



# Washington State Auditor's Office

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## Accountability Audit Report

# Mason County Fire Protection District No. 11

For the period January 1, 2011 through December 31, 2014

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## Washington State Auditor's Office

February 8, 2016

Board of Commissioners  
Mason County Fire Protection District No. 11  
Shelton, Washington

### **Report on Accountability**

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for District operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the District's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## AUDIT SUMMARY

### Results in brief

In the areas we audited, District operations complied with applicable requirements and provided adequate safeguarding of public resources. The District also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the District could make improvements.

We recommended the District improve controls over safeguarding public resources and ensure compliance with state laws and regulations. These should include:

- A review process for financial statements to verify they are accurate and submitted timely to the State Auditor's Office.
- Implement an accounting system to record all financial activity.
- Implement procedures for reconciling cash activities, including monthly County reconciliations of ambulance revenues.
- Ensure cell phone policies are followed and reimbursement is received for personal usage in accordance with District policy.
- Ensure expenditures were properly supported and allowable in compliance with state laws and regulations and District policy.
- We recommend the Commissioners follow all requirements of the Open Public Meetings Act by only meeting/discussing District business during properly advertised dates and times.

These recommendations were included in our report as findings.

### About the audit

This report contains the results of our independent accountability audit of Mason County Fire Protection District No. 11 from January 1, 2011 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the District's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Financial condition
- Financial reporting
- Open public meetings
- Revenue receipting
- Disbursements

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2014-001 The District has inadequate internal controls over operations to safeguard public resources and ensure compliance with state laws and district policies.**

#### *Background*

The District has average annual revenues of \$350,000. District management is responsible for designing and following internal controls that provide reasonable assurance of compliance with laws and policies and the safeguarding of public resources. During our audit, we found the District does not have effective internal controls over financial reporting, cash receipting and disbursements.

The lack of internal controls hinders the District's ability to produce reliable financial statements, ensure compliance with laws and policies, and prevent or detect misappropriation.

#### *Description of Condition*

Our audit identified the following internal control deficiencies:

##### **Financial reporting:**

- The District did not maintain an accounting system to accurately account for financial activity, including cash, revenues, and expenditures.
- The District did not have procedures in place to ensure compliance with financial reporting requirements.

##### **Cash receipting:**

- The District did not receipt payments received and the documentation supporting the revenue was not consistently retained for revenues received after August 2013.
- The District did not perform a monthly reconciliation of ambulance billing revenues to the County Treasurer's reports to ensure the ambulance billing indicated as deposited were in-fact deposited at the County.
- The District did not ensure the amounts billed for contracted services agreed to the contract amount and that the contract had not expired.

**Disbursements:**

- The District did not ensure paid memberships serve a public purpose.
- The District's review of disbursements was not detailed enough to ensure expenditures were properly supported and allowable in compliance with state laws and regulations.

***Cause of Condition***

The District staff did not have adequate training or knowledge regarding proper internal controls over cash receipting or disbursements. Oversight by management and officials was not adequate to ensure internal controls were in place to safeguard public resources and filing of accurate annual financial reports.

***Effect of Condition***

Lack of internal controls resulted in the following:

**Financial reporting:**

The 2012, 2013 and 2014 financial statements submitted to our office were incomplete and were not submitted within the required 150 days after year-end.

**Cash receipting:**

- The cash receipts reported per the ambulance billing companies did not agree to the revenues deposited per the County Treasurer for three of the four months tested.
- Supporting documentation explaining the revenue deposited was not consistently retained for 2014 and 2015 revenues.
- One of the three agreements for contracted fire protection services did not agree to the amount billed for any of the audit years and a second agreement's service period ended in 2011.

**Disbursements:**

- Memberships for a wholesale store were paid for each of the Commissioners and the Secretary however the District could not provide any purchases made at the store.
- The District is paying for a cell phone line that is not currently used.

- Overage charges were paid for the District's cell phone however there was no support the charges served a public purpose.
- Receipts were not consistently retained for charges on credit card statements.
- The amount paid for credit card charges did not agree to the charges on two of the five credit card statement tested.

The lack of internal controls did not result in any significant unallowable costs or discrepancies.

### ***Recommendation***

We recommend the District verify policies and procedures over financial operations are adequate to ensure compliance with state laws and regulations, and safeguarding of public resources. Specifically, the District should:

- Ensure a review process is performed for financial statements to verify they are accurate and submitted timely to the State Auditor's Office.
- Implement an accounting system to record all financial activity
- Implement procedures for reconciling cash activities, including monthly County reconciliations of ambulance revenues.
- Ensure cell phone policies are followed and reimbursement is received for personal usage in accordance with District policy.
- Ensure expenditures support a public purpose, are properly supported and allowable in compliance with state laws and regulations and District policy.
- Retain records according to state law and records retention schedules.

