

**The Seattle Times**

Winner of Eight Pulitzer Prizes

## Local News

*Rle*  
City of Seattle  
Office of City Auditor  
2011-03 SPU Customer Adjustments

*B-41/EXT  
Rlt  
3-5-12*

Originally published March 2, 2012 at 10:53 AM | Page modified March 2, 2012 at 9:19 PM

### Former city employee arrested in \$1 million theft from Seattle Public Utilities

A former Seattle Public Utilities employee has been arrested after an investigation found he stole more than \$1 million over five years by diverting money for water-main extension projects into a private bank account.

By Lynn Thompson

Seattle Times staff reporter



As a project engineer for Seattle Public Utilities (SPU), Joseph Phan met with developers and customers to estimate the cost of extending or installing city-water mains and meters.

He also collected deposits and payments for the work, typically checks made out to the city of Seattle.

Police say that in 2006, Phan opened a bank account in his name and that of the city and began depositing those customer payments.

By January 2011, the checks totaled almost \$1.1 million.

Police say Phan, 44, bought a rental house, a car, other property and paid off credit cards with some of the money. Police seized \$220,000 from the bank account, but about \$500,000 is unaccounted for, said John Carver, King County senior deputy prosecuting attorney, at a Friday court hearing after Phan's Thursday arrest on suspicion of first-degree theft.

A judge set bail at \$750,000 after agreeing that Phan, who in 1993 changed his name from Chau Phan, was a flight risk.

Phan's wife and two cousins attended the court hearing, but said they knew nothing of the allegations. Phan waived his right to appear at the hearing.

"He is a very loving father, a good husband. He has had no problems in the past," said Philip Dovich, a cousin. "We ourselves don't know what's going on."

The charges come after a year of critical audits of the utility's financial controls and the firing of five employees, including Phan, for improperly accessing and in some cases crediting their own utility accounts.

"It's a fundamental rule of financial management that you don't want the guy saying 'here's your invoice' to be the guy collecting the money," said Seattle City Auditor David Jones, who speculated that in Phan's case, the segregation of financial duties had broken down.

The city auditor has performed audits on five of SPU's lines of business since 2007, including water, wastewater, drainage, transfer stations and commercial solid waste, but none examined the activities of engineers, Jones said.

A state audit released in June said the utility lacked adequate internal controls to ensure that adjustments to customer accounts were legitimate, but that audit did not look at the Project Engineering and Management Division for which Phan worked.

SPU was created out of several separate city departments in 1997 including water, garbage and wastewater, all of which had their own accounting procedures. Jones said that Ray Hoffman, who took over as SPU director in 2010, has taken an aggressive stance toward financial accountability and misconduct.

In a statement released Friday, Hoffman said, "The legal process still needs to determine the guilt or innocence of this individual, but obviously this kind of alleged misconduct is unacceptable and reprehensible."

Mayor Mike McGinn said that in fall 2010, Hoffman informed him of potential fraud by SPU employees.

"I instructed him to aggressively investigate the extent of the fraud and put in place controls to prevent its repetition," the mayor said in a statement Friday.

City council members also reacted with concern.

"To say that I'm outraged is an understatement," said Jean Godden, chair of the committee that oversees the utility. "Immediate steps must be taken to recover the funds and to ensure that there are safeguards in place to protect the public's money."

SPU spokesman Andy Ryan said the utility has a \$6 million insurance policy, which it will pursue to collect any losses in the Phan case.

Since the concerns about employees accessing their own accounts were raised, the utility has created its own division of Risk and Quality Assurance. It has increased the review and monitoring of account transactions, limited the number of people with access to customer accounts, and required employees to sign a confidentiality agreement that includes an ethics statement.

Hoffman said Friday that he had hired an independent consultant to work on issues identified during the Phan probe and to review all financial practices.

City records show Phan earned \$77,488 in 2010 as a civil engineer. He had worked for the city since 1995 and was promoted to associate engineer in 2000. As part of his job, Phan had access to customer-service accounts so he could research and issue water-availability certifications to property owners and developers, according to the utility.

In 2010, Phan accessed his own residential account and that of a rental property to show payment when none had actually been made.

Hoffman notified Phan in February 2011 that he was being fired.

After Phan was fired, a developer contacted Phan's manager to ask about the crediting of a previous deposit and provided a copy of the check. Phan's manager could find no record of the check ever being deposited with the city.

SPU investigators eventually found copies of dozens of checks in Phan's project files, and police ultimately established that all the checks had been deposited in Phan's account and not the city of Seattle's bank account, according to a probable-cause document filed in court.

Phan had been working since last summer for the city of Bothell as a project inspector in the utilities department, but was fired Thursday after Seattle police arrested him there. Steve Anderson, Bothell's deputy city manager, said Bothell officials did not know about Phan's problems in Seattle.

