



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Grays Harbor County Fire Protection District No. 5

For the period January 1, 2020 through December 31, 2021

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

January 25, 2024

Board of Commissioners
Grays Harbor County Fire Protection District No. 5
Elma, 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 findings.

We also noted certain matters related to travel reimbursements, conflict of interest and payroll that we communicated to District management and the Board of Commissioners in a letter dated January 18, 2024. 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. 5 from January 1, 2020 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 and 2020, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. In addition, as part of this audit we followed up on the special investigation report issued December 10, 2020, over payroll. We examined the following areas during this audit period:

- Payroll – benefit deductions, leave balances and accruals
- Conflict of interest – beneficial interest in contracts
- Accounts payable – travel expenditures

- Software conversion – general ledger
- 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. 5 January 1, 2020 through December 31, 2021

2021-001 The District did not have adequate controls to ensure volunteer firefighters were eligible for pension and other benefits.

Background

Grays Harbor County Fire Protection District No. 5 provides fire prevention and suppression services, emergency medical aid and protection of life and property to people within its service boundaries. The District has full-time, part-time and volunteer firefighters who provide these services. Volunteer firefighters are eligible for pension and other benefits as administered by the Board of Volunteer Fire Fighters (BVFF). The BVFF has established, through the Washington Administrative Code (WAC), the minimum requirements for volunteer firefighters to be eligible for these benefits. Fire districts are required to develop volunteer participation requirements that meet or exceed the BVFF requirements or use the BVFF requirements if the District decides not to establish any. Districts are required to provide a list of volunteers that have met participation eligibility requirements to the BVFF every year.

District management is responsible for designing and following internal controls that provide reasonable assurance the District is complying with state laws and policies, including that volunteers reported to the BVFF as eligible for benefits have met the minimum participation requirements. Management is also responsible for retaining documentation showing the District performed the minimum training required.

Description of Condition

Our audit found the District's internal controls over volunteer participation and reporting were inadequate to ensure volunteers were meeting minimum eligibility requirements for the volunteer pension benefits. The District reported to the BVFF that volunteers had met the minimum training requirements. However, we found that 24 of 45 volunteers reviewed did not meet the minimum requirements in 2020 and 2021 and were not eligible for benefits. The District offered training classes throughout the year that volunteers could attend to meet the training requirements of BVFF. In addition, the District had call response requirements for volunteers which it tracked for eligibility. While the District did provide opportunities for

training and participation so volunteers could meet the minimum requirements, the District did not ensure those who they reported as eligible to BVFF had actually met the requirements.

Cause of Condition

The District maintained an adequate record-keeping system for volunteer participation. However, the former Fire Chief disregarded the records and incorrectly reported to the BVFF that volunteers had met their training requirements.

Effect of Condition

The District reported to the BVFF that volunteers were eligible for benefits when they were not. Volunteers who did not meet the annual requirements could have their pension service credit adjusted. In addition, incorrect reporting to BVFF could affect District decision-making regarding career firefighter staffing levels.

Recommendation

We recommend the District strengthen its internal controls over reporting to the BVFF to ensure only volunteers meeting participation requirements are reported.

District's Response

The district has maintained its record keeping practices to insure proper reporting to the BVFF. The former Chief resigned June 2, 2023.

Moving forward, as of January 1, 2022, the district will see to it that training reports are presented to the Chief and the Board Chairperson for review prior to authorizing the BVFF Certification of Pension letter in ensure only the volunteers who met their training requirements are to receive pension credit. In addition, our volunteers were provided with the district's policy on training and response requirements along with the Washington Administrative Code (WAC) that outlines the minimum requirements for volunteers participate in the BVFF benefits.

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

WAC 491-03-030 – What level of activities do I have to participate in to be eligible for participation/membership in the volunteer firefighters' and reserve officers' pension?

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Grays Harbor County Fire Protection District No. 5 January 1, 2020 through December 31, 2021

2021-002 The District lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions.

Background

Federal and state agencies, the Board of Commissioners, and the public rely on the information included in financial statements and reports to make decisions. The District is responsible for designing, implementing, and maintaining internal controls that provide reasonable assurance its financial reporting is reliable.

State law (RCW 43.09.230) requires the District to submit an annual financial report to our Office within 150 days after the end of its fiscal year. The annual financial report includes summaries of financial information and supporting schedules.

Description of Condition

The District did not submit the required annual reports to our Office within 150 days of fiscal year-end for 2021. The District filed its 2021 annual reports 319 days late.

Cause of Condition

The District experienced turnover in key positions during the time of the filing and was unaware they were filing late. As a result, the District did not dedicate adequate time and resources to completing its annual reports, including financial statements, until after the 2021 filing deadline.

Effect of Condition

The District did not comply with state law requiring timely submissions of annual financial reports. The District's failure to file on time impeded our Office's ability to audit the government in a timely manner, as state law requires.

Furthermore, late filings prevent District officials, the public and other interested parties from attaining timely and transparent financial information. These delays

also hinder our Office's efforts to compile statistical and financial information for the Legislature and other parties.

Recommendation

We recommend the District establish internal controls to ensure timely financial reporting in accordance with state law.

District's Response

With the new administration, internal controls have been established to include direct contact with the county treasurer and county auditor, all financial records are provided to administration in a timely manner.

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 43.09.230, Local government accounting – Annual reports – Comparative statistics.

Budgeting, Accounting and Reporting System (BARS) Manual 3.1.3.20 – Internal Controls.

BARS Manual 4.1.6.50 - Reporting Requirements and Filing Instructions for Special Purpose Districts.

RELATED REPORTS

Special investigations

We issued a report on a misappropriation of public funds at the District. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE DISTRICT

Formed on January 11, 1955, Grays Harbor County Fire Protection District No. 5 provides fire prevention and suppression services, emergency medical aid and protection of life and property to residents living within its service boundaries. The District covers approximately 142 square miles for fire protection and 172 square miles for Emergency Medical Services in Grays Harbor County.

An elected, three-member Board of Commissioners governs the District. The Board appoints a Chief to oversee its daily operations. The District has one full-time administrative assistant, seven firefighters/paramedics, four part-time firefighters/EMTs, three per-diem fire-medics, and approximately 26 volunteer firefighters. A majority of the District's revenue comes from property taxes, ambulance billings and contract for services. For 2020 and 2021, the District operated on annual budgets of \$4,023,164 and \$4,115,349, respectively.

Contact information related to this report

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Website:	https://www.eghfr.org/

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. 5 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.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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