



Office of the Washington State Auditor  
Pat McCarthy

# Fraud Investigation Report

## Town of Latah

For the investigation period January 1, 2020 through April 16, 2024

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

November 10, 2025

Mayor and Town Council  
Town of Latah  
Latah, Washington

**Report on Fraud Investigation**

Attached is the official report on a misappropriation at the Town of Latah. In February 2024, our regularly scheduled assessment audit detected a potential loss of public funds.

This report contains the results of our investigation of the former Clerk-Treasurer's unallowable activities at the Town from August 27, 2021 through April 16, 2024. 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: Tahnee Constancio, Clerk-Treasurer

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# FRAUD INVESTIGATION REPORT

## Investigation Summary

In September 2023, we began our regularly scheduled assessment audit of the Town of Latah. During our audit, we identified a potential loss of public funds related to unusual and unsupported credit cards transactions and payroll disbursements. As a result, in February 2024, we opened an investigation to determine if a misappropriation occurred.

Our investigation determined a multi-scheme misappropriation totaling \$76,430 occurred between January 2021 and April 2024. Of this amount, the Clerk-Treasurer is responsible for at least \$75,124. We also identified \$45,013 in questionable amounts during this same time period. 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.

Summary of results		
Investigation area	Misappropriation	Questionable
Credit and debit cards	\$62,060	\$18,014
Payroll	\$12,669	\$23,689
Utility adjustments	\$1,400	\$0
Accounts payable	\$300	\$3,310
<b>Total</b>	<b>\$76,430</b>	<b>\$45,013</b>

The Town’s attorney filed a police report with the Spokane County Sheriff’s Office, which investigated and referred it to the Spokane County Prosecuting Attorney’s Office. In January 2025, the Prosecuting Attorney filed first-degree theft charges that ultimately resulted in the Clerk-Treasurer pleading guilty in May 2025 to one count of first-degree theft in Spokane Superior Court.

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

## Background and Investigation Results

The Town is in Spokane County, has a population of about 170 people and operates on an annual budget of about \$240,000. An elected, five-member Council sets and approves all Town policies. The Mayor oversees the Clerk-Treasurer, who is responsible for the Town’s daily operations. The Clerk-Treasurer has key financial system access and processes utilities, payroll and accounts payable, and reconciles bank and credit card statements to supporting documentation. The Town hired the Clerk-Treasurer in November 2020.

In September 2023, our Office began a regularly scheduled assessment audit of the Town, which included requesting financial statement records and supporting documentation from the Clerk-Treasurer. During our review of credit card and payroll records, we identified personal purchases the Clerk-Treasurer made, and in February 2024, we opened an investigation.

In April 2024, the Town's attorney identified other concerning purchases by the Clerk-Treasurer and contacted our Office. The Town terminated the Clerk-Treasurer's employment and filed a police report with the Spokane County Sheriff's Office on May 3, 2024.

Our investigation focused on payroll, debit and credit card charges, accounts payable, utility adjustments, and use of the Town vehicle between January 2020 and April 2024. We issued subpoenas for banking records, credit card statements, and certain vendor invoice records the Town did not retain or provide to us for audit.

### *Credit and Debit Cards*

The Clerk-Treasurer and Mayor were each assigned a Town credit card. Beginning in 2021, the Clerk-Treasurer made unallowable and personal purchases on both her and the Mayor's credit cards. In 2023, the Clerk-Treasurer obtained a Town debit card without Council approval. This gave her the ability to make unallowable personal purchases and bypass the accounts payable process, which she then did. Our review of the bank and credit card statement identified that the Clerk-Treasurer spent at least \$60,755 on personal purchases between August 27, 2021, and March 26, 2024. In total, \$62,060 was misappropriated, but we could not confirm who made some of the purchases. Personal purchases included groceries, clothing, household items, fuel, personal loan payments, delivery service fees and more. Many personal purchases including local delivery services and online orders were delivered to the Clerk-Treasurer's home, as well as family member's homes and her mother's place of business.

We also identified \$18,014 in questionable purchases between November 7, 2021, and April 16, 2024. Because the maintenance employee also had access to the Town debit card, we could not identify who initiated some of these questionable purchases.

### *Payroll*

We compared employee timesheets to pay statements between January 2021 and April 2024 and identified:

- The Clerk-Treasurer misappropriated \$11,469 in payroll payments for overtime and regular hours she did not work and received a \$1,200 cash advance she did not repay.
- The Town paid the Clerk-Treasurer questionable amounts of \$6,099 for leave that was not reduced from balances earned, \$1,690 in overtime without a supporting timesheet, and \$965 in retroactive payments that we could not confirm were allowable.
- The Town paid other employees an additional \$14,935 that we consider questionable because payroll records did not support overtime, leave and retroactive payments.

