

Washington State Auditor's Office
Accountability Audit Report

Town of Cathlamet
Wahkiakum County

Report Date
July 21, 2011

Report No. 1006117

Issue Date
September 12, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

September 12, 2011

Mayor and Town Council
Town of Cathlamet
Cathlamet, Washington

Report on Accountability

We appreciate the opportunity to work in cooperation with your Town to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role to advocate for government accountability and transparency and to promote positive change.

Please find attached our report on the Town of Cathlamet's accountability and compliance with state laws and regulations and its own policies and procedures. Thank you for working with us to ensure the efficient and effective use of public resources.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

Town of Cathlamet
Wahkiakum County
July 21, 2011

Audit Summary	1
Related Reports	2
Description of the Town	3
Schedule of Audit Findings and Responses	5

Audit Summary

Town of Cathlamet Wahkiakum County July 21, 2011

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Town of Cathlamet from January 1, 2008 through December 31, 2009.

We evaluated internal controls and performed audit procedures on the activities of the Town. We also determined whether the Town complied with state laws and regulations and its own policies and procedures.

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 noncompliance, misappropriation or misuse. The following areas were examined during this audit period:

- Accounting/financial reporting
- Billings/receivables
- Contracts/agreements
- Reported loss
- Disbursements/expenditures
- Payroll/personnel
- Open public meetings/records laws
- Fire Department – financial operations

RESULTS

In most areas, the Town complied with state laws and regulations and its own policies and procedures.

However, we identified conditions significant enough to report as findings:

- The Town Council and management do not sufficiently monitor the Fire Department, placing public resources at risk.
- The Town Council and management do not sufficiently monitor the Fire Department's fuel credit cards, which resulted in the loss of public resources.

Related Reports

**Town of Cathlamet
Wahkiakum County
July 21, 2011**

FINANCIAL

Our opinion on the Town's financial statements is provided in a separate report, which includes the Town's financial statements.

Description of the Town

Town of Cathlamet Wahkiakum County July 21, 2011

ABOUT THE TOWN

The Town of Cathlamet was incorporated in 1907 and is located on in southwest part of the state bordering the Columbia River. The Town provides public safety, fire prevention, EMS services, street improvements, parks and recreation and general administrative services. In addition, the Town owns and operates a water and sewer system.

An elected, five-member Council and a separately elected Mayor govern the Town. The Council appoints management to oversee the Town's daily operations as well as its five employees. For 2008 and 2009, the Town operated on annual budgets of \$3,931,581 and \$4,963,049, respectively.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor
Town Council:

Richard Swart
William Talbott
David Goodroe
Walter Wright
Danielle Erickson (through July 2008)
Robert Rendler (effective August 2008)
John Hannah (through 2008)
Steve McNicholas (effective 2009)

APPOINTED OFFICIALS

Attorney
Clerk-Treasurer

Thomas M. Doumit
Virginia Welker (through January 2008)
Sylvia Costich (February 2008 through
September 2009)
Tina Schubert (effective October 2009)

TOWN CONTACT INFORMATION

Address: Town of Cathlamet
P.O. Box 68
Cathlamet, WA 98612

Phone: (360) 795-3203

Website: www.townofcathlamet.com

AUDIT HISTORY

We typically audit the Town every two years. During the 2000-2001 accountability audit, we reported one finding for the Town not assessing late fees on delinquent water/sewer accounts. This finding has been resolved.

Schedule of Audit Findings and Responses

Town of Cathlamet Wahkiakum County July 21, 2011

1. **The Town Council and management do not sufficiently monitor the Fire Department, placing public resources at risk.**

Background

The Town of Cathlamet was incorporated in 1907 and operates under the direction of an elected Mayor and five-member Council. The Mayor is the Town's chief administrative officer and is responsible for directing daily operations, coordinating departments and keeping the Council informed.

The Council established the Volunteer Fire Department in 1932 under the supervision of the Mayor and the Council. The Department is currently staffed by volunteers and was budgeted \$190,540 in 2008 and \$283,801 in 2009 by the Town.

In each of the prior two audits, we have reported to the Town Council and management that they are not adequately overseeing Fire Department and Emergency Medical Services operations. Volunteers at the Department historically have operated the Department as if it were not part of the Town.

