



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

## **Accountability Audit Report**

# **Tonasket Emergency Medical Service District**

**Okanogan County**

**For the period January 1, 2015 through December 31, 2016**

**Published August 7, 2017**

**Report No. 1019529**





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

August 7, 2017

Board of Commissioners  
Tonasket Emergency Medical Service District  
Okanogan, 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,

Pat McCarthy  
State Auditor  
Olympia, WA

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## AUDIT SUMMARY

### Results in brief

In most 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 most areas we examined.

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

We recommended the District strengthen its internal controls to safeguard assets. The District should:

- Adopt a formal policy to set a floor for tracking assets and define small and attractive assets, develop an inventory schedule and assign responsibility for performing the inventory and reconciliation.
- Perform a complete inventory of the District's assets to determine the full value.
- Assign assets a unique identification number both on the asset list and on the physical asset.
- Ensure the asset list includes all information required by the *Budgeting, Accounting and Reporting System* (BARS) manual.

These recommendations were included in our report as a finding.

We also noted certain matters that we communicated to District management in a letter dated July 17, 2017, related to payroll processing. We appreciate the District's commitment to resolving those matters.

### About the audit

This report contains the results of our independent accountability audit of the Tonasket Emergency Medical Service District from January 1, 2015 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.

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:

- Payroll disbursements
- Vendor payments
- Training payments
- Fund balance
- Safeguarding of small and attractive tracking
- Service contract

## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### **2016-001 The District did not have adequate controls to safeguard and account for its small and attractive and capital assets.**

#### ***Background***

The District has a responsibility to establish effective internal controls over safeguarding all assets purchased with public funds. The District is an all-volunteer District with only two part-time employees. In August 2016, the County Commissioners contracted with a private ambulance company to provide emergency services to its citizens under an interim contract. The company uses the District's assets and building in accordance with the interim contract, which consist of three ambulances stocked with all the necessary medical equipment and supplies, radios, computers and peripheral equipment, office equipment, shop equipment and other miscellaneous assets. The County and vendor are working to finalize an agreement and determine the disposition of the assets.

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

Our audit identified the following weaknesses in internal controls over inventory and safeguarding assets. The District:

- Did not have written policies or procedures in place to adequately track and monitor assets.
- Did not maintain a list of its small and attractive or capital assets and did not perform a regular inventory of assets.
- Relied on its contractor to compile an inventory list when the company assumed control. The District did not review the inventory for accuracy.
- Did not include all information required by the *Budgeting, Accounting and Reporting System* (BARS) manual on the asset listing. Missing information included location, custodian, tracking numbers for all assets, estimated life, condition, disposal date and method for determining disposal value of each asset.

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

The District has not dedicated the necessary time and resources to perform a complete inventory. The County Commission and its staff did not understand the risks of allowing a vendor to assume operations without a complete inventory of assets to identify losses. While the contract allowed the vendor use of the assets, the County did not consider its own monitoring requirements to establish appropriate use and safeguarding of public assets.

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

Without adequate internal controls to ensure proper safeguarding, public assets are vulnerable to misappropriation, misuse or loss that would not be detected by District staff in a timely manner, if at all. To that point, the District could not locate assets totaling \$3,800 purchased during the last three years. Because the District did not define appropriate use and tracking of public assets in the contract, the vendor may not understand the restrictions over the use of public assets.

### ***Recommendation***

We recommend the District strengthen its internal controls to safeguard assets. The District should:

- Adopt a formal policy to set a floor for tracking assets and define small and attractive assets, develop an inventory schedule and assign responsibility for performing the inventory and reconciliation
- Perform a complete inventory of the District's assets to determine the full value
- Assign assets a unique identification number both on the asset list and on the physical asset
- Ensure the asset list includes all information required by the BARS manual

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

*In July of 2016 the Okanogan Board of County Commissioners (BOCC), acting as the governing body of the TEMS in accordance with RCW 36.42.480, signed an interim agreement with LifeLine Ambulance to provide emergency medical services in the TEMS. The interim agreement followed the publishing of an RFQ seeking qualified service delivery agencies/businesses. LifeLine was one of two respondents and was the respondent selected as the most qualified. The interim*

*agreement was effective August 1, 2016. Since that time the TEMS has had no staff under their direct employ.*

*During the period preceding the interim agreement commissioner's staff and the accounting staff for TEMS worked on the transition from employee based to the contract based service delivery. TEMS staff had not prepared an inventory list that was provided during this segment of the transition. Insufficient detail was found in many of the purchase invoices to create an inventory list against which to compare a physical inventory. The contractor was able to contact companies that had conducted certification or otherwise provided service to much of the critical items of equipment so a partial list independent of the contractor's physical inventory was created.*

*In October of 2016 management of the TEMS during the remaining phases of the transition was assigned to the planning department. After conferring with staff from the state auditor's office a physical inventory was completed by planning department personnel. Items were identified that were still useable and a second list was created of those items to be declared surplus by the BOCC.*

*In the long term contract assets will be transferred to LifeLine as partial compensation for the contracted services. Value based on a depreciation schedule will be calculated and become part of the agreement.*

*When the long term contract is signed the TEMS will no longer have personnel or assets (other than the building owned by the district) for which the district will be responsible to maintain or replace. It is anticipated the contract will be signed in July of 2017.*

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

We appreciate the steps the District is taking to resolve this issue. We will review the condition during our next audit.

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

RCW 43.09.200 Local government accounting – Uniform system of accounting, states in part:

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, Section 3.3.8.40, Establishing Capital Assets Policies, states in part:*

Local governments with capital assets should develop policies and procedures for management of these public resources. At a minimum the policies should be reviewed and approved by the governing body.

The duty to make certain that public property is adequately protected and that its use is properly managed is one of the fundamental responsibilities of government officials.

Small and Attractive Assets. An additional responsibility is to assure that equipment and personal property below the capitalization threshold is also adequately safe guarded from misuse or loss. This will require management to answer questions such as:

- a) What small and attractive property and equipment does this government own?
- b) Where is it?
- c) Is it protected from loss and unauthorized use?
- d) How will it be tracked and monitored?

*Budgeting, Accounting and Reporting Systems Manual, Section 3.3.8.50, The Capital Asset Tracking System:*

When a government has capital assets it must establish and maintain a tracking system for them. It may be maintained using either a computerized or manual system. At a minimum it should include the following.

- 1. The tracking system must adhere to the formal asset policies approved by the governing body.
- 2. It must contain the following information:
  - a. Inventory list containing capital assets owned by the government.
  - b. Individual information record for each capital asset:
    - i. Location of the asset

- ii. Cost of the asset/source of funding (federal grant, etc.)
  - iii. Estimated life
  - iv. Condition of the asset
  - v. Identifying number for the asset
  - vi. Disposal – date and method used to determine disposal value
- 3. Reconciliation of asset records and performance of a physical inventory.
  - 4. Maintain a method with controls over additions and deletions to the capital asset tracking system.
  - 5. Have a method to track changes in custody and assigned responsibility for the assets.

*Budgeting, Accounting and Reporting Systems Manual, Section 3.3.8.60, Physical Inventory/Reconciliations:*

All governments should have a method to perform a physical inventory to verify the existence and condition of their capital assets. Policies and procedures governing the taking of regular physical inventories should be documented. These policies should require an inventory or inventories to be taken at a reasonable interval based on the nature of assets, number of assets and extent of decentralization. Policies should also conform to any statutory or regulatory requirements, such as the requirement for counties to annually inventory all capital assets per RCW 36.32.210 or the requirement for all assets over \$5,000 per unit purchased with federal grant funds to be inventoried at least once every two years per the OMB Circular A-102 Common Rule. The policy should define the categories or types of assets to be inventoried, the threshold of such assets to be inventoried, state who is responsible for performing the physical inventory or inventories, is responsible for following up on any missing assets and how often the inventory or inventories must take place.

If possible the physical inventory should be conducted by personnel other than those charged with custody of the assets.

Discovery of damaged or missing assets should be immediately followed up on and documented. Losses of public resources are required to be reported to our office.

The capital assets list and individual asset records should be compared/reconciled. This is to assure the addition of new assets and removal old ones are updated in both sets of records. Reconciliations should be performed at least once per year.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Tonasket Emergency Medical Service District Okanogan County January 1, 2015 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Tonasket Emergency Medical Service District. The State Auditor's Office has reviewed the status as presented by the District.

<b>Audit Period:</b> 1/1/2012 to 12/31/2014	<b>Report Ref. No.:</b> 1016178	<b>Finding Ref. No.:</b> 2014-001
<b>Finding Caption:</b> The District does not have adequate controls over financial operations, placing public resources at risk of loss or misappropriation.		
<b>Background:</b> We identified deficiencies in controls over training expenses, payroll, donation receipts, and disbursements. The District Director owns a personal business that provided EMT training to the District. They did not have adequate oversight to ensure they only paid for services and materials provided the District. In addition, the Director increased his salary \$300 per month without proper approval of the Board of Commissioners. The Director also opened an unapproved debit card account by transferring \$12,777 from the imprest account and deposited \$400 in donations to the account. The Director deposited \$3,500 in District funds to his personal account and used the District debit and credit card to make \$532 personal purchases. In all instances, once the Commissioners discovered the activity the Director repaid the funds and closed the debit card. The District did not have adequate support to determine the spent \$21,280 for allowable business purchases or reconcile and replenish the imprest fund as required. The District lacks adequate policies over travel, training and uniforms to set the required documentation and allowable use of District funds.		
<b>Status of Corrective Action: (check one)</b> <div style="display: flex; justify-content: space-between;"> <div> <input checked="" type="checkbox"/> Fully Corrected         </div> <div> <input type="checkbox"/> Partially Corrected         </div> <div> <input type="checkbox"/> Not Corrected         </div> <div> <input type="checkbox"/> Finding is considered no longer valid         </div> </div>		
<b>Corrective Action Taken:</b> <i>On August 1, 2016 the Okanogan Board of County Commissioners, acting as the governing body for TEMS in accordance with RCW 36.32.480 entered into an interim contract for services with LifeLine Ambulance after publishing an RFQ and determining LifeLine was the best qualified of those who submitted responses. As a result, TEMS has eliminated all employees of the district. All personnel necessary to deliver the contracted level of service are the employees of LifeLine (contractor). The contractor is responsible for all payroll, training, uniforms and other employee support. The long-term contract will determine the</i>		

*value of all assets and transfer ownership and responsibility for them to the contractor as partial payment for services based on a depreciation schedule. The contractor will be responsible for equipment repair, replacement, and all operating supplies. Once signed the long-term agreement will result in a single monthly payment to the contractor for services. A long-term agreement with LifeLine is in its final stages of review.*

## INFORMATION ABOUT THE DISTRICT

Tonasket Emergency Medical Service District is a volunteer organization dedicated to providing emergency response services to the City of Tonasket.

Okanogan County Commissioners govern the District and appoints a five-member Advisory Board to oversee the day-to-day operations. The District collected revenues of \$418,000 and \$343,000 for 2015 and 2016, respectively.

### Contact information related to this report

Address:	Tonasket Emergency Medical Service District 123 5th Avenue N. Suite 130 Okanogan, WA 98841
Contact:	Perry Huston, Interim Director
Telephone:	(509) 422-7218

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for the Tonasket Emergency Medical Service District 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
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