



Office of the Washington State Auditor  
Pat McCarthy

# Fraud Investigation Report

## Town of Metaline

For the investigation period July 10, 2019 through June 30, 2025

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

April 20, 2026

Mayor and Town Council  
Town of Metaline  
Metaline, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Town of Metaline. On June 10, 2025, 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 August 12, 2019 through June 04, 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: Pete Daggett, Mayor

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# FRAUD INVESTIGATION REPORT

## Investigation Summary

On June 10, 2025, the Town notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The Town Mayor and Mayor Pro Tem reported concerns that the Clerk-Treasurer made unexpected bank account transfers between Town accounts and used a Town debit card for multiple personal purchases.

We investigated and determined a multi-scheme misappropriation occurred at the Town, totaling at least \$225,218 between August 2019 and June 2025. Of this amount, the Clerk-Treasurer was responsible for at least \$223,717. We also identified questionable amounts of \$30,740 between August 2019 and May 2025.

The Table below shows the misappropriated and questionable amounts by category. “Questionable” means we were unable to determine whether the expenditures were for a legitimate business purpose.

<b>Summary of results</b>		
<b>Category</b>	<b>Misappropriation</b>	<b>Questionable</b>
Credit Cards	\$174,015	\$7,864
Debit Cards	\$39,897	\$8,596
Payroll	\$10,243	\$14,280
Cash withdraws	\$1,063	\$0
<b>TOTAL</b>	<b>\$225,218</b>	<b>\$30,740</b>

The Town filed a report with the Pend Oreille County Sherriff’s Office, which investigated and referred the case to the FBI. We will share our investigation results with the FBI.

## Background and Investigation Results

The Town, located in Pend Oreille County, has a population of about 175 and operates on an annual budget of about \$440,000. An elected, five-member Council with a separately elected Mayor governs the Town. A Clerk-Treasurer, hired by the Council and Mayor, oversees the Town’s daily operations. The Clerk-Treasurer has key financial system access and handles cash receipting, processing disbursements including payroll, filing the Town’s annual financial reports, and reconciling Town credit card and bank accounts. The Town hired the Clerk-Treasurer described in this report in July 2019.

In 2024, the Clerk-Treasurer did not submit the Town’s annual financial reports to our Office by its deadline of May 29, 2024.

In October 2024, our Office began a scheduled assessment audit of the Town, which included requesting financial statement records and supporting documentation from the Clerk-Treasurer. This same month, the Town's insurance company notified our Office it was terminating the Town's insurance coverage effective January 1, 2025, due to nonpayment.

During the assessment audit period, the Clerk-Treasurer did not provide financial records to our Office despite multiple requests.

In June 2025, the Pend Oreille County Road Department notified the Town Mayor it had not received payment for work completed and billed in October 2024. The Mayor and Mayor Pro Tem reviewed Town bank account statements and discovered the Clerk-Treasurer made a high volume of unexpected transfers between Town bank accounts. The Mayor and Mayor Pro Tem also noticed multiple personal debit card purchases and electronic fund transfers (EFTs) that had no clear business purpose.

The Town filed a police report with the Pend Oreille Sherriff's Office on June 10, 2025, and the following day placed the Clerk-Treasurer on administrative leave. The Town Council later terminated the Clerk-Treasurer's employment on June 24, 2025.

We opened an investigation that focused on Town bank account activity, debit and credit card charges, and payroll. We issued subpoenas for banking records, credit card statements and certain vendor records the Town did not have in its possession. We determined through our investigation that the Clerk-Treasurer misappropriated at least \$227,828 between August 2019 and June 2025. The following are the results of our investigation into those areas:

#### *Bank transfers and reconciliation*

We reviewed bank statements for the period of July 2019 to June 2025. We found the Clerk-Treasurer processed many more transfers than necessary to conduct normal business. These transfers passed funds between the Town's general operating checking and money market accounts. The money market account was used to receive revenue, whereas the checking account was used for issuing payments.

We were able to reconcile all bank account transfers between Town accounts.

We found the Clerk-Treasurer consistently printed and saved bank statement reconciliations from August 2019 through December 2022. From January 2023 until the end of our investigation period in June 2024, the Town's physical records were incomplete, though the Clerk-Treasurer performed these reconciliations in the accounting system. Our review determined that the Clerk-Treasurer falsified accounting entries to legitimate Town vendors, which concealed misappropriated EFTs, debit and credit card charges.

### *Credit and debit cards*

The Town approved issuance of a credit card for the Clerk-Treasurer. The Clerk-Treasurer also held a debit card in her name, though without documentation of Council approval. These cards gave her the ability to make unallowable personal purchases and bypass the accounts payable process, which she then did.

We additionally determined the Clerk-Treasurer had access to another employee's credit card. We reviewed that card's statements and identified questionable and misappropriated charges. These charges were similar to misappropriations found on cards issued to the Clerk-Treasurer; however, we could not assign responsibility for these misappropriations because both the other employee and the Clerk-Treasurer had access.