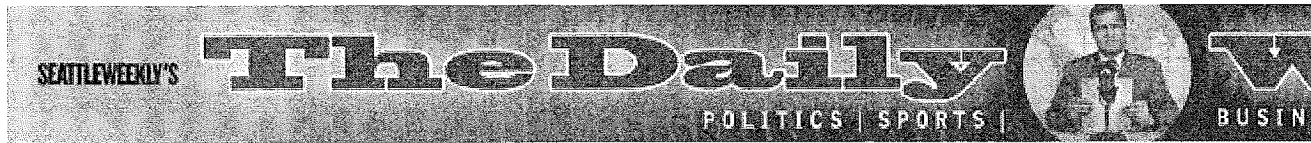
"We do comprehensive reference checks, and there was no red flag on Mr. Phan," Anderson said. The Seattle Times wrote in December that Phan had agreed to a \$1,500 fine from the Seattle Ethics and Election Commission for fixing his own account.

*Seattle Times reporter Steve Miletich contributed to this report. Lynn Thompson: 206-464-8305 or lthompson@seattletimes.com. On Twitter @lthompsontimes.*

# SEATTLE WEEKLY

## Blogs

Search Seattle Weekly



TOP  
blog  
STORIES



**Politics**  
Norm Dicks and  
the Lingering  
Story of Son's  
Funding



**Crime & Punishment**  
Bloody Feud at  
Tacoma's Old  
Country Buffet



**Crime & P**  
Ex-SPU  
Employee  
Allegedly  
\$1 Millio

### Crime & Punishment

## Chau Phan, Ex-Seattle Public Utility Employee, Arrested for Allegedly Stealing \$1 Million From City Coffers

By Johnathon Fitzpatrick Fri., Mar. 2 2012 at 1:00 PM

Categories: **Crime & Punishment**

Share

Like

0

0 tweet

0 digg

Former Seattle Public Utility employee Chau Phan, 44, was arrested yesterday for allegedly transferring public utility money from water main projects to his own bank account, then blowing the money. The Seattle Police Department says the money had been re-routed over the course of five years. SPD say Phan allegedly stole more than \$1 million dollars.



Seattle Public Utilities had been auditing a decade of internal financial data over the past year when they discovered the missing million. Seattle police have been working with SPU investigators for several months on this case. The Phan probe came out of another investigation into employees crediting their own utility bills. SPU has fired Phan and four other employees and suspended another since November, 2010.

SPU Director Ray Hoffman said "We are committed to protecting every penny of our ratepayers' money. The legal process still needs to determine the guilt or innocence of this

### Most

Viewed

Departme  
Whistlebl

Kitsap Tr  
Spoke Fiv  
Blake

Ron Paul

Foursqua  
Savvy Wil

George "I  
Notorious  
Shooting

individual, but obviously this kind of alleged misconduct is unacceptable and reprehensible."

A bail hearing for Chau Phan is scheduled for this afternoon at 2:30 p.m. in courtroom 1 of the King County Jail.



**Tags:**  
Arrested, Bail, Chau Phan, Million, SPU

Write Comment Email to Friend Print Article

**Related Content**

- Three Cheap Ways To Celebrate Washington Wine Month March 2, 2012
- Department of Labor Sues Postal Service Over Seattle Whistleblower February 28, 2012
- TBT Towing Charged Me Nearly \$1,300 to Get Back My Stolen Car February 24, 2012
- Bonneville Power Administration Says Northwest Has Too Much Energy; Orders Wind Farms Cut Off Grid June 15, 2011
- A Schooling in Sleight of Hand (& Pearl Jam) with Walla Walla Winemaker Trey Busch February 8, 2012

**More About:**  
Chau Phan  
Utilities Sector  
Industries  
Seattle Police Department  
Ray Hoffman

Like

**Add New Comment**

Optional: Login below.

T



845 people



Saxony

Facebook

enter

**Seat**

buy, sell, tr  
rentals (49  
personals (

**Slide**



Yo-Yo C

Type your comment here.

Post as ...

Showing 0 comments

Sort by **Oldest first**  Subscribe by email  Subscribe by RSS

Real-time updating is **paused**. (Resume)



Tools

Search

Categories

Retail



LOWELL'S

Fashion



SHA  
SEA

Twitter



VVM

[About Us](#) | [Work for Seattle Weekly](#) | [Esubscribe](#) | [Free Classifieds](#) | [Advertising](#) | [Privacy Policy](#) | [Problem With the Site?](#) | [RSS](#)

[Upcoming](#)

[Site Map](#)

© 2012 Seattle Weekly, LLC. All rights reserved.

1  
diggs

23  
diggs

2  
diggs

56  
diggs

1  
diggs

## Links

### Blogroll

Ballard Bl  
Beacon H  
Capitol Hil  
Citizen Ra  
The Daily  
Seattle 91  
Hank Blog  
Save Seal  
PubliCola  
Sound Po  
Seattle Ge  
Northwest  
The South  
TechFlash

*file*

KOMO NEWS NETWORK:

Wed Thurs Fri

H: 50° H: 60° H: 53°

News (/news/) Video (/video/) Weather (/weather/) Traffic (/traffic/) Sports (/sports/) Life & Style (/living/)

**Seattle City Council orders audit as ex-utility worker charged with 70 counts** MOST POPULAR KOMO NEWSRADIO (/RADIO) LOCAL DEALS (HTTP://WWW.SEATTLENOW.COM)

By KOMO Staff (mailto:WebTeam@komonews.com) | Published: Mar 6, 2012 at 12:13 PM PST | Last Updated: Mar 6, 2012 at 1:24 PM PST

/Local)

Orders+Audit+As+Ex-Utility+Worker+Charged+With+70+Counts&Random=0.008050719479051893&PartnerID=134721&Cid=141627403

SEATTLE -- The Seattle City Council has called for an independent financial review of Seattle Public Utilities amid allegations against the utility's former employee accused of stealing \$1 million in water main extension funds.