Description of Condition

During our current audit, we noted continuing areas of concern.

Bank Accounts

State law requires the Town Clerk-Treasurer to account for all of the Town's money.

We found Fire Department volunteers opened and maintained four bank accounts without the knowledge of the Town's Mayor or management. Department volunteers stated they are checking and savings accounts of the Volunteer Firefighters Association and the Fire Chief's Association used to deposit donations. We could not determine the activity of these accounts because the Department did not provide us the bank statements and documents that support bank activity. Fire Department volunteers stated these are private bank accounts.

We found the Department opened these accounts using the Town's tax identification number, contradicting the argument that these are private bank accounts. In addition, checks written on one of these accounts paid up to \$2,700 in Department operating expenses. The Town Council did not approve these expenses and they were not reported in the Town's financial system.

As we reported to Town management in our prior audit, the Fire Department has a \$4,000 petty cash account to pay **incidental** EMS expenses approved by Department volunteers. District bank records show, the Department inappropriately deposited money in this account from ambulance transports and donations of \$58,104 in 2008 and \$41,775 in 2009. The Department also used this account to pay monthly fuel charges, cell phone bills, to purchase medical supplies and a radio antenna, and to refund EMS billings totaling \$13,140 in 2008 and \$10,208 in 2009. These expenses are not incidental and should be paid by warrants signed by the Mayor and countersigned by the Town clerk.

EMS Billing and Collection

Fire Department volunteers entered into an agreement with a private firm to provide billing and receipting services on behalf of the Town for emergency transports. Neither the Council nor the Mayor signed this agreement. We found the Department does not routinely provide all information to ensure town management reconciles transport activity to billings to verify that all transports are billed. In addition, the Department does not have a formal collection policy and does not monitor accounts receivable. We found that at the end of October 2010, the Town had \$82,290 in accounts past due more than 120 days, some dating back to 2000.

Contracts and Agreements

State law gives the Mayor of the Town the authority to sign contracts for services to the Town. During our audit, we noted Fire Department volunteers entered into two fuel credit agreements with purchases that totaled \$9,661 in 2008 and \$7,578 in 2009 without the Mayor's approval. In addition, we noted Fire Department volunteers entered into a lease for a propane tank and federal grant agreements for equipment without prior approval.

Cause of Condition

Fire Department volunteers do not believe the Department is subject to the governance of the Town Council, Mayor and management. The Department does not share its financial information with the Town. Until recently, Town management had taken no action to bring the Department under the Town's oversight.

Effect of Condition

The Town Council and Mayor were unable to adequately manage the activity of the Fire Department. Without monitoring or Town management oversight, funds could be co-mingled, unaccounted for or misappropriated.

Recommendation

The Town should establish policies and procedures to ensure all activities of the Town and its departments are under the oversight and authority of the Mayor and Town Council.

In addition, we recommend Town management effectively safeguard public resources by:

Bank Accounts

- Evaluating the Departments' bank accounts and ensuring they are necessary for business operations.
- Ensuring the Town's tax identification number is used to establish only authorized public accounts.
- Processing all cash receipts and payments through the Town accounts and general ledger system.

EMS Billing and Collection

- Ensuring all ambulance activity is appropriately billed and reconciled and account activity is reviewed and approved by the Town.
- Establishing a formal collection policy.

Contracts and Agreements

- Ensuring all Department contracts and agreements are properly authorized and approved by the Town Mayor and expenditures approved by Council.

Town's Response

The Town of Cathlamet has struggled to exert effective control over its 57-member Fire Department for some time. As the SAO first observed back in 2006, the Department functions much like an independent fire district instead of a Town department. Its leaders sign contracts unilaterally; set procedures without Town Council approval; shield financial records from the Town's elected leadership; and oversee unaudited, undeclared, off-balance-sheet bank accounts opened in the Town's name using the Town's tax ID numbers.

Even now, the Town's elected leaders have not reached a consensus on how to manage the Fire Department. It is therefore impossible to articulate a "Town Response" to issues identified in this finding without giving a false impression of unity. Suffice it to say that some members of the Town's elected leadership believe that the Fire Department "has done nothing wrong." That is not the view of the Town's executive branch, nor does it appear to be the majority opinion of the Town Council.