We reviewed credit card statements and debit card charges for the period December 2019 to June 2025 and found:

- The Clerk-Treasurer misappropriated at least \$172,568 in credit card charges between December 2019 and June 2025. Our review of the Town's accounting system found the Clerk-Treasurer did not properly record credit card transactions and card payments. With some transactions, falsified entries concealed payments made by the Clerk-Treasurer to the credit card vendor. In other instances, entries simply lacked adequate detail of underlying charges or did not describe which cards were being paid.
- The Clerk-Treasurer misappropriated \$39,843 in debit card charges between August 2020 to May 2025.
- Misappropriated credit and debit card charges occurred both during and outside of the Clerk-Treasurer's work schedule, including several out-of-town and out-of-state locations, such as restaurants, retail establishments, auto services and medical or beauty services.
- Misappropriated credit and debit card charges included groceries, including alcohol, pet supplies, medications and household items; subscriptions, including phone services, TV and entertainment, food service delivery, a clothing membership, children's items and nonbusiness travel expenses. We found amounts going to personal digital payment accounts held in the Clerk-Treasurer's name. The Clerk-Treasurer used these accounts to purchase goods from online merchants and make peer-to-peer payments with friends and family members.
- A total of \$1,501 in unassigned misappropriations occurred on another employee's credit card between September 2019 and April 2024.
- Additionally, we identified 10 cash withdrawals totaling \$1,063 that we determined were misappropriation assigned to the Clerk-Treasurer.
- We also summarized \$16,460 in questionable purchases occurring between December 2019 and December 2023, but we were unable to determine whether these expenditures were for legitimate business purposes as the Town did not have adequate documentation to show they related to Town business.
- Based on our review of the Clerk-Treasurer's credit card statements, we identified interest and fees of \$3,506 incurred between the months of January 2020 and September 2025.

## *Payroll*

We reviewed payroll checks and electronic payments processed to the Clerk-Treasurer for the period of July 2019 to June 2025 and compared this to Town records. We found the Clerk-Treasurer regularly issued herself payroll advances before the typical payroll processing date. Further, we identified a misappropriation of \$10,243 in additional EFTs that were not recorded in the payroll system between August 2019 and March 2025. We also summarized \$14,280 in questionable amounts paid between April and May 2025. These amounts were within authorized wages, but the Clerk-Treasurer had stopped preparing payroll entries while continuing to issue herself EFTs.

To determine if any additional misappropriations occurred, we examined systems accessible to the Clerk-Treasurer. We reviewed cash receipting, utility adjustments, and accounting system adjustments and did not find additional misappropriations. However, we did identify four unexpected deposits totaling \$13,925 between May 2024 and June 2025 that lacked support as legitimate revenue of the Town. We were able to confirm these were not personal repayments by the Clerk-Treasurer.

In June 2025, the Pend Oreille Sherriff's Office interviewed the former Clerk-Treasurer who acknowledged she made personal purchases at multiple vendors for herself and her family including groceries and mulch. The Clerk-Treasurer said she used Town resources to assist nonprofits she was involved with and to support those who depended on her. She also said she attached the Town's debit card to her personal electronic payment app so she could pay someone who had done work for the Town. Our investigation did not identify any valid Town business transactions through the Clerk-Treasurer's personal payment apps.

## **Control Weaknesses**

Internal controls at the Town were not adequate to safeguard public resources. The Mayor and Council relied on the Clerk-Treasurer to perform many duties without properly overseeing her. Specifically:

- The Clerk-Treasurer had full access to the Town's accounting system, credit cards and bank accounts. This access, combined with a lack of oversight, afforded her the ability to make unallowable personal purchases using Town debit and credit cards, process unsupported EFTs, process additional payroll issuances and inaccurately record expenditures in the accounting system.
- No one completed an independent review of the Town's bank statement activity or reviewed original supporting documentation for transactions. The Clerk-Treasurer was solely responsible for reconciling bank statements to accounting system records. This allowed for unsupported transactions, such as debit card charges and EFTs, to appear on bank statements without anyone questioning them.
- The Town had not adopted policies governing the use of credit and debit cards or employee travel.

## Recommendations

We recommend the Town establishes effective management and oversight of its financial operations.

At a minimum, the Town should increase review and monitoring over:

- Accounts payable transactions, authorized travel, credit cards, debit cards and banking activity to ensure payments are appropriate, supported, paid to valid businesses and made only for allowable public purposes. This should include someone independently reviewing the Town's bank statements and credit card statements.
- Employee timesheets and payroll disbursements to ensure amounts paid reflect time earned and leave buyouts are in accordance with Town policy.
- Adopt policies and procedures to strengthen controls over when credit card or debit card purchases are allowable.

We also recommend the Town seek recovery of the misappropriated \$223,717, questionable amounts as appropriate, and related investigation costs of \$96,613 from the former Clerk-Treasurer 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](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).

## Town's Response

*The Town acknowledges the findings outlined in the fraud investigation report. The findings were expected based on the circumstances reviewed.*

*Since discovery of fraud protecting public funds and restoring trust in our financial processes has been a top priority for the Town Council and administration. Since that time, the Town has taken several actions to strengthen our financial policies, internal controls, and oversight procedures. These improvements include implementing overlapping responsibilities where possible within our small staff. We have increased Council review of financial reports, established a clearer approval process for expenditures, and improved documentation practices. We have worked very hard to update our Financial Management Procedures to better align with State Auditor expectations and best practices advised by MRSC for small municipalities.*

*The Town is committed to ongoing training for the Mayor, Council, and Town Clerk, to promote transparency, and to maintain compliance with Washington State requirements. We have learned a hard lesson, and we understand the importance of strong internal controls and remain committed to continuous improvement.*

## **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.

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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.

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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.

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