The council's Libraries, Utilities and Center Committee called for the review during its Tuesday meeting, and urged the city auditor to conduct an investigation. The committee asked the auditor to focus on areas with high-risk transactions.

"We need to move forward now to immediately fix this problem. Ratepayers demand and deserve financial accountability from the utility. And they will get it," said council member and committee chairwoman Jean Godden.

The committee planned to detail by the end of the week the issues it wants the investigation to address.

"The public trust has been broken," said council member Sally Bagshaw. "Only through systematic review and tight new financial controls can we restore trust and provide the services we all expect."

The alleged theft by the utility's former employee was discovered during an investigation of employees who were crediting their own utility accounts.

The 44-year-old man, Chau Phan, was fired a year ago and arrested last week. He has been charged with 67 counts of first-degree theft and three counts of second-degree theft, and is being held on \$750,000 bail.

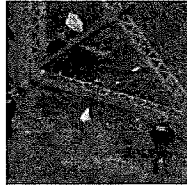
Investigators believe the money was taken over five years, and used by Phan for personal expenses.

Seattle Public Utilities has said it has tightened controls on its accounts, and is seeking to recover the lost funds from insurance.

Orders+Audit+As+Ex-Utility+Worker+Charged+With+70+Counts&Random=0.6197744431063444&PartnerID=134721&Cid=141627403

MORE TO EXPLORE

Powered by Vertical Acuity (http://www.verticalacuity.com)



(http://www.komonews.com/news/local/KOMO-News-loses-one-of-our-anchors-8452745875581465629c048364d9ab301ovfrid-3907647-39974

Longtime KOMO News anchor Eric Slocum dies (http://www.komonews.com/news/local/KOMO-

Watch Out! Ten Interview Questions Designed To Trick You (http://www.komonews.c

-Seattle-139872823.html) Police capture man suspected of firing shots around South Seattle

Snacking Mistakes That Make You Gain (http://www.komonews.com/news/ya/adsup?

1 killed, 2 injured in crash on Highway 522 (http://www.komonews.com/news/local/1-killed-2-injured-in-crash-on-Highway-522-141575843.html)

Photos: Geneva International Motor Show (http://www.komonews.com/news/national-Geneva-International-Motor-Show-141596303.html)

Photos: Miss Seattle 2012 Pageant (http://www.komonews.com/news/local/P-Miss-Seattle-2012-Pageant-141471133.html)

Photos: Star sightings (http://www.komonews.com/news/entertainment-Star-sightings-141583343.html)

A 'dream come true': UK photographer gets aurora and volcano in same shot (http://www.komonews.com/weather/blog-dream-come-true-UK-photographer-gets-aurora-and-volcano-in-same-shot-141437223.html)

Photos: Tattoo festivals in Germany, Thailand (http://www.komonews.com/news/offbeat-Tattoo-festivals-in-Germany-Thailand-141637713.html)

Boy receives deferral in Bremerton school shooting (http://www.komonews.com/news/local/P-amend-charge-against-boy-in-school-shooting--141646463.html)

LOCAL EVENTS CALENDAR (HTTP://EVENTS.KOMONEWS.COM)

Today Tomorrow This Weekend



[News-loses-one-of-our-own-140946943.html](#)  
1 week ago

[om/news/va?vaId=8d5275a7559f4c56712c042364d9cb29](#)  
2 weeks ago

[\(http://www.komonews.com/news/local/SPD-searches-for-man-who-fired-shots-in-South-Seattle-139872823.html\)](#)  
2 weeks ago

[vaId=39d76c77c99749ee0d2cf0bc308a039](#)  
2/1/2012

[Post a comment](#)  
[Show comments](#)  
**Comments (3)**

*KOMO News is happy to provide a forum for commenting and discussion. Please respect and abide by the house rules:*

*Keep it clean, keep it civil, keep it truthful, stay on topic, be responsible, share your knowledge, and please suggest removal of comments that violate these standards.*

[See full commenting rules \(http://www.komonews.com/news/content/27092404.html\)](#)

Comments by [IntenseDebate \(http://intensedebate.com/\)](#)

[ws.com/Kasey\\_Anderson/242431584.html\)](#)

[Kasey Anderson](#)

[\(http://events.komonews.com/Kasey](#)

7:30 PM Tractor Tavern

[\(http://events.komonews.com/Tractor\\_Tavern/v172750858.ht](#)

Ballard [\(http://events.komonews.com/default.aspx?](#)

...&type=MCOMM.KOMO^KOMO^Ballard)

[More Events \(http://events.komonews.com\)](#) | [Add an Event](#)



[\(http://www.komonews.com/y](#)



[\(http://www.komonews.com/y](#)



[\(http://www.komonews.com/y](#)

[More YouNews \(/younews\)](#) | [Share your photos \(/younews?form=post\)](#)

[Fisher Interactive Network \(http://mediakit.fisherinteractive.com/\)](#)

