



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Town of Springdale

For the investigation period January 1, 2020 through December 31, 2025

Published May 28, 2026

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

May 28, 2026

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 July 10, 2024, 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).

This report contains the results of our investigation of the former Clerk-Treasurer's unallowable activities at the Town from October 2020 through July 2024. This report also identifies separate questionable activities that took place at the Town from April 2020 to December 2025. 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 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: Klaus Joeschke, Council member

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FRAUD INVESTIGATION REPORT

Investigation Summary

On July 10, 2024, the Town Mayor notified our Office of a potential loss of public funds. The Town Mayor identified multiple checks the Clerk Treasurer prepared, made payable to herself and then cashed, which the Mayor had not authorized. The Town also reported its concerns to Stevens County Sheriff's Office, which investigated. We performed a review of the Sheriff's Office investigation and as a result, opened our own investigation in February 2025 to expand upon the work the Sheriff's Office performed. This included a review of payroll, vendor payments and bank statement activity.

Our investigation determined that the Clerk Treasurer misappropriated at least \$51,173 between June 2020 and June 2024 and the Mayor misappropriated \$4,200 between August 2024 and October 2025. We also identified \$656,854 in questionable amounts during the period April 2020 to December 2025, some of which were paid to the Clerk Treasurer and Mayor as compensation and some which was paid to businesses or individuals used for Town services and projects.

The table below shows the misappropriated and questionable amounts by Town employee and category.

Summary of results			
Position	Area	Misappropriation	Questionable
Clerk Treasurer	Payroll	\$27,714	\$76,855
	Disbursements	\$23,459	-
Mayor	Payroll	\$4,200	\$102,460
Vendors	Disbursements	-	\$353,776
	Cash payments	-	\$64,500
Unassigned	Debit cards	\$2,348	\$59,263
Total		\$57,721	\$656,854

On March 24, 2025, the Stevens County Prosecuting Attorney's Office filed multiple theft charges against the Clerk Treasurer.

As is our standard process, we will refer this report to the Stevens County Prosecuting Attorney's Office.

Background and Investigation Results

The Town, located in Stevens County, has a population of about 300 people and operates on an annual budget of about \$1 million. An elected, five-member Council sets and approves all Town policies. A separately elected Mayor oversees the Clerk Treasurer and serves as backup to that position. The Clerk Treasurer handles key financial activities, such as cash receipting, processing payroll, accounts payable, recording transactions in the accounting system,

maintaining access to the town debit cards and online banking accounts, and reconciling bank statements to Town accounting records. The Town hired the Clerk Treasurer in 2001.

In October 2017, our Office issued a fraud investigation report (No. 1019662) related to a payroll misappropriation by the same Clerk Treasurer. The report concluded that \$3,412 had been misappropriated and identified \$2,611 in questionable payroll, accounts payable, and cash receipting between September 2012 and December 31, 2016. It is our understanding the Clerk Treasurer has not repaid the Town for the misappropriation. She was allowed to remain in her position until July 8, 2024, when the current Mayor first identified multiple checks the Clerk Treasurer prepared, made payable to herself and cashed, which the Mayor had not authorized. The Town placed the Clerk Treasurer on administrative leave this day and terminated her employment on July 11, 2024.

Our current investigation focused on payroll, debit card charges, accounts payable, cash receipts and bank statement activity. We issued subpoenas for banking records and certain vendor receipt records the Town did not retain or provide to us for audit.

Payroll

The Clerk Treasurer was responsible for processing payroll, including her own. This included maintaining timesheets, recording time worked within the payroll system, tracking leave balances, and preparing and authorizing paychecks. The Mayor was responsible for authorizing payroll checks and approving the Clerk Treasurer's timesheet and leave usage. After the Clerk Treasurer's employment was terminated on July 11, 2024, the Mayor took over all payroll duties.

We compared bank copies of cleared checks to the accounting system records between January 2020 and July 2024 and analyzed payroll details in the accounting system through December 2025.