### *Utility Adjustments*

We obtained a utility adjustment report and found the Clerk-Treasurer's personal account was delinquent. On October 11, 2023, the Clerk-Treasurer made a \$1,400 unauthorized adjustment on her account to offset past due amounts.

### *Accounts Payable*

We reviewed Town disbursements for the period of January 2020 to April 2024 and identified:

- The Clerk-Treasurer misappropriated \$300 in May 2023 and made a questionable payment to a vendor for \$380 related to the construction of new playground equipment; however, there were no supporting records, and we could not confirm the work was performed.
- The Town paid the maintenance employee questionable amounts of \$2,930 as reimbursement for business he conducted on behalf of the Town. We obtained copies of supporting invoices for the purchase of new tires on October 12, 2023, and backhoe equipment repairs on October 20, 2023. From these invoices we could not confirm whether the Town received the tires or if repair services occurred because invoice records did not appear legitimate.

### *Unauthorized Use of Town Vehicle*

On October 12, 2023, the Town purchased a truck. On October 26, 2023, the Clerk-Treasurer obtained permission from the Mayor to use the truck for Town business. While in possession of the vehicle, the Clerk-Treasurer conducted non-business-related activities and was involved in a car accident. After the accident, the Town learned the Clerk-Treasurer did not properly register the truck with Department of Licensing until January 3, 2024. The accident resulted in the Town incurring \$300 in insurance fees.

On June 10, 2024, a Spokane County Sheriff's Office detective interviewed the former Clerk-Treasurer who acknowledged she used the Town's debit card at multiple vendors to purchase items for herself and her family including food, clothing and school supplies. She also used the card to purchase gas for her personal vehicle and to make her monthly car payment on several occasions. The Clerk-Treasurer also acknowledged she used the Town's vehicle on October 26, 2023, for personal reasons.

As mentioned, in May 2025, the Clerk-Treasurer pled guilty to one count of first-degree theft in Spokane Superior Court. She was then sentenced to two days in jail and not ordered to pay restitution.

## 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 proper oversight of those activities. Specifically:

- The Clerk-Treasurer had full access to the Town's accounting system, credit cards and bank accounts. This allowed her to process unsupported account payable transactions, process payments from questionable vendors, and make unauthorized personal purchases using Town debit and credit cards without any oversight.
- The Clerk-Treasurer had full access to the payroll system which allowed her to process pay to herself and other employees, including unearned overtime, improper leave reductions and cash advances without any oversight from management or Council.
- The Clerk-Treasurer obtained a debit card without approval from Council, allowing her to bypass the accounts payable process.
- The Clerk-Treasurer had full access to the utility billing system and credited her own account without oversight or approval from Council.
- The Town did not ensure the newly purchased vehicle was licensed and registered before use.
- The Town allowed the Clerk-Treasurer to use the vehicle without proper oversight, which led to her using it for personal reasons.

## Recommendations

We recommend the Town establishes effective management and oversight of its operations. The Town should segregate key financial duties across staff members; when that is not possible due to the limited number of staff, the Town should supplement with effective monitoring of those financial duties. At a minimum, the Town should increase review and monitoring over:

- Accounts payable transactions, credit cards and banking activity to ensure payments are appropriate, supported, paid to valid businesses and made only for allowable public purposes.
- Employee timesheets and pay statements to ensure amounts paid reflect time earned, leave is properly reduced, and overtime is paid in accordance with Town policy.
- Utility account adjustments to ensure credited amounts are allowable and authorized.

Additionally, the Town should:

- Ensure someone independently reconciles the Town's banking activity and credit cards to account for all its disbursements activity
- Stop the use of debit cards or only use them for imprest or petty cash funds with limited amounts and specific purposes.
- Refrain from lending credit to employees, which is unallowable per the state constitution.
- Adopt policies and procedures to strengthen controls regarding use of Town equipment.
- Ensure vehicles are properly licensed and registered with the State of Washington before use, as required by state law.

We also recommend the Town seek recovery of the misappropriated \$75,124, questionable amounts as appropriate, and related investigation costs of \$65,035 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 Local Audit and 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 of Latah is working on better policies and procedures to ensure numerous steps are taken by the new mayor and council members to ensure the town doesn't have to suffer the consequences of another misappropriation incident which hurt us all. The town council and mayor will be verifying the bank statements and credit card statements with all receipts and descriptions on what the purchases were used for are reconciled monthly and all timecards are presented with payroll checks for council's approval. Nobody will be allowed a debit card. There will be no lending of credit to town employees and no unauthorized usage of town equipment.*

## **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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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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