140 Fourth Ave. North, Suite 370, Seattle, WA 98109

[Contact us \(/about/contact\)](#) | [Advertise \(/advertise\)](#) | [Media Kit \(http://mediakit.fisherinteractive.com\)](#) | [Careers](#)

[\(http://tbe.taleo.net/NA5/ats/careers/jobSearch.jsp?org=FISHERCOMM&cws=1\)](#) | [Privacy Policy \(/about/privacy\)](#) | [Terms of Use](#)

[\(/about/terms\)](#) | [Public Filing Report \(http://fsci.com/prebuilt/publicfilereports/Seattle\\_PFR.pdf\)](#) | [DTV Report](#)

[\(http://media.fisherinteractive.com/fcc/komo.pdf\)](#) | [Closed captioning \(http://www.komonews.com/about/88685637.html\)](#) | [ABC](#)

[\(http://www.abc.go.com/\)](#) | [General Contest Rules \(/about/events/General-Fisher-Contest-Rules-138073163.html\)](#)

Copyright © 2012 Fisher Communications, Inc. [\(http://www.fsci.com\)](#)

Powered by [Broadcast Interactive Media \(http://www.broadcast-interactive.com\)](#).

Sign In or Sign Up

CONTESTS TV SCHEDULE ADVERTISE CONTACT US LOCAL GREAT DEALS

39° F MAR 7

NEWS WEATHER TRAFFIC SPORTS LIFE VIDEO ALERTS Q13 FOX

TOP STORIES NATION/WORLD AFGHANISTAN POLITICS BUSINESS THIS MORNING MORNINGS WITH KACI

TRENDING: | MILE-HIGH MAN | IPAD 3 | KIDS SEE TEACHER IN PORN? | SARAH PALIN | PEYTON MANNING | CANNON ACCIDENT

Search  Go!

Home > Seattle's Q13 FOX News


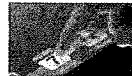




# Ex-SPU employee accused of embezzling more than \$1 million charged with 70 counts of theft

Man was fired a year ago and was arrested Thursday

Comments 0 Share 91

Sign up **Q13 FOX News Daily**

STORIES VIRAL SPORTS ENTERTAINMENT

-  Auburn school abruptly shuts down, director resigns  
*Updated: 52 minutes ago*
-  What to expect from Apple's next iPad  
*Updated: 30 minutes ago*
-  Colts, Manning part ways  
*Updated: 18 minutes ago*
-  Bounty hunter injured in Burien shootout  
*Updated: 8:44 a.m.*
-  Romney wins 6 states, fails to blunt Santorum's conservative support
-  Man tells 911 he just killed his sleeping father  
*Updated: 57 minutes ago*

More News >>>

John Hopperstad  
Q13 FOX News reporter  
4:53 p.m. PST, March 6, 2012

SEATTLE—

A former Seattle Public Utilities employee who allegedly admitted to stealing more than \$1 million by diverting checks meant for the utility to a private bank account was charged Tuesday with 70 counts of theft.

Bail was set at \$750,000 Friday for Chau Phan, 44, also known as Joseph Phan. He was arrested Thursday and booked into the King County Jail. He had been terminated by SPU a year ago after it was discovered he had been adjusting his personal utility accounts.

Police arrested him after an investigation revealed he had been allegedly diverting SPU funds for water main extension projects into a private bank account.

### Sign up for Q13 FOX News Daily

In a probable cause document filed in court, police said Phan admitted upon his arrest to taking the money between 2007 and 2011 and placing it in a personal bank account.

"He admitted to withdrawing large sums of money from that account for personal purchases to include paying credit card debt, purchasing a car, purchasing a house in Seattle he uses as a rental property and to purchase a piece of property in Seattle," the document said.

Police said they have been able to recover \$220,000 of the \$1 million so far.

SPU told police about the problem in January 2012. SPU had been conducting its own investigation into employees who had either improperly accessed or credit their own utility accounts.

Since the investigation started in November 2010, five employees, including Phan, have been terminated. A sixth employee has been suspended.

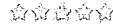
### Most Viewed Stories

1. Oops! Miss Seattle gets caught dissing the city
2. Oxnard Teacher Put on Leave, Accused of Appearing in Porn
3. Woman Arrested After Painting Nails on Southwest Flight
4. Auburn school abruptly shuts down, director resigns
5. Alleged child molester gets standing ovation in court
6. Had something stolen? Check out SPD's recovered goods' photos
7. Man Accidentally Kills Girlfriend in Homemade

Over the course of the last year, SPU has been reviewing a decade's worth of department billing data in an effort to improve its system. During the investigation last year, SPU investigators uncovered information that made them suspect Phan was diverting funds.

In a separate incident, a former SPU employee has been fined \$1,500 for accessing her own account and repeatedly adjusting her utility bill, The Seattle Times reported. The 29-year SPU employee, who retired in August, has offered to repay the \$1,500, the Times said.