The Town's payroll processes and inconsistent retention of payroll records impacted determining whether payments were allowable and approved. Specifically:

- While the Clerk Treasurer is expected to prepare a timesheet and seek approval from the Mayor, the Town only had a few of the Clerk Treasurer's timesheets on file for the investigation period. Further, the timesheets provided for audit showed inaccurate pay periods, were not always approved, and did not correspond with the information recorded in the payroll system.
- The Clerk Treasurer maintained a separate manual spreadsheet to track leave balances instead of using the payroll system to accurately track leave use and available balances. Ultimately, leave amounts in the payroll system differed from those in the spreadsheet.
- The Clerk Treasurer increased her pay rate in the system five times between October 2021 and January 2024, but the Town lacked documentation to confirm whether these changes were approved and authorized. Because of these alterations, her hourly pay rate increased from \$27.50 to \$36.50.

Our review of the Clerk Treasurer's payroll found the following:

- Payroll misappropriation totaling \$27,714 between August 2020 to June 2024, related to extra compensation she recorded and processed to herself. Timesheets were not on file to support these payments.
- Questionable longevity payments to the Clerk Treasurer totaling \$25,368 between September 2020 and February 2024. While Town policy allowed annual longevity payments, the Town could not provide support to show that it paid longevity in accordance with Town policy, how it calculated the amounts, or whether the Mayor and Council approved the payments. Further, four of the five longevity payments were incorrectly recorded in the accounting system as payments to a vendor, meaning payments were not subject to payroll tax withholdings and were omitted from the end-of-year total payroll paid to the Clerk Treasurer.
- Questionable leave cash-out payments totaling \$22,927, prepared by and paid to the Clerk Treasurer. We consider this amount to be questionable, as it was difficult to determine if leave balances (in this case, 768 hours) were sufficient to be paid or were properly approved.
- Questionable payments for leave hours (435 hours) the Clerk Treasurer used, totaling \$13,854. These hours were considered questionable because of the limited number of timesheets available for review to determine if leave balances were sufficient to be used.
- Questionable payments to the Clerk Treasurer totaling \$14,706 for 323 hours of overtime. These payments were considered questionable because a limited number of available timesheets prevented us from verifying whether overtime work had been properly approved.

We also reviewed the Mayor's payroll for the period January 2020 through early July 2024 when she reviewed and approved payroll, and the period from July 2024 to December 2025 when she prepared it. The Mayor received compensation for three positions: Mayor, extra duties – such as backing up the Clerk Treasurer, lawn mowing, and meter reading (starting in June 2022) – and code enforcement (starting in January 2023).

Our review of the Mayor's payroll found the following:

- The Mayor's compensation was not always processed through payroll as expected. Rather, the Town processed \$111,753 of the Mayor's compensation through the vendor system. As a result, these payments were not subject to payroll tax withholdings.
- \$3,000 in misappropriation related to her pay as Mayor. When we compared the Town's salary ordinance to her actual pay for this position, we calculated she was overpaid \$8,250 between January 2023 and December 2025. Of this amount, we consider the overpayments between August 2024 to December 2025 to be misappropriation, as the Mayor was responsible for processing payroll during these months.

- \$1,200 in code enforcement misappropriation related to an extra payment in October 2025 and a total of \$32,400 in questionable code enforcement payments between February 2023 and July 2025. Ordinance 409-21-A Wage range, showed a date of November 14, 2022, and listed code enforcement was to be paid \$1,200 annually; however, the Mayor received this compensation monthly. The Mayor told us the ordinance was incorrect and provided a new ordinance, 409-25 Wage range, dated July 14, 2025, which showed code enforcement was to be paid \$1,200 monthly. We consider the monthly pay questionable because we could not confirm if the Council intended the pay to be monthly or annually in Ordinance 409-21-A, or if the Council approved the ordinance as our review of council meeting minutes did not find this ordinance discussed during the date documented on the ordinance.
- The Mayor is paid set amounts for both her mayoral and code enforcement duties, and an hourly rate for her third category of work, referred to in this report as extra duties. While the Mayor maintains a timesheet, she does not break out time worked by role (mayoral time versus code enforcement time versus extra duties time). To calculate her extra duties pay, the Mayor explained that she reduces her weekly hours by 15 (a number she feels accounts for her mayoral time each week) and pays herself an hourly rate of \$20, specific to her extra duties work, for the rest. This lack of precise tracking calls into question whether any of the Mayor's hourly pay overlapped with or duplicated the Mayor's set, compensation for her mayoral and code enforcement duties. From June 2022 to December 2025, the Mayor was paid \$68,860 in extra duty pay.

