



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

William Shore Memorial Pool District

(Shore Metro Park District)

For the investigation period February 21, 2019 through August 19, 2025

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

November 3, 2025

Board of Commissioners
Shore Metro Park District
Port Angeles, Washington

Report on Fraud Investigation

Attached is the official report on questionable activities at Shore Metro Park District.

This report contains the results of our investigation of the Executive Director's activities at the District from February 21, 2019 through August 19, 2025. We believe this report will be of value to current District Board of Commissioners in addressing the control weaknesses included below, and in understanding the manner in which the Executive Director personally benefitted from the transactions reviewed. 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: Navarra Carr, Commissioner

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FRAUD INVESTIGATION REPORT

Investigation Summary

During a regularly scheduled audit, we identified unexpected payments to the Executive Director from the District's self-insurance medical benefits program, Internal Revenue Service (IRS) refund payments for social security taxes and multiple personal credit card purchases.

We opened an investigation. This report and the related audit work show the District lacked internal controls and procedures over its essential functions, including disbursements, credit cards and cash receipting. It also lacked adequate internal controls for ensuring compliance with state regulations for self-insurance. This report includes the results of our investigation into the unexpected payments and purchases related to the Executive Director, which are a matter of concern for District leadership.

We determined between February 21, 2019, and March 31, 2025, the Executive Director personally benefitted from at least \$41,148 in self-insurance medical benefits program payments, payroll tax refunds and credit card purchases. We also identified questionable amounts of \$25,980 from these payments and purchases in the same period. The table below shows the amounts from which he personally benefitted and questionable amounts by category. Questionable amounts mean we could not determine whether the expenditure was for a legitimate business purpose.

Executive Director	Personally Benefitted	Questionable
Self-insurance payments	\$19,067	\$8,736
Social security tax refund	\$14,338	\$0
Credit card purchases	\$7,743	\$17,244
Total	\$41,148	\$25,980

In addition, the District could not account for \$2,183 in public funds it received from the IRS, which we categorized as an unassigned loss: a loss that could not be attributed to a specific cause.

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

Background and Investigation Results

The District, located in Clallam County, operates on an annual budget of about \$2.7 million. A five-member Board of Commissioners governs the District, including two City of Port Angeles Council Members, two Clallam County Commissioners, and one community member. The Board of Commissioners appointed an Executive Director in 2010 after the District was established. The Executive Director position is responsible for planning, budgeting, organizing and directing all District programs. This includes working with the District's bookkeeper and Treasurer on all financial matters, performing bank reconciliations, journal entries, and preparing monthly financial reports to the Board for review and approval. Further, the Executive Director prepares and approves his own monthly credit card charges and reimbursement requests without oversight.

During our regularly scheduled audit in October 2024, auditors noticed unusual payments made by the District to the Executive Director, including self-insurance payments and frequent credit card purchases of gas. Our Office began asking for the Executive Director's employment agreement to determine the payments and purchases' validity. However, the Executive Director and governing body could not locate a copy for us. They explained the Executive Director's agreement had never been amended nor had they conducted performance evaluations since he was hired in 2010. Ten months after our initial inquiry, near the completion of our investigation, the Executive Director provided an unsigned copy of his original employment agreement from 2010 and an unsigned copy of an amended employment agreement from 2014. The 2014 amended agreement outlined some of the language below in the Director-provided agreement:

- Pay of \$2,500 per month
- Payment toward benefits he may select, in the amount of 10% of his salary per pay period, and may cumulate such payments, up to a maximum of \$4,500
- Monthly vehicle expense allowance of \$250

Our investigation focused on payments for self-insurance, social security tax refunds to the Executive Director and his credit card purchases. We determined through our investigation that the Executive Director personally benefitted from at least \$41,148 in self-insurance medical benefits program payments, payroll tax refunds and credit card purchases.

Self-insurance medical benefits program

The District's self-insurance program was intended to reimburse employees for allowable nontaxable events such as medical costs. However, the District did not have any policies, signed employment agreements or written procedures identifying the terms of the District's self-insurance program. Normally, such policies would lay out terms like employee/employer contributions, maximum program balances, carryover provisions and allowability of payouts for nontaxable events.