Bank Accounts

The Town is alarmed that undeclared bank accounts have been maintained by members of the Fire Department for years in its name. The risk, as the audit finding states, is that "funds could be co-mingled, unaccounted for or misappropriated" unless monitoring or effective oversight is established. The Town will seek to obtain all bank records for the four bank accounts in question, and for any additional accounts discovered in the future. The Town will undertake to retrieve all public funds identified in these accounts.

The Town is also concerned that a private, Department-controlled “petty cash account” for incidental EMS expenses still exists at a local bank, despite the SAO’s 2006 admonition to close it. The sheer volume of inappropriately deposited money – the bulk of it Medicare reimbursements for ambulance transports – raises serious accounting issues that the Town is determined to properly address. Nevertheless, Town efforts to redirect these Medicare payments into a Town-controlled account have met with resistance from the Fire Department. Further, complete bank records for this account are not yet in the Town’s custody and may have been lost or destroyed.

As it works toward eventually closing this account, the Town has: 1) established oversight of all Fire Department mail, 2) worked to establish a new Medicare account with vendor Noridian for reimbursements, and 3) taken over accounting for ambulance transports from a private contractor. In addition, the Town now meets the Fire Department’s petty cash needs through warrants issued by the Clerk-treasurer.

EMS Billing and Collection

To improve oversight, the Town’s Clerk-treasurer assumed control of accounting for ambulance transports from a private contractor in November 2010 and now communicates directly with our contract billing entity, AMR. The Clerk-treasurer is working with the EMS commander to reconcile transport activity to billing. The Town Council should review current EMS billing procedures and establish a collection policy. The Town also recognizes that a policy allowing for accounts receivable that are long past due to be written off is necessary.

Contracts and Agreements

The Town has begun a review of all known contracts entered into by the Fire Department and instructed commanders that they are to cease making contractual commitments unilaterally. In April 2011, the Town Council passed a resolution requiring all departments to seek prior Council approval before submitting grant applications.

Auditor’s Remarks

We appreciate the Town’s commitment to resolving the condition noted above. We will review the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 35.27.070 - Town Officers Enumerated, states:

The government of a town shall be vested in a mayor and a council consisting of five members and a treasurer, all elective; the mayor shall appoint a clerk and a marshal; and may appoint a town attorney, pound master, street superintendent, a civil engineer, and such police and other subordinate officers and employees as may be provided for by ordinance. All appointive officers and employees shall hold office at the pleasure of the mayor, subject to any applicable law, rule, or regulation relating to civil service, and shall not be subject to confirmation by the town council.

RCW 35.27.160 – Mayor – Duties – Powers – Mayor pro tempore, states in part:

The mayor shall preside over all meetings of the council at which he or she is present . . . The mayor shall sign all warrants drawn on the treasurer and shall sign all written contracts entered into by the town. The mayor may administer oaths and affirmations, and take affidavits and certify them. The mayor shall sign all conveyances made by the town and all instruments which require the seal of the town.

The mayor is authorized to acknowledge the execution of all instruments executed by the town which require acknowledgment.

RCW 35.27.170 – Town treasurer – duties, states:

The town treasurer shall receive and safely keep all money which comes into his or her hands as treasurer, for all of which he or she shall give duplicate receipts, one of which shall be filed with the clerk. He or she shall pay out the money on warrants signed by the mayor and countersigned by the clerk and not otherwise. He or she shall make monthly settlements with the clerk.

RCW 42.24.080 – Municipal corporations and political subdivisions – Claims against for contractual purposes – Auditing and payment – Forms – Authentication and certification, states:

(1) All claims presented against any county, city, district or other municipal corporation or political subdivision by persons furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or resolution of the municipal corporation or political subdivision. Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered, the labor performed as described, or that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision. No claim shall be paid without such authentication and certification.

(2) Certification as to claims of officers and employees of a county, city, district or other municipal corporation or political subdivision, for services rendered, shall be made by the person charged with preparing and submitting vouchers for payment of services. He or she shall certify that the claim is just, true and unpaid, and that certification shall be part of the voucher.

Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 3, Expenditures and Disbursements, Section C, Petty Cash, states:

For the purpose of BARS, petty cash includes change funds, working funds, revolving, advance travel, stamp funds, check cashing funds, etc.; in other words, any sum of money or other resources set aside for such specific purposes as minor disbursements, making change, and similar uses (i.e., imprest fund). If the petty cash is disbursed, it is periodically restored to its original amount by a warrant drawn and charged to the applicable operating fund. The amount of the warrant should equal the aggregate of the disbursements.

The following are minimum requirements for the establishment and operation of petty cash accounts.

1. The governing body must authorize each petty cash account in the manner that local legislation is officially enacted, i.e., resolution or ordinance. This applies also to all subsequent increases or decreases in the imprest amount.
2. The governing body or its delegate must appoint one custodian of each petty cash account who should be independent of invoice processing, check signing, general accounting and cash receipts functions. As part of the appointment, the custodian should render a receipt for the imprest amount to the treasurer, clerk-treasurer or auditor from whom he/she receives it. When it is not practical to hire additional personnel or to reallocate these duties among existing personnel, the governing body must establish some mechanism of review that accomplishes the objectives of the segregation of duties. For example, periodic monitoring of cash receipts and/or independent performance of the bank reconciliation add controls when complete segregation of duties is not possible.
3. The governing body or its delegate shall assure that the amount in petty cash is periodically counted and reconciled by someone other than the custodian.
4. The custodian shall assure the petty cash is kept in a safe place.
5. The imprest amount may be established by treasurer's check.
6. If petty cash is disbursed, it must be replenished at least monthly by warrant or check payable to the custodian. The replenishment should be subject to the same review and approval as processed invoices. No other receipts may be deposited to the petty cash fund. The replenishment must be by voucher with the appropriate receipts attached. The receipts should show the date, recipient, purpose, and amount of each cash disbursement. These receipts must be signed by the person receiving the money, stamps, etc. The receipts should be perforated or canceled by

some other appropriate means to prevent reuse. At the time of replenishment, the custodian should ensure that the balance remaining in petty cash, together with the amount of the replenishment voucher, equals the authorized imprest amount.

7. The imprest amount of petty cash should not exceed one month's salary or the surety bond covering the custodian.

8. The fund may not be used for personal cash advances even if secured by check or other I.O.U.'s. However, cities and towns are authorized to cash employees' checks, warrants, and drafts. If a city or town chooses to do so, it should create a separate imprest fund used solely for the purpose outlined in RCW 35.21.087. To avoid appearance of personal loan, deposits of cashed checks, warrants, and drafts should be made daily. Entities should avoid cashing checks out of (from) cash receipts because this destroys the intactness of deposits. See the separate procedures applicable to advances for travel expenses.

9. Petty cash should always be replenished at the end of the fiscal year so that expenditures will be reflected in the proper accounting period.

10. Whenever an individual's appointment as custodian is terminated, the fund must be replenished and the imprest amount turned over to the treasurer or other disbursing officer.

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

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.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Budget Accounting and Reporting System (BARS) Manual – Part 3, Accounting, Chapter 1, Accounting Principles and General Procedures, Section B, Internal Control, states in part:

Management and the governing body are responsible for the government's performance, compliance and financial reporting. Therefore, the adequacy of internal control to provide reasonable assurance of achieving these objectives is also the responsibility of management and the governing body. The governing body has ultimate responsibility for ensuring adequate controls to achieve objectives, even though *primary* responsibility has been delegated to management.

Internal control should be viewed as an integral or inherent part of the policies, systems and procedures management uses to operate and oversee the organization. This is not to say effective control will never require additional or incremental effort. Rather, controls exist to provide reasonable assurance about the achievement of objectives and so should be integrated into all the organization's fundamental business processes.

RCW 43.09.230 – Local government accounting – Annual reports – Comparative statistics, states:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for every purpose, and by what authority authorized; and also: (1) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (2) a statement of the entire public debt of every local government, to which power has been delegated by the state to create a public debt, showing the purpose for which each item of the debt was created, and the provisions made for the payment thereof; (3) a classified statement of all receipts and expenditures by any public institution; and (4) a statement of all expenditures for labor relations consultants, with the identification of each consultant, compensation, and the terms and conditions of each agreement or arrangement; together with such other information as may be required by the state auditor.