Accounts payable

We issued a subpoena to the Town's bank for cleared checks between January 2020 and July 2024 to compare them to Town accounting system records. This comparison identified:

- The Clerk Treasurer misappropriated \$23,459 through vendor checks between July 2021 and June 2024. The Clerk Treasurer wrote multiple Town checks to herself and recorded them in the Town's accounting system as payments to vendors.
- The Town made two payments to the Clerk Treasurer's son, one for \$750 in May 2022 and another for \$8,000 in May 2024. The Town did not have any support on file for the payments. While the Clerk Treasurer described the payments in the accounting system as payments for a fence project, the Town had already paid a business for fence work totaling \$36,516 between April 2021 and May 2024. For these reasons, we question the legitimacy of the payments processed to the Clerk Treasurer's son and whether he performed services for which the Town paid.

Additionally, our review found the Town paid a local business \$345,026 to complete various Town projects between April 2020 and December 2025. The following factors led us to question the legitimacy of these payments, and whether all work was actually performed:

- The Town did not seek any other quotes from other businesses to perform this work, and there were no contract agreements, estimates or quotes for project costs documented between the Town and the business.
- The Town did not retain all invoice records to support payments made.
- The invoices lacked information that would be normal and expected in a business invoice, leading us to question whether the invoices were legitimate. For example, none of the invoices on file included an invoice date, they contained vague descriptions of the work performed, did not indicate dates of service, did not clearly demonstrate how the billed amounts were calculated, and sales tax was not applied to the invoices.
- In our interview with the business owner on February 17, 2026, the owner said the Clerk Treasurer prepared the invoices used to support payments. The business owner would tell the Clerk Treasurer a total dollar amount owed, and the Clerk Treasurer would create the invoice and all the description details adding up to the total amount paid.
- Of the total amount paid to the business, the Clerk Treasurer improperly recorded \$210,486 in the accounting system as vendor payments to herself, not to the business. By doing this, any end-of-the-year 1099 tax reporting the Town provides to the vendor would be grossly understated. However, we could not tell whether the Town ever sent 1099 forms to this business. The Mayor looked in the Town accounting records and did not find any 1099 filings for 2020-2023. She found one prepared in 2024; however, it is unclear if the Town sent it to the business, and the amount reflected was less than our identified amounts paid in 2024.

The Town continued to pay the business after terminating the Clerk Treasurer's employment. Considering the Mayor and business told us the Clerk Treasurer had been creating the business invoices, we asked the Mayor for supporting invoice records for the payments the Town made after the Clerk Treasurer left. However, we learned the Town had been paying the business without any supporting invoices during this time, including a lump sum payment of \$22,500 in July 2025. We totaled \$42,963 in payments to the business between August 2024 and December 2025.

Debit cards

The Mayor obtained multiple debit cards for the Town's bank account issued in her name. The Mayor and Clerk Treasurer each maintained access to these cards to make purchases for the Town. The Mayor claimed the Clerk Treasurer made personal purchases related to vehicle repairs and tattoo supplies when reporting concerns to the Sheriff's Office.

Our review of the bank statements identified \$2,348 in debit card misappropriation between January 2022 and June 2024 related to vehicle repairs and tattoo supplies. The Town did not track card usage to identify who made the purchases, thereby hindering our ability to assign responsibility for the misappropriation. We further summarized \$59,263 in questionable purchases between June 2020 and July 2024. Questionable purchases lacked supporting records and were not always recorded in the accounting system, meaning we could not determine whether the expenditures were for a legitimate business purpose.

Banking activity

Towns should rarely have a valid business need to withdraw cash or get a cashier's check from their bank account. We reviewed cash withdrawals on Town bank statements for the period of January 2020 to July 2024 and found unusual activity.

Towns normally purchase vehicles and equipment by processing a check through the accounts payable process. When we inquired with the Town about two large withdrawals from the Town's bank account – one for \$41,000 in December 2022 and one for \$11,500 in July 2023 – the Mayor said these were for equipment and vehicle purchases. She explained that in both instances, a business owner (the same business owner the Town used for a variety of projects) used his own cash to purchase a backhoe and an all-terrain vehicle on behalf of the Town. The Mayor said both withdrawals were used to repay the business owner.