Copyright © 2012, KCPQ-TV



Comments 0 Share 91






« Previous Story More Seattle's Q13 FOX News Next Story »



Sarah Palin: 'Anything is possible' if her name is called at GOP convention



Steven Powell's attorneys file to have evidence suppressed

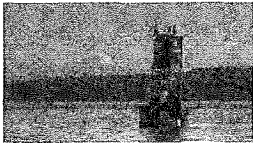
 Facebook
  Twitter
  RSS
  YouTube
  Email Us

Comments (0)

Add comments | Discussion FAQ

Currently there are no comments. Be the first to comment!

### Pictures



Favorite places around Puget Sound



'Star Wars' style



Evil and odd food



Submit your photos



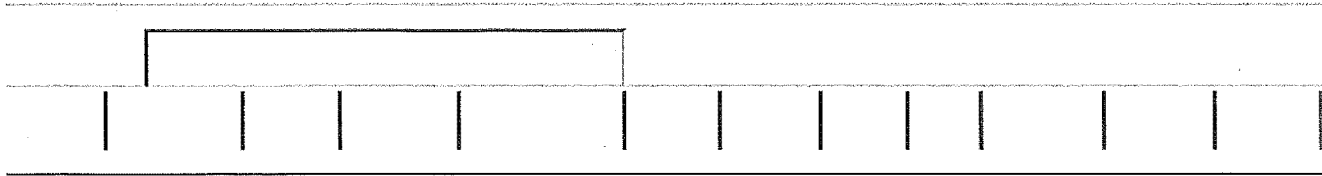
Photos seen on TV in March



Photos seen on TV in February

Terms of Service | Privacy Policy | About Our Ads | 1813 Westlake Avenue North, Seattle, WA 98109  
A Tribune Broadcasting website

# The Stranger



ARCHIVES RSS FEED PODCASTS SLOG TIP? TWITTER MOBILE

CRITICS' BEST BETS  
MUSIC ARTS & FOOD

MUSIC & THE CITY  
AT NIGHT

## MOST

- Who I
- Who I
- Are...
- SL Le
- SL Le
- Read
- Today
- David
- Rural
- Mitt F
- Paul C
- Slog I
- Wife c
- spirit
- Consta
- Fasci
- This I
- Consta

« [It's Time to Teach Senator Romney T...](#) | [Game Change Is Three Horror Movies...](#) »

TUESDAY, MARCH 6, 2012

## CRIME / CITY Ex-SPU Employee Charged with 70 Counts of Theft; City Council Calls for Review of Department's Financial Practices

posted by CIENNA MADRID on TUE, MAR 6, 2012 at 1:43 PM

Today, King County prosecutors charged a former Seattle Public Utilities employee with 70 counts of theft for allegedly stealing nearly **\$1.1 million in customer checks**, which were diverted from water main extension projects into a private bank account.

via the **Seattle Times**:

Seattle King County Prosecutor Dan Satterberg said it is the largest embezzlement of public funds in modern King County history. "I don't know what is more shocking, the sheer greed involved in this scam or the simplicity with which the defendant allegedly perpetrated this fraud."

Joseph Phan, 44, was charged with 67 counts of first-degree theft and three counts of second-degree theft. First-degree theft can carry a

maximum prison sentence of ten years, but a standard range of 43 to 57 months in prison. He remains in jail in lieu of \$750,000.

Charging documents allege that Phan used the money for personal expenses, including **a down payment on the purchase of a rental home**, a new car, and to pay down his credit card debt. He's charged with 67 counts of first-degree theft, which carries a statutory **maximum sentence of 10 years in prison**, as well as three counts of second-degree theft.

In light of the charges, Jean Godden, chair of the city council's Libraries, Utilities and Center Committee, has called for the City Auditor to conduct an independent review of SPU's financial system. **"We need to move forward now to immediately fix this problem,"** Godden said in a statement. "Ratepayers demand and deserve financial accountability from the utility and they will get it."

The City Auditor and SPU are expected to report back to the committee with a scope of work by March 27, 2012, and present review plan details to the Committee at the April 3, 2012, meeting.



NaN:  
seel



## The Seattle Times

Winner of Eight Pulitzer Prizes

### Local News

---

Originally published Tuesday, March 6, 2012 at 8:37 PM

## Ex-SPU project engineer charged in \$1.1M embezzlement case

A former Seattle Public Utilities project engineer was charged Tuesday with 70 counts of theft for allegedly stealing \$1.1 million from the city in what prosecutors call the largest embezzlement of public funds in modern King County history.

By Lynn Thompson

Seattle Times staff reporter

A former Seattle Public Utilities (SPU) project engineer was charged Tuesday with 70 counts of theft for allegedly stealing \$1.1 million from the city in what prosecutors are calling the largest embezzlement of public funds in modern King County history.

Joseph Phan, 44, was charged with 67 counts of first-degree theft and three counts of second-degree theft for allegedly diverting customer checks for water-main-extension projects into a private bank account.

"I don't know what is more shocking, the sheer greed involved in this scam or the simplicity with which the defendant allegedly perpetrated this fraud," said King County Prosecutor Dan Satterberg in a statement announcing the charges.

Phan remains in King County Jail in lieu of \$750,000 bail.

Investigators say he used some of the money to buy a rental house and a car and to pay down credit-card debt. Police seized \$220,000 from his bank account but say about \$500,000 is unaccounted for.

First-degree theft carries a maximum prison sentence of 10 years, but the standard sentencing range is 3 1/2 to just less than five years, according to the prosecutor's office.

