



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

City of Mesa

For the investigation period November 1, 2022 through November 30, 2023

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

May 6, 2025

Mayor and City Council
City of Mesa
Mesa, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the City of Mesa. On January 31, 2024, the City 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 Assistant Director of Communications Adam Wilson at (564) 999-0799. Otherwise, please contact Special Investigations Program Manager Stephanie Sullivan at (360) 688-0858.

Pat McCarthy, State Auditor
Olympia, WA

cc: Dodie Phillips, Clerk/Treasurer

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

In January 2024, we began a regularly scheduled accountability audit. On January 31, 2024, while gathering documentation for the audit, the City discovered several unallowable debit card transactions made by its former Clerk Treasurer. City officials notified our Office of a potential loss of public funds, as required by state law (RCW 43.09.185). The City filed a police report with the Franklin County Sheriff's Office, which investigated.

The Sheriff's Office determined a debit card misappropriation totaling \$9,228 occurred at the City between November 30, 2022, and November 2, 2023. The Sheriff's Office's investigation found:

- In November 2022, the City hired a Clerk-Treasurer who was responsible for the City's financial activities including accounts payable, utility billing, cash receipting, payroll and reconciling City bank accounts.
- On October 11, 2023, the City terminated the Clerk-Treasurer due to performance issues. Specifically, the Clerk-Treasurer was not working consistent hours, resulting in the closure of City Hall for several weeks.
- Between November 30, 2022, and November 2, 2023, the Clerk-Treasurer used her City-issued debit card to make \$9,228 in personal purchases for groceries, decorations, vehicle loan payments, personal utility payments, storage unit fees, tires, and online vendor purchases. Of this amount, \$323 occurred after the City terminated her employment.

We reviewed and agreed with the conclusions in the Sheriff's Office investigation. We also performed additional work by issuing a subpoena for more online vendor debit card purchase records. We determined an additional misappropriation of \$3,431 occurred, involving an online clothing vendor between April 20, 2023, and October 23, 2023. We also noted a total of \$9,913 in questionable debit card purchases that happened between November 21, 2022, and September 5, 2023, for lodging, food and online vendor purchases. We were unable to determine whether these purchases were for a legitimate business purpose because the City did not have supporting documentation for these purchases.

On June 26, 2024, the Franklin County Sheriff's Office interviewed the former Clerk-Treasurer, who acknowledged having used the City's debit card for personal purchases and took responsibility for \$2,464 of the misappropriation.

Control Weaknesses

Internal controls at the City were not adequate to safeguard public resources. The Mayor and City Council did not perform a secondary review of the City's bank statements, which allowed the Clerk-Treasurer to misappropriate public funds without detection.

Recommendations

We recommend the City strengthen internal controls over bank activity, including oversight and monitoring, to safeguard public resources. We further recommend the City develop and implement processes to ensure it performs a secondary review of bank statements and retains all supporting documents to ensure all disbursements are for an allowable purpose.

We will refer this case to the Franklin County Prosecuting Attorney's office for any further action it determines is necessary.

We also recommend the City seek recovery of the misappropriated \$12,659, questionable amounts as appropriate, and related investigation costs of \$6,513 from the former Clerk-Treasurer and/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 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.

City's Response

We are working towards a better system for reconciliation along with more involvement from the Mayor and council to make sure the finances are not misappropriated. There will be some new daily reconciliation reports. We are working to improve the accounts payable process.

Auditor's Remarks

We thank City officials and personnel for their assistance and cooperation during the investigation. We will follow up on the City'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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