Consequently, for the period January 2022 through December 2023, we found the following:

- The District contributed approximately \$555 per month to the self-insurance program of which the Executive Director was the only participant receiving benefits. The Executive Director did not make any contributions to the account.
- The Executive Director received \$19,067 in payments from the District's self-insurance program. Of this amount, he received \$9,000 in July 2022. This payment was to simply reduce the balance held by the District, though there were no related medical expenses, and it was not processed as taxable compensation. Other payments included \$4,212 in duplicate reimbursements for medical expenses and \$4,154 in unsupported payments.
- At least \$9,205 in self-insurance payments to the Executive Director did not get deducted from the program's available balance. Had these payments been appropriately posted to reduce the account, it would have caused the program to have a negative balance, and funds should not have been paid to the Executive Director.

Additionally, from January 2021 to March 2025, we determined the Executive Director received \$8,736 in payments for the self-insurance program or other purposes. However, we did not perform additional testing to confirm if these payments were allowable and supported. As a result, we consider them questionable.

Social security tax refund

In November 2021, the Executive Director received notice from the Department of Retirement Systems that he may be eligible for a refund of social security taxes withheld from his wages. The Executive Director prepared and submitted revised 941-X reports to the IRS for all quarters from 2018 through 2021. He requested refunds of both the employer's and employee's (his) social security taxes paid, though the form indicated half would belong to the District. Between January 2022 to March 2025, the District received \$30,860 from the IRS, the total of both employer and employee taxes, for refunds of taxes remitted plus interest earned. In September and October 2022, the Executive Director prepared two deposits into the District's bank account totaling \$28,677. Immediately following each deposit, he requested the contracted bookkeeper issue a check paid to him. The two checks combined totaled \$28,677.

We determined through our investigation that the Executive Director personally benefitted from \$14,338 that was not due to him, as it was the District's half (the employer portion) of the IRS refund amount deposited.

In addition, the District could not account for the remaining \$2,183 in public funds received from the IRS, which we found to be an unassigned loss.

Credit card purchases

During the period of February 2019 through March 2025, the Executive Director charged over \$190,000 on his District credit card. This included fuel purchases totaling almost \$21,000. However, the Executive Director did not have a District vehicle nor was he responsible for fueling the District vehicle.

We determined through our investigation that the Executive Director made personal purchases of at least \$7,743 of which \$5,551 related to fuel purchased outside the District's business area, including in Eastern Washington, Oregon, Idaho and Montana. Other personal purchases included an oil change on his spouse's car, transportation costs in Amsterdam while not on District business, and prescription glasses. We did note the Executive Director repaid \$1,090 in personal purchases on various dates.

We also found an additional \$17,244 in questionable amounts, of which \$15,220 related to fuel purchased inside the District's business area. Other questionable amounts included ferry fares for nonstandard vehicles, car services, car washes, and bridge and highway tolls. We could not determine if these credit card purchases were for a legitimate business purpose.

We examined other systems the Executive Director had access to determine if he had personally benefitted further, including cash receipting and payroll. While we did not identify additional areas where he personally benefitted, we did find a check payment written by the Executive Director in October 2021 for \$1,435 to the Friends of the Shore Aquatic Center. According to the Secretary of State's business registry, the Executive Director is the registered agent. Additionally, we issued a separate recommendation over cash receipting in our accountability audit report related to \$10,899 in credit card reward checks received that we were unable to tie to bank deposits.

Interviews

In May and June 2025, we interviewed two of the District's Board of Commissioners and the District's former contracted bookkeepers. In May and August 2025, we also interviewed the Executive Director. The following information is what they said about the self-insurance program, the social security tax refund and credit card purchases.

Self-insurance medical benefits program

The self-insurance program was intended to reimburse the Executive Director for medical expenses or other acceptable nontaxable events. When asked about the \$9,000 check paid to him in 2022, the Executive Director said the former contracted bookkeeper told him to issue a check to himself to reduce the District's self-insurance program liability balance. He confirmed there were no supporting medical receipts, and the payment was not included in his taxable compensation.