Prosecutors filed two special allegations against Phan in order to seek an exceptional sentence above the standard range. They argue that the thefts are a major economic offense and that Phan used his position of trust to facilitate the crimes, according to the prosecutor's statement.

Phan was fired from SPU's Project Engineering and Management Division in February 2011 after an internal investigation found he had twice accessed SPU's billing system and credited his own utility account.

Seattle City Council members Tuesday called for an independent audit of the utility's financial practices in the wake of Phan's arrest.

City Councilwoman Jean Godden, chairwoman of the Libraries, Utilities and Center Committee, grilled SPU officials on how an estimated \$200,000 in receipts for city water-main projects could be unaccounted for each year over a five-year period.

**THE TODAY FILE**

Your guide to the latest news from around the Northwest

- 
- 
- 
- 

# Former SPU employee charged with 70 counts of theft

Posted by Lynn Thompson on March 6, 2012 at 12:49 PM

A former Seattle Public Utilities project engineer was charged today with 70 counts of theft for allegedly stealing nearly \$1.1 million by diverting customer checks from water main extension projects into a private bank account.

King County Prosecutor Dan Satterberg said it is the largest embezzlement of public funds in modern King County history. "I don't know what is more shocking, the sheer greed involved in this scam or the simplicity with which the defendant allegedly perpetrated this fraud."

Joseph Phan, 44, was charged with 67 counts of first-degree theft and three counts of second-degree theft. First-degree theft can carry a maximum prison sentence of ten years, but a standard range of 43 to 57 months in prison. He remains in jail in lieu of \$750,000.

Prosecutors filed two special allegations in order to seek an exceptional sentence above the standard range. They argue that the thefts are a major economic offense and that Phan used his position of trust to facilitate the crimes, according to a statement released by the Prosecutors Office.

Police seized about \$220,000 from Phan's bank account. Investigators believe he also used the stolen funds for the down payment of a rental house, a car and to pay down credit card debt.

Investigators also are searching for other bank accounts where funds might have been transferred, according to the statement.

Phan was fired by SPU in February 2011 for accessing his own utility account and entering payments which were never made. In December he agreed to pay a \$1,500 fine levied by the Seattle Ethics and Elections Commission for using a city position for personal gain.

Tags: [charged](#), [Dan Satterberg](#), [Joseph Phan](#), [Seattle Public Utilities](#), [theft](#)

Share:  6  5  0

**More in Government, The Blotter**

- Seattle City Council requests independent audit after \$1 million theft
- Kirkland considers ban on Juanita Bay boat parties
- Seattle Council sets First Hill Streetcar construction in motion for April
- Romney leads in early caucus results
- Report: 1,500 turned away from Kennewick caucus

**Connect with us**

TWITTER: @todayfile  
FACEBOOK: facebook.com/seattletimes  
NEWS TIPS: newstips@seattletimes.com

Comments [What is this?](#)

Subscribe |  Email a news tip

**Recent posts**

- Man convicted in Tuba Man killing charged with gun possession
- Village Theatre's 2012-13 season includes world premiere
- Morning Memo/Wednesday: Tuba Man killer ... 60 degrees (soon) ... Good samaritan killer
- Be careful of ice Wednesday morning, then look for sunshine, warming through Thursday
- King County sees sudden spike in heroin deaths

HOVART 12110

**About The Today File**

The Today File is a general news blog featuring real-time coverage of Seattle and the Northwest. It is reported by the news staff of The Seattle Times and edited by Assistant Metro Editor [Nick Provanza](#). This blog uses Facebook's commenting tool. [More details on the blog and commenting system.](#)

Please send feedback about this blog to [webmaster@seattletimes.com](mailto:webmaster@seattletimes.com), and direct news tips to [newstips@seattletimes.com](mailto:newstips@seattletimes.com).

**Search The Today File**

Search for:

**Categories**

- 2011 | A look back
- Arts & Entertainment
- Business/Technology
- Education
- From our partners
- From our readers
- General news
- Government
- Live chats
- Morning Memo
- Photos
- Politics
- Sports
- The Blotter
- Today File HP
- Traffic & Transit
- Uncategorized
- Video
- Weather Beat

**TRENDING WITH READERS**

**On Facebook**

RECENT ACTIVITY

8 comments

Add a comment... Comment



**Debra Smith** · Seattle, Washington  
This guy's supervisor needs to be fired as well. Another reason our bills are so astronomical!  
Reply · 5 · Like · 19 hours ago



**Michael Albrich**  
Outrageous! Heads should roll over this...talk about a lack of oversight.  
Reply · 2 · Like · 19 hours ago



**Ben Jammin** · Top Commenter · Music Booking at Mona's Bistro & Lounge  
"the simplicity with which the defendant allegedly perpetrated this fraud."  
Yeah...where are the controls here? Seems like a whole lot of stuff is broken with the City of Seattle...  
Reply · 1 · Like · 18 hours ago



**Ray Kodiak** · Top Commenter · Seattle, Washington  
amazing... if he had a brain, he would have transferred the money to bangkok and left the country, just like in the movies! bitc#4es! LOL at this point I can only make fun of this and crack jokes - that's how amazing this is.  
Reply · Like · 17 hours ago