The reports shall be certified as to their correctness by the state auditor, the state auditor's deputies, or other person legally authorized to make such certification.

Their substance shall be published in an annual volume of comparative statistics at the expense of the state as a public document.

RCW 43.09.240 – Local government accounting – Public officers and employees – Duty to account and report – Removal from office – Deposit of collections, states:

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

Every public officer and employee, whose duty it is to collect or receive payments due or for the use of the public shall deposit such moneys collected or received by him or her with the treasurer of the local government once every twenty-four consecutive hours. The treasurer may in his or her discretion grant an exception where such daily transfers would not be administratively practical or feasible as long as the treasurer has received a written request from the department, district, or agency, and where the department, district, or agency certifies that the money is held with proper safekeeping and that the entity carries out proper theft protection to reduce risk of loss of funds. Exceptions granted by the treasurer shall state the frequency with which deposits are required as long as no exception exceeds a time period greater than one deposit per week.

In case a public officer or employee collects or receives funds for the account of a local government of which he or she is an officer or employee, the treasurer shall, by Friday of each week, pay to the proper officer of the local government for the account of which the collection was made or payment received, the full amount collected or received during the current week for the account of the district.

RCW 43.09.2855 – Local governments – Use of credit cards, states:

(1) Local governments, including counties, cities, towns, special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.

(2) A local government may contract for issuance of the credit cards.

(3) The legislative body shall adopt a system for:

- (a) The distribution of the credit cards;
- (b) The authorization and control of the use of credit card funds;
- (c) The credit limits available on the credit cards;
- (d) Payment of the bills; and

(e) Any other rule necessary to implement or administer the system under this section.

(4) As used in this section, "credit card" means a card or device issued under an arrangement pursuant to which the issuer gives to a card holder the privilege of obtaining credit from the issuer.

(5) Any credit card system adopted under this section is subject to examination by the state auditor's office pursuant to chapter 43.09 RCW.

(6) Cash advances on credit cards are prohibited.

Schedule of Audit Findings and Responses

Town of Cathlamet Wahkiakum County July 21, 2011

2. **The Town Council and management do not sufficiently monitor the Fire Department's fuel credit cards, which resulted in the loss of public resources.**

Background

The Town of Cathlamet established its Fire Department to provide fire prevention and emergency medical services. The Department is staffed by volunteers including a fire chief and two assistant chiefs.

The Department maintains 10 vehicles that include fire engines and ambulances that all use diesel fuel. The Department also has one rescue vehicle and various small items of equipment that use unleaded fuel.

The Department uses credit cards to purchase fuel for its vehicles. Cards are not assigned to specific vehicles or individuals and no personal identification number is required for their use. Cards are allowed to be left in the most commonly used vehicles.

On September 27, 2010, the Department discovered a potential loss of public funds related to fuel card purchases. On October 19, 2010, after conducting a preliminary investigation and notifying law enforcement, the Department informed the Mayor and Town Council of the loss. The Town Clerk-Treasurer reported the possible misappropriation to our office as required by state law (RCW 43.09.185).

Description of Condition

The Department obtained four credit cards without approval from the Town Council. Department volunteers stated one card had been missing since March 2008, but had not been de-activated. We reviewed credit card records and found only unleaded fuel, totaling \$7,705.18, had been charged to the card since March 22, 2008.

Fuel purchases for all cards were:

Period	Unleaded Fuel	Diesel Fuel	Total
2007 (Jan - Dec)	983.89	3,253.07	4,236.96
2008 (Jan - Dec)	4,540.05	5,303.38	9,843.43
2009 (Jan - Dec)	3,764.12	3,814.13	7,578.25
2010 (Jan - Sep)	3,326.08	3,456.43	6,782.51
Total	\$ 12,614.14	\$ 15,827.01	\$ 28,441.15

Charges listed by card number are:

Unleaded Fuel by Card	
Card 6	1,826.09
Card 7	8,259.75
Card 8	1,299.27
Card 10	1,229.03
Total	\$ 12,614.14

The majority of unleaded fuel was charged to Card 7, the missing card. After the Department deactivated the cards and reissued new ones, unleaded fuel purchases declined significantly. For example, purchases between October 2010 and January 2011 totaled \$42 compared with \$1,187 for June through September 2010.