### ***District's Response***

*We acknowledge the concerns that the State Audit report identifies and we have already made changes to our Internal Controls and will continue to make all the necessary changes needed.*

*The district has purchased and implemented Quickbooks to use for our accounting system to accurately account for all financial activities. The district has also implemented procedures for reviewing and reconciling all cash and ambulance revenues to assure complete accuracy and accountability.*

*The district is in the process of updating all of our contracts for fire protection services to make sure they are current. We are also reviewing our department cell phone policy pertaining to the Fire Commissioners to assure all charges serve a public purpose.*

### ***Auditor's Remarks***

We thank the District for its cooperation and assistance throughout the audit, and the steps it is taking to address these issues. We will review the status of the District's corrective action during our next audit.

### ***Applicable Laws and Regulations***

RCW 43.09.230 states in part:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

RCW 43.09.200 states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

*Budgeting, Accounting and Reporting Systems (BARS) manual, Accounting Principles and Internal Control*, states in part:

Internal control is a process – affected by those charged with governance, management and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Compliance with applicable laws and regulations
- Reliability of financial reporting

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though primary responsibility has been delegated to management.

*Budgeting, Accounting and Reporting Systems (BARS) manual, Accounting Principles and Internal Control*, states in part:

The local government should be monitoring employee compliance with the policy and whether there are non-public related costs incurred that would require reimbursement from employees.

RCW 40.14.070 Destruction, disposition, donation of local government records – Preservation for historical interest – Local records committee, duties – Record retention schedules – Sealed Records states, states in part:

(2)(a) Except as otherwise provided by law, no public records shall be destroyed until approved for destruction by the local records committee

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2014-002 Mason County Fire Protection District No. 11 may not have complied with Open Public Meetings Act.**

#### ***Background***

A three-member Board of Commissioners governs the Mason County Fire Protection District No. 11. The District has one regularly scheduled Commissioner meeting a month.

#### ***Description of Condition***

The District Commissioners engaged in phone conversations regarding District business on at least four occasions during our audit period. Action, as defined by state law (RCW 42.30.020), includes discussion, thus phone conversations would be considered action taken outside of public meetings.

#### ***Cause of Condition***

District personnel were not aware of all the requirements associated with the Open Public Meetings Act.

#### ***Effect of Condition***

The intent of the Open Public Meetings Act is to keep the public informed of business conducted by government. Actions taken at closed meetings may violate the Open Public Meetings Act and any action taken may be void. Commissioners also requested and were paid for participating in these phone conversations.

#### ***Recommendation***

We recommend the Commissioners follow all requirements of the Open Public Meeting Act by only meeting and discussing District business during properly scheduled meetings.

#### ***District's Response***

*The Board of Commissioners acknowledges the concerns the State Auditor identified regarding the Open Public Meeting Act. Each commissioner will re-train via the Attorney Generals online Open Public Meeting Act class to ensure we are in complete compliance with RCW 42.30 & RCW 42.32.*

### *Auditor's Remarks*

We appreciate the District's response and commitment to resolving these issues. We will review the status of these issues as part of next audit.

### *Applicable Laws and Regulations*

RCW 42.30.020 Definitions, states in part:

(3) "Action" means the transaction of the official business of a public agency by a governing body including but not limited to receipt of public testimony, deliberations, discussions, considerations, reviews, evaluations, and final actions. "Final action" means a collective positive or negative decision, or an actual vote by a majority of the members of a governing body when sitting as a body or entity, upon a motion, proposal, resolution, order, or ordinance.

(4) "Meeting" means meetings at which action is taken.

RCW 42.30.030 Meetings declared open and public, states in part:

All meetings of the governing body of a public agency shall be open and public and all persons shall be permitted to attend any meeting of the governing body of a public agency, except as otherwise provided in this chapter.

RCW 42.30.070 Times and places for meetings – Emergencies – Exception, states in part:

The governing body of a public agency shall provide the time for holding regular meetings by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body.

RCW 52.14.010 Number-Qualifications – Insurance-Compensation and expenses – Service as volunteer firefighter, states in part

Each member shall each receive one hundred four dollars per day or portion thereof, not to exceed nine thousand nine hundred eighty-four dollars per year, for time spent in actual attendance at official meetings of the board or in performance of other services or duties on behalf of the district.

## INFORMATION ABOUT THE DISTRICT

Mason County Fire Protection District No. 11 provides fire suppression, emergency medical service and transport, fire prevention, inspections and fire and life safety education. The District serves the citizens of Island Lake, Port of Shelton and Oak Park.

An elected, three-member Board of Commissioners governs the District.

### Contact information related to this report

Address:	Mason County Fire Protection District No. 11 P.O. Box 743 Shelton, WA 98584
Contact:	Brandon Searles, Fire Chief
Telephone:	(360) 426-1822
Website:	<a href="http://mcf11.org">http://mcf11.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for Mason County Fire Protection District No. 11 at <http://portal.sao.wa.gov/ReportSearch>.

## ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

<b>Contact information for the State Auditor's Office</b>	
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