



Office of the Washington State Auditor
Pat McCarthy

Fraud Investigation Report

Lewis County Fire Protection District No. 9

**For the Investigation Period January 1, 2011 through January 31,
2016**

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

February 8, 2018

Lewis County Fire Protection District No. 9
Mineral, Washington

Report on Fraud Investigation

Attached is the official report on a misappropriation at the Lewis County Fire Protection District No. 9. On June 24, 2016, the District notified the State Auditor's Office 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 unallowable activities at the District from January 11, 2011 through January 23, 2016. 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 for Communications Kathleen Cooper at (360) 902-0470. Otherwise, please contact Fraud Manager Sarah Walker at (509) 454-3621.

Pat McCarthy

State Auditor

Olympia, WA

cc: Mr. Bruce Ritchie, Commissioner

FRAUD INVESTIGATION REPORT

Investigation Summary

On June 24, 2016, a former Commissioner of Lewis County Fire Protection District No. 9 notified our Office regarding a potential loss of public funds as state law requires.

The Eatonville Police Department opened an investigation in January 2016. We reviewed the Police Department's investigation report, dated February 2, 2016, and, based on its findings, we initiated our own investigation to broaden the scope, which resulted in identification of additional losses. Our investigation identified \$26,107 in fuel card misappropriation and another \$1,890 in questionable losses at the District between January 2011 and January 2016.

The District has filed a report with the Lewis County Sheriff's Office, which is investigating this matter. We will refer this case to the Lewis County Prosecuting Attorney's Office.

Background and Investigation Results

The District, located in Lewis County, operates on an annual budget of about \$100,000 and provides fire protection services to communities in East Lewis County. The District is governed by an elected, three-member Board of Commissioners. The Board appoints a district secretary to attend to the administrative needs of the District and a part-time Fire Chief to oversee the district's daily operations and volunteer firefighters.

On January 18, 2016, during a regularly scheduled Board meeting, the Commissioners identified a large fuel statement for the month of December 2015. Upon further inspection, the Commissioners found that many transactions had occurred in Eatonville, which is unusual because most District fuel purchases are made in Morton. The Interim Fire Chief compared the fuel purchases from the December fuel statement to emergency call logs and determined that only two charges could have been for legitimate District business. The card used to make the purchases in Eatonville during the period under review was in the possession of a volunteer firefighter.

The Interim Fire Chief met with the volunteer firefighter on January 26, 2016, to discuss the fuel-card charges in question. During the conversation, the volunteer firefighter acknowledged using the card to make personal purchases. The firefighter returned the card to the Interim Fire Chief the same day.

The District requested and received additional fuel invoices from the fuel card company that showed more fuel purchases that did not have a legitimate District purpose. The Interim Fire chief identified these purchases during a reconciliation between the fuel statements and emergency call logs. The Interim Fire Chief had another discussion with the same volunteer firefighter, who acknowledged using the fuel card to make personal purchases before December,

but the exact beginning date was undefined. The volunteer firefighter's working relationship with the District was ended March 1, 2016.

Unauthorized purchases occurred in both Pierce County and Lewis County. Charges were filed with Pierce County Superior Court on May 19, 2016. The former volunteer firefighter pled guilty to third-degree theft on February 22, 2017.

We reviewed the District's investigation and opened our own, focusing on fuel card transactions. We gained an understanding of the District's controls over fuel card purchases and learned the following:

- District fuel cards were kept in emergency vehicles or were in the possession of individual firefighters.
- Unique identification numbers (PINs) were assigned to each card; however, these unique PINs were kept with the fuel cards to ensure whoever was using the card had access to the number.
- Firefighters were expected to enter their badge number into the fuel pump to identify who was making the fuel purchase. However, badge numbers are not confidential, and each firefighter has access to all other badge numbers at the District.

We determined through our investigation there was a total of \$26,107 in misappropriation for which responsibility could not be assigned, and questionable transactions totaling \$1,890. We were unable to assign responsibility due to weaknesses in the District's fuel card controls as described above.

To determine if additional misappropriations occurred, we reviewed petty cash, bank accounts, small and attractive assets, payroll and access to the safe and did not find additional misappropriation.

In June 2017, the Lewis County Sheriff's Office requested an interview with the former volunteer firefighter, but he declined to participate.

In November 2017, we attempted to contact the former volunteer firefighter, but he declined to talk with us.

Control Weaknesses

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

- Fuel cards were not adequately safeguarded against improper use, including limiting access to the unique PIN assigned to the card.

- Badge numbers were entered at the pump to identify the purchaser, which was not confidential.
- A card checkout log was not used to track who was using unassigned cards or when employees were using the Fire Chief or Assistant Fire Chief's fuel cards.
- The secondary review of all fuel card statements was not sufficient to ensure all purchases were for District purposes and in compliance with District expectation.

Recommendations

We recommend the District strengthen internal controls over fuel cards to ensure adequate oversight and monitoring to safeguard public resources and compliance with District policies. This should include:

- Limiting access to fuel cards and implementing a card checkout process to include a log
- Ensuring Personal Identification Numbers are kept confidential
- An adequate secondary review over all fuel cards by someone independent of the payment process. Reviews should include ensuring all purchases were for an allowable District purpose

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 mattk1@atg.wa.gov. The contact for the State Auditor's Office is Sadie Armijo, Assistant Director of Local Audit, who can be reached at (360) 902-0362 or Sadie.Armijo@sao.wa.gov.

District's Response

Lewis County Fire District #9 concurs with the summary of the fraud finding and would like to thank the staff at the State Auditor's Office for their assistance. The Board of Commissioners takes the mishandling of public funds very seriously. Since the discovery of the fuel theft we have added stronger safeguards to ensure additional internal controls are in place including duplicate fuel logs, secure Personal Identification Numbers and a secondary review of all fuel purchases first by Department officers and then by the Board of Commissioners prior to authorizing the fuel bills for payment. We appreciate the assistance from the State Auditor's Office in helping investigate this matter.

State Auditor's Office Remarks

We thank District officials and personnel for their assistance and cooperation during the investigation and will follow up on the status of these items during our next scheduled audit.

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.

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

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