of Fair/Rodeo related cash revenue – Rodeo tickets/bar, Concert ticket/bar, Demo Derby tickets/bar, Challenge of Champions tickets/bar, and parking etc.

- *In 2021 and 2022, there was no itemized sources of cash noted on the deposit slips.* This made it difficult to determine what events the sources of cash deposits came from.
- In August 2021, one lump sum cash deposit of “Fair & Rodeo” was made of \$116,000.00. In August 2022, one cash deposit for “Rodeo” was made for \$33,732.00 and one deposit for “Fair cash” was made for \$53,865.82.

SEE EXHIBIT 25

Findings No. 12 – Seed Money for Fair and Rodeo

My examination of the Fairgrounds accounts from 2019-2022 revealed the below listed checks from Columbia Bank written and signed by Darcey Smith (except in 2018) and a withdrawal for cash “Seed money” in August of each year before the Fair and Rodeo. There were no entries located on any deposit slips from 2018-2022 to indicate that the “Seed money” was re-deposited in Columbia Bank or Mountain West Bank.

August 11, 2022 - \$22,550.00

August 3, 2022 - \$9,500.00 (Cash withdrawal)

August 16, 2021 - \$22,550.00

August 5, 2021 - \$9,500.00

August 18, 2020 – \$22,510.00

August 19, 2019 - \$24,400.00

August 8, 2018 - \$17,000.00 (Signed by Tim C. and Gail Curless)

Because our examination of the bank accounts revealed no documented evidence of the re-deposit of the “seed money”, for the Fair and Rodeo, assumptions were made that the “seed money” had possibly been included in the cash proceeds deposits for the Fair and Rodeo. The “seed money” was subtracted from each deposit to show what the actual cash deposit proceeds from the Fair and Rodeo would have been each year. ***The findings show a significant decrease in cash proceeds in 2022 and 2021 compared to 2019 and 2018.***

1. 2022- Fair and Rodeo cash deposits during the months of August/September totaled \$88,549.82
 - Seed money withdrawals in August of \$22,550.00 and \$9,500.00
 - **Cash deposits less seed money = \$56,499.82.**
2. 2021 – Fair and Rodeo cash deposits during the months of August/September totaled \$116,000.00.

- Darcey Smith's internal 2021 P&L ledger shows \$111,225.68 in cash profit and \$14,632.00 in seed money for all Fair and Rodeo events, totaling \$125,857.68.
- Seed money withdrawals in August of \$22,550.00 and \$9,500.00
- **Cash deposits less seed money = \$83,950.00.**

3. 2020 – Fair cash deposits during the months of August/September totaled \$66,168.50.
*No rodeo in 2020 due to COVID

- Seed money withdrawals in August of \$22,510.00.
- **Cash deposits less seed money = \$43,658.50.**

4. 2019 – Fair and Rodeo cash deposits during the months of August/September totaled \$138,118.20.

- Seed money withdrawals in August of \$24,400.00.
- **Cash deposits less seed money = \$113,718.20.**

5. 2018 – Fair and Rodeo cash deposits during the months of August/September totaled \$98,021.52.

- Seed money withdrawals in August of \$17,000.00.
Cash deposits less seed money = \$81,021.52.

SEE EXHIBIT 26

FINDING NO. 13 – COLLECTION OF FAIR CASH

Based on [REDACTED], the following areas of concern were noted:

- Darcey Smith collected cash during the Fair and Rodeo and took the cash back to the Fairground's office unescorted.
- Fair personnel would assist Darcey Smith with counting of the money generated by the Fair and Rodeo. However, there were several occasions, according to Fair personnel, that her husband would assist with the counting of money.

FINDING NO. 14 – NO OVERSIGHT OF BANK ACCOUNTS

[REDACTED] and examination of past meeting minutes, the following areas of concern were noted:

- In 2020, due to COVID, Darcey Smith was given approval to pay bills without Fair Board approval.

- During the Fairgrounds meeting, Smith would only provide the balances of the Fair and Rodeo accounts to the Fair Board.
- No bank statements were ever provided showing what purchases had been made and to whom they were made.
- Several accounts, not authorized by the Fair Board, were opened during 2018-2022 including PayPal, Walmart, and Amazon.

FINDING NO. 15 – PAYPAL ACCOUNT

- The investigation revealed that Darcey Smith had opened a PayPal account around May 15, 2020, that had not been approved by the Fair Board.
- The account was connected to both the Columbia and Mountain West banks and was used to facilitate customer credit card charges for events.
- The first transfer of funds from PayPal into Columbia Bank in the amount of \$18,049.50 occurred on October 17, 2020.
- Other than the fictitious “Custom awards” invoice where PayPal was used to facilitate the payment, no other fraud was identified.