**J.D. Miller** · Pawn Broker at Checkpoint Loans  
How does a person deposit checks made out to Seattle Public Utility into their own account? My bank looks at every deposit I make.  
Reply · Like · 19 hours ago



**Ben Jammin** · Top Commenter · Music Booking at Mona's Bistro & Lounge  
deposit it in the ATM...  
Reply · 1 · Like · 18 hours ago

[View 3 more](#)

Facebook social plugin

# The Seattle Times

The Seattle Times Company Network: [Seattletimes.com](#) | [NWjobs](#) | [NWautos](#) | [NWhomes](#) | [Classifieds](#) | [Rentals](#) | [Personals](#)

Copyright ©2012 The Seattle Times Company | [Advertise with us](#) | [Privacy statement](#) | [Terms of service](#)

**Sign Up**

Create an account or **log in** to see what your friends are doing.



Tiny Neah Bay school a finalist in national science competition  
203 people recommend this.



Paul supporter: "I would rather die than vote for the other candidates"  
63 people recommend this.

Facebook social plugin

ADVERTISING

## MULTIMEDIA



00:00 / 01:41  
PLAY email share get link get code

Microsoft TechFest 2012 | Natural user interface  
Kinect based interaction allows how a touchless system for 3-D image use in vascular surgery requires a constrained space for gestural movements.

- Microsoft TechFest 2012 | Natural user interface
- Microsoft TechFest 2012 | Hololector
- Microsoft TechFest 2012 | Monolingual TTS
- Microsoft TechFest 2012 | Multitouch Projector
- Boeing Everett Delivery Center animated fly-through
- A shift in perspective

ADVERTISING

**SITE MAP** [Home](#) [Local](#) [Nation/World](#) [Business/Tech](#) [Sports](#) [Entertainment](#) [Living](#) [Travel](#) [Opinion](#) [Obituaries](#) [Extras](#) [Forums](#) [Blogs](#)

### CONTACT/HELP

- [Site feedback/questions](#)
- [Home delivery issues](#)
- [Send us news tips](#)
- [Send letters to the editor](#)
- [Submit event listings](#)
- [Request corrections](#)
- [Newsroom contacts](#)
- [Social media](#)
- [Report malware](#)

### CONNECT

- [Facebook](#)
- [Twitter](#)
- [Mobile site](#)
- [Mobile apps](#)
- [Low-graphic site](#)
- [Newsletters](#)
- [RSS](#)
- [Today's News Index](#)

### ADVERTISING

- [Digital advertising](#)
- [Classifieds](#)
- [Death notices](#)
- [Job listings](#)
- [Auto listings](#)
- [Real Estate listings](#)
- [Rental listings](#)

### COMPANY

- [About us](#)
- [Employment](#)
- [Digital archives](#)
- [Pulitzer prizes](#)
- [Seattle Times store](#)
- [Newspapers in Education](#)

### SUBSCRIBER SERVICES

- [Subscribe](#)
- [MyTimes](#)
- [Temporary stops](#)
- [Make a payment](#)
- [Print Replica](#)
- [Subscriber rewards](#)



Today's front page (PDF)



## Ex-SPU worker charged with 70 thefts in \$1M embezzlement

By VANESSA HO, SEATTLEPI.COM STAFF  
Updated 04:40 p.m., Tuesday, March 6, 2012

King County prosecutors filed 70 counts of theft Tuesday against a former longtime Seattle Public Utilities worker accused for embezzling nearly \$1.1 million from the city over the course of nearly three years.

King County Prosecutor Dan Satterberg said the case against Joseph Phan, arrested last week, was the largest embezzlement of public funds in modern county history.

"I don't know what is more shocking: the sheer greed involved in this scam, or the simplicity with which the defendant allegedly perpetrated this fraud," Satterberg said in a statement.

His words echoed a Seattle City Council briefing Tuesday that detailed how Phan allegedly stole \$1 million from the utility and no one knew for years. Councilmembers have called for an independent financial review of SPU.

"We need to move forward now to immediately fix this problem. Ratepayers demand and deserve financial accountability from the utility. And they will get it," said Councilmember Jean Godden.

Prosecutors said Phan, also known as Chau Phan, used the money to buy a car, pay off debt, and put a down payment on a rental house. If convicted, he faces a standard sentencing range of 3 1/2 to almost 5 years in prison.

The maximum sentence is 10 years.

### Phan used 'position of trust' in alleged crimes

Prosecutors filed two special allegations against Phan, in case they want to seek an exceptional sentence. They include charges that the thefts were a "major economic offense" and that Phan used his "position of trust" to commit the crimes.

Phan, 44, was fired last year in a separate billing scandal involving four other employees accused of adjusting their own utility accounts. Those workers were also fired.

The theft allegations against Phan surfaced after he was fired. Employed by SPU since 1995, Phan was an associate civil engineer who managed water-main extension projects for the agency. His job was to arrange contracts with customers and developers and handle payments to the city.

After he was fired, a customer contacted the utility to ask about a previously paid deposit. A supervisor couldn't find the deposit, which led to the embezzlement case.

