



Office of the Washington State Auditor
Pat McCarthy

Investigation Report

**Kitsap County Fire Protection District
No. 7**

(South Kitsap Fire and Rescue)

**For the Investigation Period January 1, 2005 through September 30,
2017**

Published October 18, 2018

Report No. 1022334





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

October 18, 2018

Board of Commissioners
South Kitsap Fire and Rescue
Port Orchard, Washington

Report on Investigation

Attached is the official report on an investigation at Kitsap County Fire Protection District No. 7 (District). On March 27, 2018, 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 a mechanic's questionable activities at the District from January 1, 2005 through September 30, 2017. 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 Director of 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: Darlene Slagle, Finance Manager

INVESTIGATION REPORT

Investigation Summary

On March 27, 2018, the Fire Chief of Kitsap County Fire Protection District No. 7 notified our Office regarding a potential loss of public funds as required by state law.

The District investigated and hired a firm to conduct interviews. We reviewed the interview reports and the District's investigation summary and determined questionable payroll activity related to extra half-hour lunch breaks occurred between January 2005 and September 2017 and totaled \$71,223.

Background and Investigation Results

The District operates on an annual budget of about \$15 million, including \$458,000 in vehicle and maintenance expenses. The District maintenance department employs three full-time mechanics. Since 2005, the mechanics have been scheduled to work four 10-hour shifts each week, with half an hour for lunch. A supervisor reviews and approves all timesheets and scheduling changes.

In March 2017, the District was addressing personnel issues in the maintenance department. During that process, the District learned it was standard practice for the mechanics to take an hour for lunch, though their timesheets reflected just half an hour. The District hired a lawyer to perform formal interviews and began an investigation.

The District focused on time worked from 2005 to 2017, based on interviews with the mechanics who indicated how long the practice had gone on. The District calculated the amount paid for the extra half-hour lunch over that time, for all three mechanics, totaled \$84,052, which it considered losses.

The District calculated the total by using the payroll records for each of the three mechanics to determine the number of days worked by each of them from January 2005 to December 2017. They subtracted any day when the mechanics did not work enough hours to take a lunch, then multiplied a half-hour by the days worked and rate of pay for each year.

We reviewed the District's methodology and found it inaccurate. The period used was not consistent with information from the lawyer's interviews. Additionally, we found any shift that was less than the full 10 hours should not be counted, as there is potential the mechanic would not have taken a lunch. The District then re-calculated the amount, arriving at a total of \$71,223.

In July 2018, the District's contracted lawyer interviewed all three mechanics and presented the amount. The mechanics said the analysis is not accurate, as it does not take into account:

- Days when they attended training classes
- Days when they attended meetings

- Days when they were traveling outside of the City of Port Orchard for District business
- Days when there was an emergency or priority repair or other interruption
- Days when the Fire Chief would send everyone home early, such as Christmas Eve

Our review of the District’s investigation found their methodology could not be consistently applied because there was not a detailed timekeeping system or monitoring of lunch times to accurately calculate the loss.

Control Weaknesses

Internal controls at the District were not adequate to safeguard public resources. We found the following weakness allowed the questionable activity to occur:

- The timekeeping system was not adequate to obtain detailed records of break times taken.
- Monitoring of time worked was not adequate to ensure District employees worked the full amount they are scheduled and paid for.

Recommendations

We recommend the District strengthen internal controls over time worked by maintenance department employees to ensure adequate documentation, oversight and monitoring to safeguard public resources and compliance with District policies.

We also recommend the District seek recovery of the questionable costs, as appropriate and related investigation costs of \$2,708 from the three mechanics 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 mattk1@atg.wa.gov. The contact for the State Auditor’s Office is Brandi Pritchard, Assistant Director of Local Audit, who can be reached at (360) 489-4591 or Brandi.Pritchard@sao.wa.gov.

District’s Response

South Kitsap Fire and Rescue (SKFR) thanks the auditor for their assistance and careful review of District records regarding the questionable payroll activity/reporting noted in the auditor’s report. Regarding those issues identified in the audit report under “Control Weaknesses”, SKFR is committed to implementing the necessary changes to improve the highlighted areas of weakness. SKFR has taken and is planning to take several additional steps to make these needed corrections, including, but not limited to:

- *Taking adequate time to review SKFR’s staffing program policy and its use to assure operations are properly documented and handled during the course of business throughout the agency.*

- *Once the review of the SKFR staffing program policy is completed, SKFR will conduct training and clarification with its membership and supervisors on proper use of and documentation within the program.*
- *SKFR will pursue appropriate disciplinary action with the supervisor who oversaw, allowed and participated in this improper workhour reporting.*
- *Direction has been given to SKFR senior staff officers to increase monitoring of time worked by performing periodic spot checks and maintaining a more direct oversight of personnel within their span of control regarding staffing/timekeeping recording and documentation.*
- *Additional networking with and incorporation of best practices from the software provider and other agencies utilizing the same staffing/timekeeping program.*

SKFR looks forward to working with the auditor's office on future endeavors and appreciates their help and oversight on this issue.

State Auditor's Office Remarks

We thank District officials and personnel for their assistance and cooperation during the investigation.

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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.

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