



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Grant County Port District

No. 3

(Port of Mattawa)

For the investigation period June 14, 2022 through December 2, 2023

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

June 12, 2025

Board of Commissioners
Port of Mattawa
Mattawa, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at Port of Mattawa. On May 14, 2024, the Port 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 Executive Director's unallowable activities at the Port from June 14, 2022 through December 2, 2023. 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: Gil Alvarado, Executive Director

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FRAUD INVESTIGATION REPORT

Investigation Summary

On May 14, 2024, the Port notified our Office regarding a potential loss of public funds, as required by state law (RCW 43.09.185). The current Executive Director noticed credit card charges for personal expenses related to the former Executive Director, including tuition payments, hotel expenses, and clothing.

We investigated and determined that a credit card misappropriation occurred at the Port, totaling at least \$6,958 between June 14, 2022, and December 2, 2023. We also found questionable transactions totaling \$10,486 that occurred between December 14, 2022, and November 17, 2023, for which we were unable to determine if they had a legitimate business purpose.

To determine if any additional misappropriation occurred, we examined other areas the former Executive Director had access to. We reviewed payroll, cash receipting, and accounts payable records and did not find additional misappropriation, however, we did find questionable payroll transactions of \$14,740.

As of May 14, 2025, the Port had not filed a police report. We will refer this case to the Grant County Prosecuting Attorney's Office.

Background and Investigation Results

The Port, located in Grant County, promotes economic and industrial development within its boundaries. The Port operates on annual revenues of about \$1,000,000. Three Commissioners govern the Port. An Executive Director runs daily operations and oversees two employees. The Executive Director is responsible for duties including making purchases, reviewing and approving purchases, reviewing and approving payroll, and signing checks.

In November 2023, the Executive Director resigned. The Board hired a new Executive Director the same month. In preparation for the Port's regular scheduled audit in March 2024, the current Executive Director reviewed multiple years of credit card statements and identified payments that appeared to be unrelated to normal operations. He notified our Office. Many of the former Executive Director's purchases were unsupported and appeared personal. They included payments to a university and fuel purchases in North Bend, Washington, which is not a location Port employees routinely visit for business purposes.

Our investigation focused on credit cards and payroll for the period of January 2022 to December 2023, which is when the former Executive Director was responsible for making, reviewing and approving purchases, including all payroll transactions.

Credit Cards

During the investigation period, the Port's credit card bills increased from \$66,493 in 2021 to \$96,663 in 2022 and \$142,772 in 2023.

Our investigation focused on purchases occurring outside the Port's regular business hours, purchases made on weekends, and purchases made outside the Port's general business area of Mattawa, Washington. We determined through our investigation that the former Executive Director misappropriated at least \$6,958 through personal purchases between June 14, 2022, to December 2, 2023. The purchases related to a variety of personal items, such as clothing, college expenses, hotels, fuel, and meals.

The Executive Director repaid the Port for some personal purchases totaling \$3,619. This included \$3,000 to partially repay \$3,522 in lodging expenses he charged for an out-of-town trip to attend college classes in September 2022.

We also found questionable transactions totaling \$10,486 that occurred between December 14, 2022, and November 17, 2023, for which we were unable to determine if they had a legitimate business purpose. These questionable transactions included various purchases of fuel, food and beverages.

Payroll

On April 13, 2020, the Executive Director prepared, and the Board of Commissioners approved, a policy that said unused sick leave could not be cashed out. However, in December 2022 and November 2023, the Executive Director cashed out his own unused sick leave totaling \$13,100. The Executive Director was responsible for reviewing and approving payroll, including his own paychecks, as well as cash-out forms. The former Executive Director approved all his own cash-outs except for the last one, which was approved after he left employment by the new Executive Director, who was not aware of a policy prohibiting it.

Additionally, for a week in September 2022, the Executive Director was out of town attending college classes, but did not record any vacation leave. While Port Commissioners allowed the Executive Director to attend classes, this typically occurred on the weekends and not during Port work hours. Without additional documentation, we are unable to confirm whether the Commissioners agreed he could take time off for education without using leave. We consider \$1,640 of time paid to the Executive Director during this week as questionable.

After examining other systems, the former Executive Director had access to, we did not identify additional misappropriation, however, we issued separate recommendations in payroll and accounts payable in our accountability audit report.

