



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Town of Springdale

For the investigation period January 1, 2019 through January 31, 2020

Published March 7, 2022

Report No. 1029349



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

March 7, 2022

Mayor and Town Council
Town of Springdale
Springdale, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Town of Springdale. On January 10, 2020, the Town 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: Lisa Sheppard, Clerk-Treasurer

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On January 10, 2020, the Town notified our Office about a potential loss of public funds, as state law requires (RCW 43.09.185). During the year-end financial reporting process, the Town Clerk reviewed bank statements and found unusual transactions on the Town's debit card, which had been in the Mayor's possession. The Mayor was responsible for reconciling the bank statements monthly, but no one else at the Town reviewed them. After this discovery, the Mayor took a leave of absence beginning February 1, 2020, and the Stevens County Sheriff's Office began an investigation. The Mayor was subsequently charged with crimes related to this loss of funds, pled guilty, and left office in June 2021.

The Sheriff's Office's investigation determined the Mayor was responsible for a debit card and cash receipting misappropriation totaling \$15,252.11 between March 18, 2019, and January 8, 2020.

We reviewed the Sheriff Office's investigation, and we agree with its conclusions. The investigation found the Mayor was responsible for:

- Personal purchases totaling \$619.73, which included \$360 from "cash-back"
- ATM cash withdrawals totaling \$1,822.50
- Payments to a phone company totaling \$1,910.01 that were applied to the Mayor's personal account
- Mobile payments to the Mayor's personal accounts totaling \$6,000.87
- Cash proceeds from the sale of donated items totaling \$5,000 that were never deposited to the Town's bank account, but for which the Mayor issued receipts

In January 2020, a Sheriff's Office detective interviewed the Mayor. She said some of the charges were a mistake, and she had planned to repay the Town. She also said she used the cash withdrawals to buy computers, related software, and technical support for the Town's community center.

In June 2021, the Mayor pled guilty to 15 separate charges and incurred restitution totaling \$15,353.11 payable to the Town.

Control Weaknesses

The Town's internal controls were inadequate for safeguarding public resources. The following weaknesses allowed the Mayor to misappropriate the funds:

- The Town did not perform timely bank statement reconciliations, including related debit card activity. Our Office identified this issue in the Town’s most recent accountability audit.
- The Town did not perform a secondary review of bank statement reconciliations.
- The Town did not consistently collect receipts or other supporting documentation for purchases made on Town debit cards.

Recommendations

We recommend the Town perform timely bank statement reconciliations, including independent review of debit card activity, and obtain supporting documentation for all transactions to ensure they are for allowable purposes. We also recommend the reconciliation be reviewed by someone other than the preparer for accuracy.

We also recommend the Town seek recovery of the related investigation costs of \$2,415 from the former Mayor and/or the Town’s insurance bonding company, as appropriate. Under state law (RCW 43.09.260), the Attorney General and State Auditor must provide written approval of any compromise or settlement of this claim by the Town. Assistant Attorney General Matt Kernutt is the contact person for the Attorney General’s Office; he can be reached at (360) 586-0740 or Matthew.Kernutt@atg.wa.gov. The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Local Audit and Special Investigations, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

Town’s Response

The Town of Springdale did have oversight in place however the Mayor at the time never turned over requested information to the Finical Oversight Committee that was requested. However, currently the Town Financial Committee reviews all receipts expenditures Bank Statements and Reconciliation monthly. Mayor does Bank deposits, and all documents are turned over to the finical committee for review.

All control weakness and recommendations have been addressed and implemented prior to this report being issued.

Auditor’s Remarks

We thank Town officials and personnel for their assistance and cooperation during the investigation. We will follow up on the Town’s internal controls during the next audit.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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