



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Kittitas County Fire Protection District No. 6

For the period January 1, 2013 through December 31, 2016

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Office of the Washington State Auditor
Pat McCarthy

April 19, 2018

Board of Commissioners
Kittitas County Fire Protection District No. 6
Ronald, 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 independent audit report on the District's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Audit Results.....	4
Schedule of Audit Findings and Responses.....	5
Information about the District.....	11
About the State Auditor's Office.....	12

AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In most of the areas we examined, except as described below, District operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over safeguarding of public resources.

As referenced above and described in the attached findings, we identified areas in which the District could make improvements.

We recommended the District establish the necessary internal controls to ensure accurate, complete and timely financial reporting in accordance with state law. We also recommended the District implement internal controls over equipment procurement and retain adequate documentation to ensure compliance with state procurement laws and District policy. These recommendations were included with our report and in a separate communication as a finding.

About the audit

This report contains the results of our independent accountability audit of Kittitas County Fire Protection District No. 6 from January 1, 2013 through December 31, 2016.

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.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. 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, based on our risk assessment for the years ended December 31, 2016, 2015, 2014 and 2013, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Open Public Meetings Act
- Disbursements including petty cash and reimbursements
- Annual report filing requirements
- Procurement of fire station, architect services and equipment

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-001 The District's internal controls over annual report filing were inadequate to ensure annual reports' timely submission to the State Auditor's Office in accordance with state law.

Background

A three-member Board governs Kittitas County Fire Protection District No. 6. A Fire Chief and Manager oversee daily operations. The District operates on a yearly budget of about \$150,000.

District management, the state Legislature, and state and federal agencies rely on financial statement information to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance regarding financial reporting.

Description of Condition

State law (RCW 43.09.230) requires local governments to submit annual financial reports to our Office within 150 days of the end of the government's fiscal year.

The District did not adequately monitor operations to ensure it filed annual reports for 2013, 2014, 2015 and 2016 with our Office.

Cause of Condition

The District had turnover in the staff responsible for filing the annual report, and the District did not make it a priority to ensure financial reports were submitted on time.

Effect of Condition

The District submitted its 2013 annual financial report 38 days after the statutory deadline and has not filed its annual financial reports for 2014 through 2016.

Delayed filing of the financial reports prevents the public from obtaining timely information about the District's fiscal operations. It also hinders transparency to citizens and our Office's efforts to compile statistical financial information for use by the state Legislature and others.

Recommendation

We recommend the District establish the necessary internal controls to ensure accurate, complete and timely financial reporting in accordance with state law.

District's Response

There was some confusion about the annual filing, due to turnover in staff, lack of instruction, as well as some misinformation regarding the filing deadlines and RCW requirements.

A new secretary took over for KCFP District 6 in July of 2014. At that time, the responsibility for the report filing was primarily that of the District financial manager. The secretary was asked only to provide certain input for the report, mostly pertaining to Schedule 22.

In late 2015, the financial manager retired, before the year 2014 report was fully filed. The secretary agreed to take over his duties. Before retiring, the financial manager provided some instruction to the secretary regarding the report filing process, and the District Commissioners were informed that the new secretary-financial manager would now be taking over the report filing. But it turned out that the instruction given was not sufficiently adequate to prepare the secretary-financial manager to know how to file the full report. In early 2016, she ran into problems while attempting to negotiate the filing process for year 2015, as well as complete the report for year 2014. She also learned from the state auditor that there was some required information still missing from the year 2013 report. To make matters worse, due to a computer crash later in 2016, she lost an entire USB drive containing several years of District financial information, which caused a major setback.

At that point the secretary-financial manager was uncertain as to how to proceed, and eventually requested help from the state, when it was made available. She attended an annual reporting help session the following spring of 2017. There she received assistance in making the required additions to the year 2013 report. She then attempted to go forward with the filings for the successive years, but ran into further confusion with the process.

The secretary-financial manager was not aware that delayed filing of the yearly reports is an RCW breach. She was given the impression by the previous financial manager that timely filing was not critically important. She was more interested in filing correctly, rather than timely.

