



Office of the Washington State Auditor  
Pat McCarthy

## Fraud Investigation Report

# Benton County Fire Protection District No. 4

For the investigation period April 26, 2011 through December 31, 2023

*Published December 12, 2024*

Report No. 1036020



Scan to see another great way  
we're helping advance  
#GoodGovernment



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

December 12, 2024

Board of Commissioners  
Benton County Fire Protection District No. 4  
West Richland, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at Benton County Fire Protection District No. 4. On October 30, 2023, the District 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).

This report contains the results of our investigation of the former Finance Manager's unallowable activities at the District from May 4, 2011, through October 26, 2023. 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 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: Paul E. Carlyle, Fire Chief

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

# FRAUD INVESTIGATION REPORT

## Investigation Summary

On October 30, 2023, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). That month, the District identified personal credit card purchases made by the Finance Manager. On October 26, 2023, the District placed the Finance Manager on administrative leave pending an investigation and then later ended employment on January 5, 2024.

The District concluded the Finance Manager had misappropriated District funds between April 8, 2022, and October 26, 2023. The District identified food, clothing and household purchases made with the Finance Manager's credit card.

We reviewed the District's investigation, performed additional credit card testing, and expanded our work to include payroll and disbursements. Our investigation determined a multi-scheme misappropriation had occurred at the District, totaling \$88,573 between July 7, 2014, and September 10, 2023. Additionally, \$28,249 in questionable payments occurred between May 4, 2011, and October 19, 2023.

In March 2024, the District filed a police report with the West Richland Police Department.

We will refer this case to the Benton County Prosecuting Attorney's Office.

## Background and Investigation Results

Benton County Fire Protection District No. 4 provides fire and emergency medical services to about 22,000 people in the city of West Richland and the surrounding unincorporated areas. The District operates on an annual budget of about \$6.3 million and spends an average of \$4.5 million a year related to disbursements including payroll. An elected, three-member commission governs the District. The Commissioners hire a Finance Manager to oversee the District's daily operations. The Finance Manager has key financial system access including processing payroll and vendor disbursements, and is also responsible for purchasing supplies, arranging travel with a District credit card, and reconciling credit card and bank statements.

The Finance Manager began work on April 26, 2011. The Commissioners determined the Finance Manager's annual salary would be paid monthly and increase annually based on performance. In addition, the Finance Manager was eligible for administrative mobilization pay paid at her regular rate in lieu of her salary when assisting third-party agencies during the fire season. The Finance Manager was also eligible for overtime payments at one and a half times her regular rate after working 40 hours in a week.

In our investigation, we found the following issues relating to the District's payroll, disbursements and credit cards.

## *Payroll*

The Finance Manager is responsible for entering hours worked for all District employees, including herself, into the payroll software and processing the payroll for payment. We identified a \$77,842 payroll misappropriation from July 7, 2014, through September 10, 2023, related to state mobilization pay, miscalculated overtime pay, firefighter education incentive pay and volunteer pay. We found an additional \$22,896 in payroll expenses to be questionable between May 4, 2011, and October 5, 2019.

- Between July 2014 and September 2023, the Finance Manager paid herself both a regular salary and mobilization pay when assisting with state mobilizations, rather than reducing her regular pay appropriately. She also miscalculated her overtime pay. This resulted in overpayments totaling \$67,769.
- Between February 2019 and January 2021, the Finance Manager added \$7,545 of firefighter education incentive pay to her monthly compensation, for which she was not eligible. The District uses this incentive pay to encourage firefighters and other union members to work toward a bachelor's degree.
- Between November 2015 and June 2021, the Finance Manager added \$2,528 of volunteer pay to her compensation. The District pays this type of compensation to volunteer firefighters as a stipend for volunteer services. The Finance Manager is not considered a volunteer, so she was not eligible for this type of payment.
- We found \$22,896 of the Finance Manager's overtime and additional pay to be questionable, as the District could not provide information to confirm if the payments occurring between May 4, 2011, and October 5, 2019, were accurate or legitimate.

