



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Mabton School District

No. 120

For the investigation period August 31, 2024 through March 31, 2025

Published May 4, 2026

Report No. 1039565



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



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

May 4, 2026

Board of Directors
Mabton School District No. 120
Mabton, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Mabton School District No. 120. On April 11, 2025, 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 unallowable activities at the District from August 31, 2024 through January 31, 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: Elyse Mengarelli, Superintendent

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.

FRAUD INVESTIGATION REPORT

Investigation Summary

On April 11, 2025, the District notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). On August 29, 2024, an employee notified the District's payroll department that their August paycheck contained an overpayment for work performed in July. After investigating the concern, the District found 35 employees had received overpayments totaling \$84,102. The District informed the employees and recovered the overpaid funds from all but three employees. This resulted in a misappropriation of \$5,690.

The District's investigation also identified a former Program Coordinator continued to receive monthly payroll compensation for five months after her District employment ended in August 2024, totaling \$20,944 in misappropriation.

We reviewed the District's investigation and determined a payroll misappropriation occurred at the District totaling \$26,634 between August 31, 2024, and January 31, 2025.

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

Background and Investigation Results

The District, located in Yakima County, operates on an annual budget of about \$15.4 million including \$11.7 million in payroll expenses. In fiscal year 2024 it had 116 full-time employees. The District serves about 680 full-time equivalent students. An elected, five-member Board of Directors governs the District. The Board appoints a Superintendent to oversee the District's daily operations and the Superintendent hires the Business Manager, who is responsible for key financial functions including payroll.

When an employee works additional hours, the Business Manager is responsible for uploading the supplementary timesheets into the payroll system and for recording the hours worked. In July 2024, the Business Manager entered supplementary payroll hours twice, resulting in an overpayment to 35 employees totaling \$84,102 in August 2024.

On August 29, 2024, an employee notified the District's payroll department that they were overpaid for work performed in July and paid to them in August. The District performed an investigation into the matter and identified 34 other employees were also overpaid in August, totaling \$84,102. The District notified these employees of the overpayment and was able to recoup overpaid amounts for all but three of these employees, resulting in a misappropriation of \$5,690.

The District's investigation also identified that a Program Coordinator, who left employment with the District in July 2024, continued to receive her monthly payroll compensation for five months after her employment had ended, totaling \$20,944 in misappropriation.

On March 11, 2025, the District sent certified letters requesting repayment from the three former employees and the former Program Coordinator who had not repaid the District.

We reviewed the District's investigation and determined a payroll misappropriation occurred at the District totaling \$26,634 between August 31, 2024, and January 31, 2025. As of the date of this report, these people have not repaid the District or responded to the District regarding the overpayments.

The District did not file a police report related to this misappropriation.

Control Weaknesses

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

- The District lacked adequate oversight and review of payroll, including the inputting of supplementary timesheet hours and ensuring employees are properly removed from the payroll system once they leave District employment.

Recommendations

We recommend the District evaluate and strengthen internal controls over payroll. Specifically, we recommend it conducts a thorough and detailed review of monthly payroll to ensure hours are inputted correctly and only current employees are receiving payment.

We also recommend the District seek recovery of the misappropriated amounts not yet recovered, which total \$26,634 and related investigation costs of \$7,674 from the former employees 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. 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.

District's Response

The Mabton School District is in receipt of the investigation findings regarding the payroll misappropriation totaling \$26,634. We take our responsibility as stewards of public funds with the utmost seriousness. Following the initial discovery of these discrepancies, the District has aggressively pursued a comprehensive overhaul of our financial and payroll systems to prevent any recurrence.

To remedy the internal control weaknesses identified in the investigation, the District has implemented the following systemic changes:

1. Enhanced Regional Oversight & Support

- Multi-ESD Oversight: We have established formal oversight of our payroll through ESD 113 and ESD 112. Additionally, we have secured broader financial oversight through ESD 112 and ESD 105.*
- Standardized Training: Our payroll department has been fully retrained using the ESD 113 model. We now maintain direct access to specialized support personnel at the ESD to assist with complex entries and troubleshooting.*

2. Strengthened Internal Control Procedures

- Multi-Level Review: Our Human Resources Director and Business Manager now conduct a thorough joint review and approval of the preliminary payroll report each month before any funds are disbursed.*
- Board Accountability: To ensure a final layer of accuracy and transparency, the School Board now reviews and approves the payroll at the end of each month.*
- Documented Systems: In collaboration with ESD 105, we have audited and improved our internal controls. We are in the process of documenting formal, step-by-step procedures to ensure all employees follow standardized protocols for payroll accuracy.*

3. Recovery of Funds

The District acknowledges the recommendation to seek recovery of the \$26,634 in misappropriated funds and the \$7,674 in investigation costs. We are currently evaluating our options for recovery through the former employees and our insurance company. We remain mindful of the requirements under RCW 43.09.260 and will ensure any potential settlements are approved in writing by the Attorney General and the State Auditor's Office.

We are committed to full cooperation with the Yakima County Prosecuting Attorney's Office and your department as this matter moves forward. We believe these new controls create a robust framework that ensures our payroll is restricted to current employees and that all payments are verified for accuracy.

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. 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

- [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