Prosecutors said Phan diverted 70 checks made to the city into his own personal account between 2008 and 2010. They ranged in amounts from \$675 to \$217,655 and included as customers the University of Washington, Villa Academy and King County Housing Authority.

### **How did an SPU worker get away with alleged \$1 million theft?**

The charges followed a Seattle City Council briefing Tuesday that detailed how Phan allegedly stole more than a \$1 million from the city without detection for years.

The city audits the utility every year. The state has audited the agency. An accounting department was supposed to keep track of the money, and managers were supposed to keep track of Phan.

But none of those controls worked. Instead, it was the customer's request that had tipped SPU. Councilmembers wanted accountability.

"SPU is looking at big and bold things and asking ratepayers to help us," said Councilmember Sally Bagshaw. Those projects include more recycling efforts, asset management and protecting watersheds.

"If the trust is broken, how are we going to re-establish that?"

SPU said no one caught the missing money because invoices weren't created for such projects back then. Payments also went directly to project managers and not to an accounts receivable department.

That's all changed, said SPU deputy director Melina Thung. Invoices now help track revenue, and payments go to accounts receivable, she said.

But Councilmember Richard Conlin still wanted to know how city and state auditors missed the stolen money. And Bagshaw wanted to know how managers can better track employees.

### **'If right internal controls had been in place'**

SPU's Thung said the external audits only review annual financial statements and not the kind of detail that would have exposed "this irregularity." But she said an internal "risk and quality assurance" unit started last year is reviewing how the utility handles cash.

It's also reviewing of a decade of billing records, which was what led to the discovery of Phan adjusting his own utility account. SPU said it's also providing more tools to managers and working with an independent consultant to strengthen controls.

"We take the public's trust seriously and this type of alleged misconduct is unacceptable. It betrays what I consider to be our fundamental mission: to be sound financial stewards of the public's money," SPU director Ray Hoffman wrote in a letter read to councilmembers.

"It saddens me that actions of a handful of individuals have damaged the department's reputation," he continued.

"Yet, at the same time I acknowledge that if the right internal controls had been in place, the likelihood of such transgressions would have been much smaller."

Police have recovered about \$220,000 of the stolen money from Phan's account, but were searching other bank accounts where Phan may have transferred funds. A court set bail for him last Friday at \$750,000.

*Visit [seattlepi.com](http://seattlepi.com)'s home page for more Seattle news. Contact Vanessa Ho at 206-448-8003 or [vanessaho@seattlepi.com](mailto:vanessaho@seattlepi.com), and follow her on Twitter as @vanessaho.*

Howe, Robin

*File*

*B-42/EXT*

**From:** Jones, DavidG  
**Sent:** Tuesday, March 06, 2012 1:10 PM  
**To:** LEG\_CityAuditors\_Group  
**Subject:** FW: Seattle City Council Committee calls for independent financial review of Seattle Public Utilities

*RA*  
*3-7-12*

**From:** Lockard, Laura  
**Sent:** Tuesday, March 06, 2012 11:17 AM  
**To:** Lockard, Laura  
**Subject:** Seattle City Council Committee calls for independent financial review of Seattle Public Utilities



City of Seattle  
Seattle City Council

*News Release*

City of Seattle  
Office of City Auditor  
2011-03 SPU Customer Adjustments

Councilmember Jean Godden  
Councilmember Sally Bagshaw  
Councilmember Richard Conlin

**FOR IMMEDIATE RELEASE**  
March 6, 2012

**Contact:**  
Laura Lockard, Council Communications: 206-684-8159

## Seattle City Council Committee calls for independent financial review of Seattle Public Utilities

**SEATTLE** – The Libraries, Utilities and Center Committee, during this morning’s discussion of fraud at Seattle Public Utilities (SPU), called for an independent review of SPU’s financial practices.

“We need to move forward now to immediately fix this problem. Ratepayers demand and deserve financial accountability from the utility. And they will get it,” said Councilmember Jean Godden, committee chair.

The Committee asked the City Auditor—an independent third party—to conduct an investigation of financial controls at SPU, particularly those related to accounts that could be subject to high risk transactions such as the water main accounts.

“The public trust has been broken. Only through systematic review and tight new financial controls can we restore trust and provide the services we all expect,” said Councilmember Sally Bagshaw.

The Committee requested that the City Auditor and SPU report to the Committee with a scope of work by March 27, 2012, and present plan details to the Committee at the April 3, 2012, meeting.

The plan will address the immediate water main extension revenue problem and recommend whether all SPU development fees should be part of the review. By the end of this week the Committee will send a letter to the City Auditor and SPU detailing issues it would like to see examined in their review.

"The Committee will participate in every step of this process," said Councilmember Godden. "There will be no discussion of new utility rates until Seattle Public Utilities gets its house in order."

*Seattle City Council meetings are cablecast and Webcast live on Seattle Channel 21 and on the City Council's website. Copies of legislation, Council meeting calendar, and archives of news releases can be found on the City Council website. Follow the Council on Twitter and on Facebook.*

###

**Laura Lockard**  
Communications Director  
Seattle City Council  
206-684-8159 (office)  
206-650-6692 (cell)  
[laura.lockard@seattle.gov](mailto:laura.lockard@seattle.gov)

[www.seattle.gov/council](http://www.seattle.gov/council)