## *Disbursements*

The Finance Manager prepared all accounts payable disbursements and employee reimbursements for approval, including for herself. The Finance Manager's contract allowed for tuition reimbursements for costs incurred for education enhancement when the District agreed to it and the employee met a certain grade point. However, from May 25, 2018, to March 31, 2023, we identified \$5,725 in accounts payable misappropriation related to employee reimbursements paid to the Finance Manager. These related to tuition payment reimbursements that she was not eligible for, as well as non-District-related travel costs. Additionally, from February 24, 2017, to October 19, 2023, we summarized \$924 in questionable disbursements, as the District did not have adequate support showing the validity of the transactions.

*Credit cards*

The Finance Manager was in charge of making purchases with the District’s credit card and reconciling the credit card statements. In October 2023, the District identified and reported to our Office a loss of \$774 in personal credit card purchases made by the Finance Manager. We investigated further and identified an additional \$4,232 in credit card misappropriation for an overall total of \$5,006 occurring between March 20, 2015, and August 25, 2023. These purchases appeared personal in nature, including airfare, food purchases and continuing education courses, and were not relevant to the Finance Manager position. We also identified \$4,429 in questionable transactions made between February 7, 2015, and July 13, 2023, for which we were unable to determine if they had legitimate business purpose.

In total, we identified:

<b>By Area</b>	<b>Misappropriation</b>	<b>Questionable</b>
Payroll	\$77,842	\$22,896
Disbursements	\$5,725	\$924
Credit Cards	\$5,006	\$4,429
<b>Total</b>	<b>\$88,573</b>	<b>\$28,249</b>

<b>By Year</b>	<b>Misappropriation</b>	<b>Questionable</b>
2011	\$0	\$714
2012	\$0	\$3,599
2013	\$0	\$5,959
2014	\$606	\$3,365
2015	\$2,120	\$3,531
2016	\$1,671	\$626
2017	\$3,560	\$2,960
2018	\$6,222	\$3,500
2019	\$7,807	\$2,373
2020	\$13,952	\$734
2021	\$15,482	\$384
2022	\$18,750	\$361
2023	\$18,402	\$142
<b>Totals</b>	<b>\$88,573</b>	<b>\$28,249</b>

On June 11, 2024, we interviewed the former Finance Manager, who said the payroll discrepancies were mistakes and the difference should be repaid to the District. She acknowledged purchasing personal items, saying the District credit card was linked to her personal online vendor accounts.

## Control Weaknesses

The District's internal controls were inadequate for safeguarding public resources. We found the following weaknesses allowed the misappropriation to occur:

- The District lacked adequate oversight of the Finance Manager's activities.
- The Finance Manager had full access to the District's accounting system, which allowed her to process her own payroll and reimbursements without any oversight.
- The Finance Manager was in charge of making purchases with the District's credit card, processing payments to the credit card company, and reconciling the credit card statements, which allowed her to make purchases without approval.

## Recommendations

We recommend the District establish effective management of its operations. This should include:

- Establishing an independent review of all employee timesheets and pay adjustments to detect and prevent errors.
- Establishing adequate monitoring procedures to ensure disbursements are made only for allowable and valid public purposes.
- Requiring and retaining supporting documentation for all transactions to demonstrate their public purpose.
- Ensuring someone independently reconciles the District's credit card and bank activity to account for all its disbursements.

We also recommend the District seek recovery of the misappropriated \$88,573, questionable amounts as appropriate, and related investigation costs of \$26,880 from the former Finance Manager and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the District 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 [Matthew.Kernutt@atg.wa.gov](mailto:Matthew.Kernutt@atg.wa.gov). The contact for the Office of the Washington State Auditor is Brandi Pritchard, Assistant Director of Special Investigations, who can be reached at (509) 726 1886 or [Brandi.Pritchard@sao.wa.gov](mailto:Brandi.Pritchard@sao.wa.gov).