The secretary-financial manager is currently registered for the next available annual reporting help session in Yakima, which is scheduled in May of 2018. It is her goal to get completely up-to-date with the annual reporting process.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

RCW 43.09.230, Local government account, Annual reports, requires every local government to submit financial reports within one hundred fifty days after the close of each fiscal year.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2016-002 The District did not have adequate internal controls to ensure bid law and statutory requirements were followed.

Background

A three-member Board governs Kittitas County Fire Protection District No. 6, and a Fire Chief and Manager oversee its daily operations. The District operates on a yearly budget of about \$150,000.

State law (RCW 52.14.110) and District policy require fire districts to use a formal sealed bid procedure when purchasing supplies, materials and equipment for more than \$10,000. In addition, when procuring architectural and engineering services, state law (RCW 39.80.040) requires local governments to publicly solicit qualifications from firms and then select – based upon criteria established by the agency – the firm deemed to be the most highly qualified to provide the services required for the project.

Description of Condition

Our audit identified the following:

- The District did not competitively procure the purchase of eight self-contained breathing apparatuses totaling \$55,141 in 2016. Although each individual item was less than \$10,000, when combined, the purchase exceeded the District's bid threshold and thus had to be procured through a formal sealed bid process.
- The District entered into a contract to purchase a new fire engine, totaling \$366,230, in 2018 by obtaining informal quotes. The District did not properly procure the new engine, because it did not complete the formal sealed bid process.
- The District paid an architect a total of \$94,521 from 2014 through 2016. The District advertised for architect services; however, it did not retain the proposals it received, the evaluation criteria or the scoring to demonstrate that the most qualified firm was selected.

Cause of Condition

The District did not fully understand state law or its own policy over procurement requirements for purchasing equipment. In addition, the District's policy was last updated in 1989 and does not reflect current state thresholds for public works projects.

Due to staff turnover, the District could not find documentation to demonstrate compliance with procurement requirements for architectural services. While the District discussed this topic in the Commissioner meeting open to the public, the minutes were not detailed enough to demonstrate that the District met the procurement requirements.

Effect of Condition

When the District does not complete the formal sealed bid process for equipment, it cannot guarantee all interested vendors had the opportunity to bid or that the lowest possible price was obtained. In addition, the District cannot demonstrate it complied with procurement requirements for architectural services and awarded the contract to the most qualified firm.

Recommendations

We recommend the District implement internal controls over equipment procurement and retain adequate documentation to ensure compliance with state procurement laws and District policy.

District's Response

The District understands and agrees with the auditor's finding. The District did not fully understand procurement requirements for equipment purchases. Particularly in cases where multiples of one equipment item are purchased together, as in the case of our SCBA purchase, we did not understand that the threshold of 10K applies to the combined purchase, not to the individual SCBA costs. We also did not understand that brand specification (i.e: a limited number of vendors provide the specific brand of SCBA that we require) is not a sufficient reason for exemption from competitive bidding requirements. This was also the case with our engine purchase; whereby we should have conducted a formal bid process, regardless of our unique design specifications and perceived limited providers.

With regard to procuring professional A & E services, we now understand the need to retain copies of all of the proposals received, and also the need to formally document the reasons for the awarded contract, in the form of an engineering evaluation of the most qualified firm.

Auditor's Remarks

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next audit.

Applicable Laws and Regulations

RCW 52.14.110, Purchases and public works, Competitive bids required, Exceptions.

RCW 39.80.040, Procurement of architectural and engineering services, Submission of statement of qualifications and performance data, Participation by minority and women-owned firms and veteran-owned firms.

District Policy, Procurement of Equipment and Supplies.

INFORMATION ABOUT THE DISTRICT

Kittitas County Fire Protection District No. 6 provides fire, rescue and EMS services to the towns of Cle Elum and Ronald.

An elected, three-member Board of Commissioners governs the District. The District receives approximately \$150,000 annually from tax dollars.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for Kittitas County Fire Protection District No. 6 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.

Contact information for the State Auditor's Office	
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