



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Grays Harbor County Fire Protection District No. 8

For the period January 1, 2019 through December 31, 2021

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

February 6, 2023

Board of Commissioners
Grays Harbor County Fire Protection District No. 8
Pacific Beach, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor 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.

Attached is 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

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

As referenced above, we identified areas where the District could make improvements. These recommendations are included with our report as a finding.

We also noted certain matters related to procurement and open public meetings that we communicated to District management and the Board of Commissioners in a letter dated January 30, 2023. We appreciate the District's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of Grays Harbor County Fire Protection District No. 8 from January 1, 2019 through December 31, 2021.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the District's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the years ended December 31, 2021, 2020 and 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Accounts payable – credit cards
- Procurement – public works
- Compliance with public work projects – prevailing wages

- Open public meetings – compliance with minutes, meetings and executive session requirements
- Financial condition – reviewing for indications of financial distress

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Grays Harbor County Fire Protection District No. 8 January 1, 2019 through December 31, 2021

2021-001 The District lacked adequate controls for ensuring credit card payments were for allowable, appropriate business expenses and that accounting records were retained.

Background

Management is responsible for designing and following internal controls that provide reasonable assurance the District complies with state laws and policies, and safeguards public resources. District management is also responsible for the integrity and retention of original receipts and other documents needed to prove the validity of every transaction relating to the receipt, use and disposition of public funds and property.

Description of Condition

Our audit found the District lacked adequate procedures over its credit card activity to safeguard public resources. Specifically, the District did not implement controls over credit cards to ensure supporting documentation was both required and kept for all disbursement transactions.

This issue was reported as a management letter in the prior audit.

Cause of Condition

The District experienced turnover in key positions during the audit period, and staff could not locate records for audit. In addition, management and the Board of Commissioners did not devote sufficient attention to monitoring credit card activity and addressing prior audit recommendations.

Effect of Condition

Inadequate internal controls over credit card activity increase the District's risk that management could not detect quickly, if at all, a loss or misappropriation of public funds.

In 2019, 2020 and 2021, the District had credit card payments totaling \$21,800, \$13,342 and \$22,907, respectively. We reviewed credit card statements and transactions, and noted the following:

- The District was unable to provide support for 13 credit card statements, with total expenditures of about \$13,006 during those periods.
- The District was unable to provide supporting invoices or receipts for 18 of 20 credit card charges we selected for testing, totaling \$2,658.
- Of the unsupported expenditures, \$317 was for restaurants, \$577 was for hotels and \$496 was for home improvement stores.

Because of the lack of documentation, we could not determine whether these transactions were for valid business purposes.

Recommendation

We recommend the District:

- Improve internal controls and develop procedures to effectively store records to support its financial activity and comply with records retention requirements
- Establish policies and procedures over credit cards and disbursements, including travel. This should include keeping itemized receipts for all transactions, and performing an independent review of expenses to ensure they are for valid business purposes, supported and properly coded.

District's Response

To address the finding of Credit Card use deficiencies by the State auditor these changes and additions to the existing policy will be brought to the district commissioners at February Meeting for adoption.

- *The number of credit card will be limited to one. The Chief will control the use and will maintain possession of the card for use only when a direct billing vendor can't provide the required item service. All other credit card accounts will be closed immediately. No additional cards will be issued on the Chiefs account.*
- *All receipts will be copied by the attendee for presentation to the Commissioners and originals will be maintained with the admin files by the Chief for verification by the commissioners or auditors at any time.*
- *Any commissioner can, at their discretion review any receipt for accuracy and completeness of records.*

- *The credit card will be used for lodging and the Chief will make and pay for the reservations needed, with the credit Card prior to the any event or off site training farther than fifty miles from the district. Food and other activities will be paid for by the attendee and reviewed for payment by the Chief and documents presented to the admin for review and payment at the first commissioners meeting possible.*
- *These amendments may be reviewed and adjusted is needed after the next audit.*

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.

RCW 43.09.2855, Local governments – Use of credit cards.

RCW 40.14.070, Destruction, disposition, donation of local government records – Preservation for historical interest – local records committee, duties – Record retention schedules – Sealed records – Peace and corrections officer personnel records.

Budgeting Accounting and Reporting System (BARS) Manual – Accounting Principles and Controls, Internal Control, Sections 3.1.3.20 and 3.1.3.30

Budgeting Accounting and Reporting System (BARS) Manual – Accounting, Expenditures, Purchase Cards, Sections 3.8.4

INFORMATION ABOUT THE DISTRICT

Grays Harbor County Fire Protection District No. 8, formed in 1959, provides fire prevention and suppression services, emergency medical aid, and protection of life and property to residents living within the service boundaries, which includes the communities of Moclips, Pacific Beach, Aloha and Seabrook. The District covers approximately 18 square miles.

An elected, three-member Board of Commissioners govern the District. The District is funded primarily by property taxes.

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 Grays Harbor County Fire Protection District No. 8 at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

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