## District's Response

*Thank you for providing the findings from your recent fraud investigation report. We appreciate the thoroughness of your review and the insights into the control weaknesses identified in the district's financial processes. For purposes of clarification, we note that we immediately reported the suspected fraud to the Auditor when we first identified the \$774 in potential misappropriation. We also immediately placed the employee in question on administrative leave to avoid any further potential for misappropriation. After taking these steps we did not undertake any further internal investigation as the Auditor took the lead in the investigation. Below is our response to the specific areas of concern and the corrective actions taken:*

### **1. Lack of Oversight of the Finance Manager's Activities**

*We acknowledge the report's finding that the District lacked adequate oversight of the Finance Manager's activities. To address this, we have implemented the following measures:*

- **Segregation of Duties:** *Responsibilities for payroll, reimbursements, and other financial processes have been redistributed among staff to ensure that no single individual has unchecked authority over multiple stages of a transaction.*
- **Management Review:** *All timecards are now reviewed and approved by the Fire Chief prior to processing.*
- **Internal Audits:** *Periodic internal audits of financial transactions have been introduced to ensure compliance with established controls, with findings reported to the Board of Commissioners.*

### **2. Full Access to the Accounting System**

*We recognize the risks associated with the Finance Manager having unrestricted access to the accounting system, which enabled payroll and reimbursements to be processed without oversight. To mitigate this risk, we have implemented:*

- **Dual Approval Process:** *All payroll transactions, benefits, and reimbursements now require dual approval prior to processing.*
- **Audit Trail Monitoring:** *The accounting system offers an audit trail feature that tracks and monitors all user activities, including changes to records and transactions. This ensures accountability and provides a clear record of any unauthorized actions.*

### **3. Lack of Oversight in Credit Card Transactions**

The report highlighted insufficient controls over credit card purchases, payments, and reconciliations, which allowed for unauthorized expenditures. In response, we have taken the following steps:

- **Revised Reconciliation Process:** Credit card reconciliations are now handled by a separate staff member. Supporting documentation for all purchases is required for approval.
- **Monthly Review:** A monthly review of credit card transactions is conducted by the administration team to ensure compliance with District policies.

### **Organizational Improvements Post-Fraud Discovery**

Since the fraud was identified, the District has made significant improvements to strengthen financial operations and foster a culture of accountability:

- **New Personnel:** We have hired a Finance Manager with over 30 years of experience in fire service business operations and an Administrative Assistant with more than 15 years of similar experience. Both individuals bring expertise in cross-training and the importance of segregation of duties.
- **Employee Manual:** The recently established employee manual provides clear, consistent policies and procedures for non-union employees. By standardizing guidelines for payroll, benefits, and administrative functions, the manual promotes uniformity across operations and ensures alignment with the District's financial and organizational objectives.
- **Enhanced Training Programs:** All administrative and finance personnel will participate in ongoing training on financial controls, fraud prevention, and ethical standards. This ensures staff are equipped to identify and mitigate potential risks and reinforces a culture of accountability and vigilance.

### **Commitment to Accountability**

The District remains committed to maintaining the highest standards of accountability and integrity in its financial processes. The corrective actions we have taken, combined with the experience and knowledge of our new personnel, address the identified weaknesses and position the District to prevent similar incidents in the future

## **Auditor's Remarks**

We thank District officials and personnel for their assistance and cooperation during the investigation. We will follow up on the District'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](http://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.

### Stay connected at [sao.wa.gov](http://sao.wa.gov)

- [Find your audit team](#)
- [Request public records](#)
- Search BARS Manuals ([GAAP](#) and [cash](#)), and find [reporting templates](#)
- Learn about our [training workshops](#) and [on-demand videos](#)
- Discover [which governments serve you](#) — enter an address on our map
- Explore public financial data with the [Financial Intelligence Tool](#)

### Other ways to stay in touch

- Main telephone:  
(564) 999-0950
- Toll-free Citizen Hotline:  
(866) 902-3900
- Email:  
[webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov)