

# Embezzlement lawsuit ruling favors Washington Trust Bank

Supreme Court says bank processed checks lawfully

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The Washington state Supreme Court has ruled unanimously in a case involving Spokane-based Washington Trust Bank that a nonpayee's signature on the back of a check on behalf of other clients constitutes a legal endorsement of the check.

The ruling stems from a lawsuit filed against the bank by Travelers Casualty & Surety Co., the insurer for Skils'kin, a nonprofit agency here that provides services to disabled adult clients, after a former Skils'kin employee embezzled \$500,000.

Shannon Patterson admitted in a suicide note found near her body in February 2013 that she had stolen money from the organization. Her body was found in a car in the parking lot of a Walmart at 9212 N. Colton in north Spokane.

Patterson, who was 31 when she took her life, started working for Skils'kin in 2001 as a records clerk.

Skils'kin was the representative payee for many of its clients' Social Security benefits, which were deposited into a single business checking account at Washington Trust. Skils'kin managed the monthly income and living expenses for about 1,000 clients, and Patterson was the Skils'kin employee who was the signatory and oversaw the account, court documents say.

From 2008 until her death at the beginning of 2013, Patterson embezzled \$500,000 and drew more than 300 checks from the nonprofit's payable account to its disabled clients and third-party service providers. She signed the back of each check with her own name, cashed them and kept the money, court records say.

"Skils'kin adopted and delivered a corporate resolution to the bank, authorizing Patterson to open deposit and checking accounts to endorse checks," the court writes.

Patterson wasn't named as a payee on any of the checks and none of the named payees endorsed checks to her, court records say.

The bank sent Skils'kin monthly bank statements during Patterson's embezzlements. These statements included copies of the fronts of the checks that had been cashed at

the bank. The statements didn't include copies of the backs of the checks, which would've readily revealed Patterson's signature, court documents say.

In 2011, newly hired CEO Brian Behler established new rules that separated program management from financial access.

Skils'kin annually collects \$14 million in revenue and is audited by outside accountants as well as federal auditors, court records say.

Also, in 2011, Skils'kin could access its checking account online at any time to view both the front and backs of checks that cleared its account, court records say.

However, not until early 2013 did Skils'kin's financial officers start an inquiry. After Patterson's confession, Traveler's covered Skils'kin losses and sued the bank for its loss. Travelers alleged the bank "breached its duty of care as a matter of law by cashing checks to Patterson—who was not the named payee," the court writes.

Washington Trust Bank countered that the oral agreement between the bank and Patterson authorized tellers to cash the checks signed on the back by Patterson, the court writes.

The bank also argued that the terms and conditions contract for Skils'kin's pooled account at Washington Trust Bank gave Patterson authority to endorse checks on behalf of the named payees, the court says.

"We conclude that Patterson's signature is an endorsement as a matter of law," the court writes.

The court adds, "She signed the top area on the back of checks at issue where an endorsement would normally appear, she presented the checks for payment, and she did nothing that would indicate unambiguously that her signature was anything but an endorsement."

In reaching their findings, including that Washington Trust had adhered to legal notification standards, the Supreme Court panel was responding to certified questions submitted to it through federal court, where Travelers is seeking to be reimbursed. The panel didn't issue a finding on a separate, disputed question of whether Patterson had authority as an agent to endorse checks for the named payees. "This," they said, "is a question for the trier of fact."



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Reporter Kevin Blocker, a University of Colorado alum, is a rec league basketball addict. At age 47, he still sports a 32-inch vertical leap. He has three children, all of whom are hooked on hoops.

- See more at: <http://www.spokanejournal.com/local-news/embezzlement-lawsuit-ruling-favors-washington-trust-bank/#sthash.jsIM3IG6.dpuf>