



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

City of Tumwater

For the investigation period December 1, 2017 through August 5, 2024

Published June 12, 2025

Report No. 1037347



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

June 12, 2025

Mayor and City Council
City of Tumwater
Tumwater, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the City of Tumwater. On July 15, 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: Shelly Carter, Assistant Finance Director

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FRAUD INVESTIGATION REPORT

Background and Investigation Results

On July 15, 2024, the City notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). In May 2024, the Parks and Recreation Manager took a pair of the City's vehicle ramps for personal use. When City officials learned about this, they placed the Parks and Recreation Manager on administrative leave on July 15, 2024, and began an investigation into other areas where the Manager had access to public resources.

The City reviewed the Manager's credit card purchases from December 2017 to July 2024. While reviewing purchases, the City considered several factors, including the purchase date, time, location, and whether the item would be an expected purchase by a Parks and Recreation Manager. City officials also considered whether the items could be located in City facilities.

Between July and August 2024, the City also interviewed Parks and Recreation employees who would generally be aware of projects or uses for the purchases that the Manager made. When shown some examples of purchases the Manager made, employees indicated the purchases could be related to Parks and Recreation projects, but that a Manager typically would not have bought the items. Rather, employees more directly related to the projects would have used their own City-issued credit cards.

The City interviewed the Manager on July 15, 2024, and again on August 5, 2024. The Manager said he used a City credit card to make some personal purchases. After the first interview, on July 18, 2024, the Parks and Recreation Manager contacted one of the City's custodians and asked her to return several items from his home to the City's facilities shop. The custodian said she would not do that and reported the contact to City officials.

The City's investigation determined that between December 2017 and July 2024, the Manager misappropriated \$13,844 in personal credit card purchases, with an additional \$5,982 in questionable credit card purchases that were unclear if they were for a legitimate business purpose.

The City terminated the Manager's employment on August 5, 2024, and withheld \$11,794 related to the misappropriation from his final paycheck, giving him credit for City assets he ultimately returned from his home.

We reviewed the City's investigation. We agree the Manager was responsible for misappropriation and questionable purchases, but we came to a different conclusion regarding how the losses are categorized.

Most Parks and Recreation employees generally buy their own supplies and parts with City-issued credit cards. Because of this expectation, the Manager should not have needed to purchase many of the items he did, even though they could be for a legitimate business purpose.

For this reason, we determined the Manager misappropriated at least \$5,434 in personal purchases between February 2018 and July 2024 and made questionable purchases of \$14,682 between December 2017 and June 2024.

Control Weaknesses

Internal controls at the City were not adequate to safeguard public resources. While all Parks and Recreation credit card transactions went through a secondary review to help ensure the charges were supported, allowable and appeared reasonable, this review was not effective in identifying many instances in which the Parks and Recreation Manager made purchases that were not for City purposes. Discussions with City employees revealed that the review was not effective because, while the reviewer was familiar with what purchases would be reasonable for Parks and Recreation employees in general, they were not familiar with the specific purchases that would be expected for a Parks and Recreation Manager.

Recommendations

We recommend the City strengthen its internal controls over the Parks and Recreation Department's credit card processes to safeguard public resources. At a minimum, the City should ensure staff responsible for reviewing credit card transactions are aware of expected credit card charges for the specific employees making the purchases.

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

We also recommend the City seek recovery of the related investigation costs of \$11,400 from the former Parks and Recreation Manager 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

The City of Tumwater appreciates the work of the State Auditor's Office (SAO) and the opportunity to respond to this report. As pointed out in the report, City of Tumwater staff discovered the misappropriation and investigated. The City then did its best to make itself whole by recouping funds from the employee's final paycheck.

To improve internal controls, the City of Tumwater Finance Department created a training program for City staff. We rolled out the training in January 2025 and delivered it to five City departments and to the Administrative Professionals group, which includes the primary credit card processors and approvers for the entire City. Finance Department Accounts Payable staff, as well as administrative staff and managers, are now providing additional scrutiny to all credit card transactions.

It's not uncommon to have differences in professional judgment when it comes to deciding which transactions are classified as misappropriation versus questionable. The difference can be a fine line, and it comes down to what each person thinks could be proved in court. To take the most conservative approach to this matter, we will defer to SAO's determination of the final amount of misappropriation. The City will attempt to recover the SAO determined amount of misappropriation, plus investigation costs, minus the amount already recouped by the City. That total is \$5,040.

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.

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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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