SEE EXHIBIT 27

FINDING NO. 16 – WALMART CREDIT ACCOUNT (CAPITAL ONE)

- During the inventory of the Fair Director’s office several Walmart business credit cards issued to Bonner County Fair Association and not authorized by the Fair Board were located (Card #s 8202, 9324, 9498)
- Receipts from charges (approx. \$3,900.00) on these cards were recovered from the Fair Director’s office.
- An examination of the Columbia Bank statements showed approx. \$4,400.00 in payments to Capital One (Walmart credit) from 2021-2022.
- No further follow up investigation was conducted to determine if Walmart credit account was being used for fraudulent purposes.

SEE EXHIBIT 28

FINDING NO. 17 – AMAZON ACCOUNTS

- During the inventory of the Fair Director’s office, invoices from an Amazon Bonner County business account were located (Account # A6FN3M53CU1VT) This account was not authorized by the Fair Board.
- Amazon.com was also being used extensively for purchases by the Fairgrounds with approx. \$5,600.00 in purchases from 2020-2022.

- No further follow up investigation was conducted to determine if an Amazon account was being used for fraudulent purposes.

SEE EXHIBIT 29

FINDING NO. 18 – FAIR AND RODEO SPONSORSHIP

One of the areas of focus of this investigation was sponsorship money. Money is donated annually by sponsors for the Fair and/or Rodeo. During the investigation, I obtained electronic copies of 2020- 2022 Master Sponsor list spreadsheets used by the Fairgrounds office personnel to document money received from each sponsor. Most of these donations came in the form of a check. I analyzed these spreadsheets and confirmed that checks had cleared the bank. *I noted that the total sponsorship money for the Rodeo documented on the spreadsheets for 2021 and 2022 differed significantly from what Darcey Smith reported on the Rodeo ledger given to the Rodeo committee.*

22 Sponsorship master list total – Rodeo \$49,250.00
Smith's Rodeo ledger \$35,750.00 *Diff of \$13,500*

21 Sponsorship master list total – Rodeo \$50,317.00
Smith's Rodeo ledger \$58,567.00 *Diff of \$8,250*

20 Sponsorship master list total – Rodeo \$27,601.00
Smith's Rodeo Ledger \$26,850.00 *Diff of \$751.00*

SEE EXHIBIT 30-33

FINDING NO. 19 – POSSE ACCOUNT

The Rodeo committee maintained a separate “posse” account for ongoing improvements in support of the Rodeo. It was brought to my attention by [REDACTED] that a \$5,000.00 anonymous donation for the “posse” account was believed to not have been deposited into the new Mountain West Rodeo account 9798 in 2022, when the funds were transferred from Columbia Bank.

I conducted an examination of the Columbia Bank and Mountain West accounts and located three deposited checks in the last few years into Columbia Bank for \$5.000 for “posse sponsor” from a [REDACTED]. The most recent check, listed below, was deposited on 1/6/22 for \$5,000.00. I examined the new Mountain West Bank account 9798 and located a deposited check, dated 10/11/22, for \$117,278.79 that was for the transfer of the Rodeo funds from Columbia bank to the new account. This amount matched the last balance on Smith internal Rodeo bank ledger. However, there was no deposit of \$5,000.00 for “posse” account noted anywhere on the Rodeo bank ledger. It appears the \$5,000.00 donation deposited on 1/6/22 into Columbia Bank was never deposited into the Rodeo’s new account.

- 1/15/19 - \$5,000.00 (Columbia bank) No deposit to Mountain West
- 12/16/20 - \$5,000.00 (Columbia Bank) No deposit to Mountain West
- 1/6/22 - \$5,000.00 (Columbia Bank) No deposit to Mountain West

FINDING NO. 20 – DARCEY AND JAMES SMITH P1FCU ACCOUNTS

During my inventory and collection of receipts from Darcey Smith's office, I located several bank receipts from Darcey and James Smith's personal accounts from 2021 and 2022. I noted the high balances in these accounts. Uncorroborated information revealed they possibly refinanced their home in 2022.

Receipts collected from Darcey Smith P1FCU account 5222:

9/2/21 - Tax return checks deposit (James & Darcey Smith) for \$694.94 into savings – new savings balance \$1,813.61
3/18/22 - Transfer \$1600.00 savings to checking – new savings balance **\$49,783.93.**
4/13/22 - Transfer \$1,100.00 savings to checking – new savings balance **\$48,486.00.**
4/22/22 - Withdrawal \$50.00 from checking – new balance 4,197.21
5/17/22 – Check Deposit for \$500.00 into savings – new balance **\$38,987.85**
5/17/22 – Withdrawal \$200.00 from savings – new balance **\$38,477.85**

Receipts collected from James Smith P1FCU account 2386:

5/6/22 – Cash withdrawal \$10,000.00 from savings – new balance **\$38,452.85**

**As of 5/6/22 it appears Darcey and James Smith had over \$70,000.00 collectively between both of their accounts in the month of May 2022.*

SEE EXHIBIT 34