However, the former contracted bookkeeper said he did not know about the check and did not direct the Executive Director to issue the check. The bookkeeper retired in 2019 and was not working with the District in 2022. When we informed the Executive Director of this in a subsequent meeting, he then changed his response and said that he instructed a different former contracted bookkeeper to issue the check to him in order to reduce the District's liability balance.

Social security tax refund

When we interviewed the Executive Director about the tax refund submission and payment process, he said he thought the amount on the revised 941-X reports only showed the employee portion. He told the former bookkeeper to pay him the full amount of the IRS refunds deposited, which included the employer portion. After reviewing the reports together in the interview, he acknowledged that he owed the District for half the amount he received, as the forms showed half of the IRS refund belonged to the District.

Credit card purchases

The Executive Director said he often works Tuesday through Thursday. He spends about 80-90% of his time working from the pool building and occasionally works from home. He also said he might have to return empty chemical barrels to Seattle once a year or so. The Executive Director said he uses his District-issued credit card to pay for personal costs like gas and oil changes. He clarified that most of them are personal and said they are his fuel allowance that was discussed in his employment agreement. However, allowances should be paid as taxable compensation and not as personal expenses charged on the District's credit card.

The Commissioners were not aware of any employees receiving a fuel allowance and anticipated that all District credit card charges, including for gas, would be made for business purposes and accompanied by a receipt. Both Commissioners agreed the Executive Director may need to fill up his personal car on occasion, but it would be uncommon.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. Due to the lack of employment agreements and policies, and inaccurate and incomplete accounting records presented by the Executive Director, the Board of Commissioners did not have an adequate understanding of the Executive Director's financial activities when approving expenditures. We found the following weaknesses allowed the questionable activities to occur:

- The Executive Director prepared the Transactions for Ratification report, which the Board of Commissioners used to approve all District expenditures. The Board believed the report included all District expenditures; however, it did not include payroll expenses and some accounts payable expenses, including some payments to the Executive Director.
- The Executive Director prepared and approved his own reimbursement requests and monthly credit card reconciliation forms. The District's controls were inadequate to verify all expenses.
- The conditions of the District's self-insurance program, including employee/employer contributions, maximum program balances, carryover provisions, and allowability of payouts for nontaxable occurrences, were not clearly stated in any written policies or procedures or employment agreements. The Executive Director told us benefits such as the self-insurance program and fuel allowance were defined in his employment agreement. However, the unsigned draft agreements provided late in the investigation did not sufficiently clarify the appropriateness and permissibility of such payments and personal credit card charges. Further, the District could not provide a signed and approved employment agreement for the Executive Director.

Recommendations

We recommend the District:

- Implement controls to ensure the Board of Commissioners adequately reviews and approves all expenditures
- Strengthen controls to ensure all District expenditures are adequately supported to show they are for a valid business purpose and properly reviewed
- Strengthen controls to ensure financial activity is properly coded and accurately reflects the actual financial activity
- Ensure executive management and other employees, as applicable, have valid employment agreements clearly outlining terms of employment and benefits
- Establish policy and procedures for the District's self-insurance program, including information such as employee/employer contributions, maximum program balances, carryover provisions and allowability of payouts for nontaxable events, as applicable
- Consult with its legal counsel to assess if any revised payroll tax reporting should occur related to the social security tax refund received, self-insurance payments and credit card charges from which the Executive Director personally benefitted

We also recommend the District seek recovery of the \$14,338 in IRS reimbursements, assess if there are amounts to recover from self-insurance payments and credit card purchases that provided an inappropriate personal benefit, and related investigation costs of \$62,089 from the Executive Director 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 Local Audit and Special Investigations, who can be reached at (509) 726-1886 or Brandi.Pritchard@sao.wa.gov.

District's Response

The William Shore Memorial Pool District accepts the findings and will adopt the recommendations contained in the fraud investigation.

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.

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