



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

# **Fraud Investigation Report**

## **City of Moses Lake**

**Grant County**

**For the Investigation Period January 1, 2013 through  
November 16, 2016**

**Published April 17, 2017**

**Report No. 1018675**





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

April 17, 2017

City of Moses Lake  
Moses Lake, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the City of Moses Lake. On November 16, 2016, the City notified the State Auditor's Office of a potential loss of public funds. This notification was submitted to us under the provisions of state law (RCW 43.09.185).

This report contains the results of our investigation of the former Payroll Clerk's unallowable activities at the City from January 1, 2013, through November 16, 2016. The purpose of our investigation was to determine if a misappropriation had occurred.

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 Assistant Director for Communications Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Manager Sarah Walker at (509) 454 3621.

Pat McCarthy  
State Auditor  
Olympia, WA

cc: Mr. Robert Taylor, Finance Director

# FRAUD INVESTIGATION REPORT

## Investigation Summary

On November 16, 2016, the Finance Director notified our Office regarding a potential loss of public funds as required by state law.

The City investigated and provided its files to us. We reviewed the City's investigation and determined the former City Payroll Clerk misappropriated \$21,465 in payroll benefits between January 2013 and November 2016.

As of the date of this report, the City has not yet filed a report with the Grant County Sheriff's Office. We will refer this case to the Grant County Prosecuting Attorney's Office.

## Background and Investigation Results

The City, located in Grant County, operates on an annual budget of approximately \$36 million, including approximately \$5.3 million in personnel benefits. The City operates under a Council-Manager form of government. The elected, seven-member Council is the City's oversight body and governs the City. The Council appoints a City Manager to oversee the City's daily operations as well as its approximate 400 employees. The Payroll Clerk's position is responsible for monitoring employee benefits and pay rates, in addition to preparing and processing payroll for all City employees.

The City's investigation focused on duties performed by the former Payroll Clerk in addition to reviewing the former Payroll Clerk's personal salary and benefit information.

The City's review found that the former Payroll Clerk falsified her personal insurance benefit forms to include a non-eligible dependent from January 2013 to November 2016. The City's insurance provider uses these forms to calculate the employee and employer paid portions of the benefit. As a result, the City paid \$21,465 for the non-eligible dependent's insurance benefits. The City relies on the insurance provider for these calculations; therefore, we did not identify a significant control weakness in the City's processes.

City Management interviewed the former Payroll Clerk multiple times in November 2016 to allow her to provide an explanation. The former Payroll Clerk did not acknowledge any wrongdoing. However, she failed to appear for the final interview without notification, and her employment was immediately terminated.

## **Recommendations**

We recommend the City seek recovery of the misappropriated \$21,465 and related investigation costs of \$2,163 from the former Payroll Clerk or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the City must be approved in writing by the Attorney General and State Auditor as directed by state law (RCW 43.09.260). Assistant Attorney General Matt Kernutt is the contact person for the Attorney General's Office and can be reached at (360) 586-0740 or [mattk1@atg.wa.gov](mailto:mattk1@atg.wa.gov). The contact for the State Auditor's Office is Sadie Armijo, Assistant Director of Local Audit, who can be reached at (360) 902-0362 or [Sadie.Armijo@sao.wa.gov](mailto:Sadie.Armijo@sao.wa.gov).

## **City's Response**

*The city agrees with the SAO recommendations and have initiated the process of recovering misappropriated funds and will review any other remedies as prescribed by the Grant County Prosecuting Attorney's Office.*

## **State Auditor's Office Remarks**

We thank City officials and personnel for their assistance and cooperation during the investigation.

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We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

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We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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