



Office of the Washington State Auditor  
Pat McCarthy

# Accountability Audit Report

## South King Fire

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

*Published August 19, 2024*

Report No. 1035399



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

August 19, 2024

Board of Commissioners  
South King Fire  
Federal Way, 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

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

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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.

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 South King Fire from January 1, 2021 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 year ended December 31, 2021, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Payroll – leave balances and accruals, leave cashouts
- Accounts payable – general disbursements, credit cards, fuel cards, employee reimbursements
- Tracking and monitoring of theft sensitive assets, such as computers, equipment, and fuel use
- Conflict of interest
- Compliance with Contract – Ambulance Transportation Services

- South King Firefighters Foundation – scope, purpose, and objective
- 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

## South King Fire January 1, 2021 through December 31, 2021

### **2021-001 The District lacked oversight of its financial activities to ensure the safeguarding of public resources and compliance with state law.**

#### *Background*

South King Fire provides fire protection and prevention services to about 150,000 residents in its service area. The District encompasses about 42 square miles including the cities of Federal Way and Des Moines and parts of unincorporated southwest King County.

Governments are responsible for designing, implementing and maintaining internal controls to safeguard public resources against misuse or misappropriation, ensure proper documentation and use public resources in compliance with state laws and the *Budgeting, Accounting and Reporting System* (BARS Manual).

On March 29, 2022, District management reported concerns to our office related to the activity of the former Fire Chief.

#### *Description of Condition*

The District lacked adequate oversight and internal controls to safeguarded public resources which hindered the District's ability to comply with state laws. Our audit identified the following concerns:

#### *Payroll*

The District lacked oversight over payroll functions. Specifically:

- The former Fire Chief approved his own leave slips without a secondary review. Also, the District did not maintain a time tracker for flexible leave. As a result, we could not verify the accuracy of the former Fire Chief's leave balances and whether the District properly recorded the flexible time he took.
- The District did not perform an adequate review of a sick leave cash-out it paid to the former Fire Chief when he retired in December 2019. District policy states that it pays cash-outs at 25 percent of the employee's rate of pay for each hour of unused sick leave. We found the District paid unused sick leave out at the former Fire Chief's full rate of pay, resulting in a total overpayment of \$57,566.25.

### *Accounts Payable Disbursements*

District staff did not retain adequate documentation to demonstrate disbursements were valid, approved and for an allowable purpose under state law and District policy. Specifically:

- The District did not comply with its policy when issuing a cell phone to the former Fire Chief. The District's policy offers three options for eligible employees required to carry a mobile phone: 1) A District-provided cellphone, 2) A District-provided cellphone with employee contribution, or 3) A \$300 allowance once every two calendar years for the purchase of a cellphone for official business use. In 2019, the District provided the former Fire Chief with a cell phone; however, the District also gave him the \$300 cell phone allowance.
- The District sponsored a table at the Advancing Leadership 20th Anniversary dinner and auction. The District's policy allows it to pay for necessary and reasonable meals for District staff, volunteers or elected officials. The District did not ensure meals the event provided were only for District staff, volunteers or elected officials. We found the District paid for the former Fire Chief's spouse and other local government officials to attend this event.

### *Vehicle and Fuel Usage*

The District did not adequately monitor the former Fire Chief's vehicle and fuel card activities to ensure it was reasonable and only for District business. Specifically:

- The District provided the former Fire Chief a vehicle for conducting District business. There were multiple instances in which the District vehicle and fuel usage appeared to be for personal use. However, we were unable to confirm this due to inadequate monitoring controls.
- The District requires employees to fill up vehicles using District-owned fuel stations. However, the former Fire Chief had fuel transactions totaling \$65.72 that he paid with his District-issued credit card at other fuel stations.

### *Small and Attractive Assets*

District staff did not ensure the former Fire Chief returned a District laptop valued at \$300 upon his retirement and that the District disposed of the laptop in accordance with its policy.

### *Conflict of Interest*

State law (RCW 42.23.030) prohibits municipal officers from having a financial interest in a contract made under their supervision, or to accept compensation from any other person beneficially interested in the contract. Additionally, the District has a conflict-of-interest policy which prohibits members of the Fire Department from using their influence to benefit family members.

The District contracted with an emergency medical services company from 2011 to 2020. During this time, the former Fire Chief's family member worked at the company.

The contract with the company contained liquidated damages clauses for not providing timely responses to emergency calls. It also included a consumer price index (CPI) inflator clause in which the District could annually adjust the monthly payments it received from the company. Due to the lack of oversight, the former Fire Chief was involved in these decisions when he should have recused himself. As a result, the District did not collect liquidated damages totaling \$127,450 from the company for not providing timely responses to emergency calls. The District also did not use the CPI inflator option and if it had, it could have collected an additional \$46,162.

### *Cause of Condition*

The District did not dedicate adequate time and resources to establish effective internal controls and did not exercise sufficient oversight of the former Fire Chief's financial activities to ensure public resources were safeguarded.

### *Effect of Condition*

The District's lack of oversight and internal controls increases the risk of misappropriation, misuse of public funds and noncompliance with state law.

### *Recommendation*

We strongly recommend the District implement appropriate oversight and adequate controls over all financial activities to ensure the safeguarding of public resources and compliance with state laws. In addition, the District should retain proper documentation to support all its financial activities, as state law requires.



Based on the results of our audit, we specifically recommend:

- Establishing payroll controls and maintaining appropriate records to support payroll expenditures, such as leave cash-outs, to ensure the amount paid complies with District policy
- Establishing an independent review of disbursements for all employees, including the Fire Chief, to verify that all transactions are for an allowable business purpose and properly supported
- Strengthening its monitoring of staff's usage of District vehicles and the District fueling station to ensure compliance with fleet and fuel policies
- Ensuring employees return District-issued assets upon separation or retirement
- Ensuring employees recuse themselves from administering contracts for which they have a conflict of interest
- Consulting with District's legal counsel to determine if any further actions, such as repayment, are advisable or required by law

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

*South King Fire strives to be good stewards of public dollars and in doing so, we hold ourselves to a high standard. The District self-reported to the State Auditor's Office (SAO), vulnerabilities in internal controls specific to the Fire Chief's position and authority. The Findings issued by SAO support the District's concerns that inadequate procedures were in place to ensure the highest standard at the highest level in the organization.*

*These vulnerabilities were identified in early 2020 after an internal audit by District employees. Prior to 2020, District processes, otherwise ordinary and routine in nature for all other employees, were insufficient or nonexistent for the Fire Chief position. A self-approval practice, with no established methods to provide transparency to the Board of Commissioners, created vulnerabilities in procedures. Unfortunately, due to the COVID-19 pandemic response and subsequent delays with annual audits, this information was not submitted to the SAO until the 2021 audit period.*

*During the audit, it was determined that employees had identified non-compliance with District policies but did not feel comfortable reporting them due to the authority of the Fire Chief position and fear of retaliation. District employees felt compelled to comply, which resulted in exceptions made to practice and policy. When a change in leadership occurred, employees felt comfortable coming forward with these activities and concerns. These matters were shared with the SAO to demonstrate accountability within the organization and to seek recommendations from the auditors on how to move forward.*

*The District agrees with the SAO's recommendations and is pleased to report that many of the suggested improvements have been adopted in the years since.*

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

We thank District officials and personnel for their assistance and cooperation. We will follow up on the District's corrective action during the next audit.

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

RCW 43.09.200 – Local government accounting – Uniform system of accounting

*Budgeting, Accounting and Reporting System (BARS Manual), 3.1.3.3, Internal Control*

RCW 42.23.030 – Interest in contracts prohibited – No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his or her office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.

## RELATED REPORTS

### **Financial**

Our opinion on the District's financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the District's financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

### **Federal grant programs**

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the District's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

## INFORMATION ABOUT THE DISTRICT

King County Fire Protection District No. 39, doing business as South King Fire and Rescue, provides fire protection and prevention services to approximately 150,000 residents in its service area. The District encompasses approximately 42 square miles including the cities of Federal Way and Des Moines and parts of unincorporated southwest King County. The District provides fire-related services under contract to other local government entities.

The Federal Way Fire Department merged with King County Fire Protection District No. 26 on January 1, 2006, to form South King Fire and Rescue. When the districts merged, so did the governing boards. The terms of the additional Commissioners expired in 2009, leaving the current Board of Commissioners with a five-member governing body. The Board appoints management to oversee the District's daily operations as well as its approximately 185 employees. For 2022, the District operated on an annual budget of approximately \$44 million.

### Contact information related to this report

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Contact:	Joe Ganem, Executive Director
Telephone:	(253) 946-7337
Website:	<a href="http://www.southkingfire.org">www.southkingfire.org</a>

*Information current as of report publish date.*

### Audit history

You can find current and past audit reports for South King Fire 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](http://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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