The Town did not have appropriate supporting documentation on file for either purchase, such as an invoice, receipt or other documentation to demonstrate the amount it actually paid. The Town also did not have identifying information for the assets, such as a vehicle identification number. Based on this, we cannot determine if the withdrawals were used for the purposes described, how much was actually paid to the sellers, or if the assets purchased are the same assets currently in the Town's possession.

We asked the business owner if they had any supporting records for the asset purchases, but we did not receive any records.

The Mayor also made a \$12,000 withdrawal in June 2024 from the Town's bank account in the form of a cashier's check prepared by the bank and made payable to an individual. This payment was unusual, as the payment was not recorded in the Town's accounting system. Further, the Town had already paid this individual's business a total of \$32,000 between February 2024 and April 2024, though these were processed through the Town's accounting system, paid by checks, and made payable to the business name and not an individual.

Interviews

On February 17, 2026, we interviewed the Mayor and the business owner the Town used for a variety of projects. According to the Mayor, the Clerk Treasurer handled everything, and it was not until after the Clerk Treasurer left that she gained access to the accounting system and learned how to prepare checks, process payroll and perform bank reconciliations. She said this was when she realized the Clerk Treasurer had set up some payments to the Mayor which were processed as vendor payments, while others were processed through payroll. The Mayor also said this was when she discovered the Clerk Treasurer had saved the debit card number information for cards held in Mayor's name on her computer.

The business owner acknowledged having received all the Town's payments we identified. He said he did not know why the Clerk Treasurer would have recorded those payments in the Town's accounting system under her name instead of the business's. He said while the Clerk Treasurer did create the invoices used to support payments to him, he had performed the work described.

We interviewed the Mayor again on March 12, 2026, about her compensation, which we've described in the payroll section above.

The Pend Oreille County Sheriff's Office held an interview with the Clerk Treasurer on July 17, 2024, where she acknowledged creating and signing some checks recorded as vendor payments in the accounting system but they were paid to her. She said she knew those went into her account and that she'd be held accountable for it.

We attempted to meet with the former Clerk Treasurer in April 2026 but received a response from her attorney explaining she would not participate in an interview at this time.

Control Weaknesses

Internal controls at the Town were not adequate to safeguard public resources. We found the following weaknesses allowed the misappropriation to occur:

- The Town placed immense, unchecked trust in the Clerk Treasurer despite multiple concerns over her activities, which our Office brought to the Town's attention beginning in 2017.
- The Clerk Treasurer, and later the Mayor, maintained access to the Town's online banking, check stock, recorded payments in the accounting system, prepared checks and was an authorized signer. This allowed them to process payments to themselves and questionable vendors with limited oversight.
- The Clerk Treasurer had full access to the payroll system, which allowed her to process extra pay to herself, including questionable overtime pay, cashouts and longevity pay with limited oversight by the Mayor or Council. The Mayor later maintained this access, which allowed her to process extra Mayor pay to herself, including questionable code enforcement pay and extra duties pay with limited oversight by Council.

- Payroll information provided is not presented to the Council for approval in the form of a detailed check listing or other payroll report that would include key information necessary to understand what's being paid, such as the type of pay by employee.
- Inaccurate recording in the accounting system for payroll payments allowed for inaccurate payroll tax reporting.
- No one completed an independent review of the Town's bank statement activity. The Clerk Treasurer was solely responsible for reconciling the bank statements to the accounting system with no oversight. This allowed for unsupported transactions, such as electronic disbursements to the Clerk Treasurer and questionable debit card charges, to appear on bank statements without anyone questioning them.

Recommendations

We recommend the Town establish a culture of accountability and transparency by reevaluating its internal control structure and implementing effective internal controls over all key operations to safeguard public resources. At a minimum, this should include:

- Segregating key financial duties, or when segregation is not possible, implementing robust monitoring over financial processes and activity
- Providing a listing of payroll information, separate from regular expenses, to the Town Council at a detailed level (by person and pay type)
- A secondary review of the Town's bank accounts by someone independent of employees authorized to sign Town checks, make electronic banking disbursements, withdrawal cash from Town accounts, and who are issued debit cards to make purchases. The review should include a thorough comparison of bank statements to accounting system records to detect potential inaccurate transaction recordings.