In February 2025, we interviewed the former Executive Director, the office manager and one board member to gain an understanding of the expected use of Port credit cards and the monitoring controls over purchases. The Port held five credit cards. One was issued to a Commissioner, one was issued to a maintenance technician, and three were issued to the Executive Director. During the interviews, we learned that two credit cards in the former Executive Director's name were kept in the safe and staff could use them for purchases of office supplies, fuel or while attending conferences. However, no one kept a log to track who used the cards and for what purpose.

During the interview with the former Executive Director, he acknowledged making some personal purchases with Port credit cards for items including clothing, hotel expenses, and fuel and meals while attending college classes. He said that he thought the Port would cover expenses to further his education but later found out that those purchases were not allowable. When asked about cashing out sick leave, he said he was not aware of sick leave cashouts were not allowed, even though the employee handbook was created while he was in the role and made clear that employees do not receive payment for unused sick leave.

In April 2025, we provided the former Executive Director with a list of personal purchases, such as hotel expenses, fuel and meals, and asked for supporting receipts to demonstrate if these were for Port business. He responded, only saying these expenses were related to Port business and did not provide any supporting records to demonstrate the business purpose.

Control Weaknesses

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

- Credit card purchases were not always supported with itemized receipts or other documentation to support the validity of the transaction.
- The Port did not maintain a log to track or monitor who used two of the Port credit cards.
- The Executive Director was responsible for most key financial duties without proper oversight. He was the only employee with check signing authority, made purchases, approved his own purchases, paid the credit card balances each month and authorized payroll transactions to himself. While the Board of Commissioners approved a listing of checks, they did not perform a detailed review of the credit card purchases or payroll disbursements.

Recommendations

We recommend the Port establish effective management of its operations. This should include:

- Establishing adequate monitoring procedures to ensure credit card purchases are made only for allowable and valid public purposes.
- Either assigning a credit card to only one person, or maintaining documentation of custody to clearly identify who made which purchases.
- Requiring and retaining supporting documentation for all transactions to demonstrate their public purpose.
- Establishing an independent review of all employee payroll and leave to detect and prevent errors.

We also recommend the Port seek recovery of the remaining misappropriated amount of \$3,339, questionable amounts, as appropriate, and related investigation costs of \$26,220 from the former Executive Director and/or its insurance bonding company, as appropriate. Any compromise or settlement of this claim by the Port 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 Local Audit and Special Investigations, who can be reached at (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

Port's Response

The Port of Mattawa (the "Port") has reviewed the Fraud Investigation Report (the "Report"). The Port appreciates the work done by the Office of the Washington State Auditor's (the "SAO"). The Commissioners have reviewed the report and concurs in the findings in the Report. Gil Alvarado will be the contact for the Port of Mattawa. His email address is g.alvarado@portofmattawa.org.

The Port will develop, adopt and implement sufficient internal control policies to:

- *Require and track itemized receipts for each credit card purchase necessary to support the validity of each credit card transaction and ensure Port credit card purchases are made only for allowable and valid public purposes.*
- *Assigning Port credit cards to individuals.*
- *Implement a log to monitor personnel that utilize Port credit cards.*
- *A process to insure that the Commissioners are able to provide sufficient oversight of all credit card transactions.*
- *Establishing an independent review of all employee payroll and leave to detect and prevent errors.*

These internal controls will be developed with the assistance of Port counsel over the next several months. We will also reach out to other port districts and the Washington Public Ports Association finance committee to identify best practices. Once these policies are developed they will be presented to the Commission in an open public meeting for approval.

In addition, with regard to the loss that prompted the investigation, the Port will take the following actions:

- *File a claim with the Port's insurance carrier.*
- *Seek recovery of the misappropriated public funds and related investigative costs*

The Port understands that SAO will submit the final Fraud Investigation Report to the Grant County Prosecutors Office for their consideration. The Port also understands any proposed compromise or settlement must be approved by the SAO and the Attorney General's Office.

In conclusion, the Port of Mattawa appreciates the work done by the SAO and is committed to following the recommendations contained in the Report.

Auditor's Remarks

We thank Port officials and personnel for their assistance and cooperation during the investigation. We will follow up on the Port's internal controls during the next audit.

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