We also recommend the Town seek recovery of the misappropriated \$57,642, including questionable amounts as appropriate, and related investigation costs of \$71,893 from the former Clerk Treasurer and/or its insurance bonding company, as appropriate.

We also recommend the Town seek recovery of the misappropriated \$4,200, including questionable amounts as appropriate, and related investigation costs of \$11,400 from the Mayor and/or its insurance bonding company, as appropriate.

Any compromise or settlement of this claim by the Town 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.

Town's Response

Thank you for carrying out this investigation on behalf of the Town. The Town Council of Springdale, WA would like to make the following statements regarding the findings of this fraud investigation:

Regarding the Fraud Investigation Report for the Town of Springdale for the period of January 1, 2020 through December 31, 2025, as requested by Springdale Town Council and the Mayor, up to but not limited to;

- The Town Council is taking these findings very seriously and recommends a temporary hold on all spending duties by the Mayor until we can reconcile these findings and seek recovery and/or compromise on misappropriated and questionable funds.*
- The Town Council is requesting the Pro-Tem Mayor to take over all spending duties until resolution, with two additional council members added as signers to assist with spending duties as needed.*
- The Town Council has done their best with materials provided for accounting review to safeguard public resources.*
- The Town will be working on more robust process and procedure guidelines for internal controls to continue protecting public resources at all costs.*
- It is difficult for the Town Council to confirm or deny all the amounts in question at this time due to lack of timing of this report given vs response required, lack of detailed individual amounts and records reviewed during this investigation and lack of appropriate accounting processes and records kept by the Town (as per the report).*
- The Town has been paying a Software Manager from the Town Software company to assist with our software, including payroll since July 2024 when irregularities were flagged and reported to law enforcement.*
- The Town Council recalls being on track with financial processes due to the previous two audit results from the State Auditor's Office conducted in 2021 and 2023 for the timeframe within this investigation.*
- Neither the Mayor nor Town Council were informed or aware of the results of the 2012 – 2016 investigation performed in 2017.*
- The Town Council agrees with the Control Weaknesses determined by the Auditor and will be working to understand, rectify and create effective internal controls over key operations to ensure accountability and transparency as we move forward.*
- Majority of the findings of misappropriation or questionable amounts seem to be related to process and procedure failures regarding timesheets, payroll, vendor payments and overall accounting processes and reconciliations.*

- *Current list of areas being discussed and rectified for future success to include but not limited to:*
 - *All payroll checks for the Town must go through the payroll system (not vendor system) and have an approved timesheet that matches hours and amounts for each duty to be presented for review and approval each month for Town Council along with bank records of those payments.*
 - *All payroll changes (raises, additional duty payments, etc.) must be approved and documented through Council before they are implemented.*
 - *Clerk duties to include being proficient with the Town software.*
 - *All employees for the Town shall have a yearly performance review to ensure Town resources are being allocated efficiently and our high standard of performance on behalf of our Town is being upheld.*
 - *All vendor payments must go through the vendor system and have full documentation on quotes for project costs from multiple contractors and contract agreements.*
 - *The town will seek a minimum of three quotes from three separate vendors with itemized bids for town projects.*
 - *Any invoices to be paid from the town will be detailed, itemized, and presented to the council before payment can be submitted to the payee.*
 - *Any cash or cashier's checks needed for the Town must require 2 signatures and proper documentation of purchase details matched with Town Council approval.*
 - *Any and all purchases for the Town must go through approval from Town Council prior to purchasing. Approval should include exact item being purchased as well as cost of purchase to be recorded with accounting records.*
 - *The exception to this rule would be re-occurring purchases already agreed upon from previous approval (example: Town Council approves \$X/month to go towards X). This item wouldn't need approval every month unless it needs to change, however would need to be reconciled every month with an internal accounting review.*

This response has been created and reviewed by the Springdale Town Council. We appreciate the prompt investigation and are diligently working on resolving the internal issues and implementing stronger controls to avoid staff mistakes and misuse of funds.

Auditor's Remarks

We will follow up on the Town's internal controls during the next audit.

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