Cause of Condition

The Town does not have a formal policy regarding credit card use and monitoring. The Department did not have controls or monitoring in place to oversee fuel card use and did not review monthly credit card bills or require documentation to show that all fuel purchases were for a Department-related purpose.

Effect of Condition

Based on our review of fuel purchases from January 2007 through January 2011, we determined that unleaded fuel purchases on all cards was unreasonable. We also reviewed documents from the Wahkaikum County Sheriff's Office as well as related court documents. Based on the accessibility of the cards, it is difficult to quantify the exact amount of fuel loss. The Town agreed to a judgment settlement of \$6,000. The individual suspected in the loss pleaded guilty to felony second-degree theft.

Recommendation

We recommend the Town establish policies and procedures governing the use of credit cards and institute adequate internal controls to monitor the activity and ensure public resources are safeguarded.

We recommend the Town seek recovery of audit costs of \$4,008.60.

The Town is insured by:

Insurance Company: Association of Washington Cities Risk Management
Policy Number: CLP 3010497
Amount of Coverage: \$10,000,000
Period of Coverage: January 1, 2011 – December 31, 2011

Town's Response

The Town of Cathlamet began to suspect fuel purchasing irregularities within the Fire Department in the spring of 2010. The Town's concerns included the lack of procedures to link (by signature or assigned pin number) fuel purchases to specific individuals, the

use of EMS fuel credit cards by non-EMS personnel and the absence of valid contracts for the Department's fuel cards in Town files. Another Town concern was that most Department financial records – including those for fuel purchases – were then kept in a private law firm out of reach of the Town's elected officials.

The Town's Clerk-treasurer began working with the Department's EMS commander to better understand the Department's fuel requirements and procedures. As part of this process, the Clerk-treasurer presented the EMS commander with fuel credit card statements for July 2010 and asked that he: 1) locate and secure each active credit card, 2) explain EMS fueling procedures and 3) begin reviewing EMS fuel bills monthly. During the course of that review, the EMS commander discovered a potential loss of public funds due to improper fuel card purchases.

The chronology illustrates two things. First, it shows that the discovery of fuel theft was the result of Town efforts to improve oversight of the Fire Department. Second, it highlights how cooperation between the Clerk-treasurer and Department commanders can result in significant financial savings over time when it is undertaken in good faith.

In recent months the Town has, with Town Council approval, implemented new fueling procedures for all firefighting vehicles. Acting on its own, the Department adopted standard safeguards applicable to EMS fueling to prevent credit card misuse – procedures which the Town Council will review in the coming months with an eye toward making them official policy. The Town is also in the final phase of taking control of all Fire Department accounting, although a significant portion of the Fire Department's public records previously stored at a private law firm have not yet been turned over to the Town and may have been lost or destroyed.

Auditor's Remarks

We appreciate the Town's commitment to resolving the condition noted above. We will review the status of the finding during our next audit.

Applicable Laws and Regulations

RCW 43.09.2855 – Local governments – Use of credit cards, states:

- (1) Local governments, including counties, cities, towns, special purpose districts, municipal and quasi-municipal corporations, and political subdivisions, are authorized to use credit cards for official government purchases and acquisitions.
- (2) A local government may contract for issuance of the credit cards.
- (3) The legislative body shall adopt a system for:
 - (a) The distribution of the credit cards;
 - (b) The authorization and control of the use of credit card funds;
 - (c) The credit limits available on the credit cards;
 - (d) Payment of the bills; and

(e) Any other rule necessary to implement or administer the system under this section.

(4) As used in this section, "credit card" means a card or device issued under an arrangement pursuant to which the issuer gives to a card holder the privilege of obtaining credit from the issuer.

(5) Any credit card system adopted under this section is subject to examination by the state auditor's office pursuant to chapter 43.09 RCW.

(6) Cash advances on credit cards are prohibited.



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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

State Auditor
Chief of Staff
Deputy Chief of Staff
Chief Policy Advisor
Director of Audit
Director of Special Investigations
Director for Legal Affairs
Director of Quality Assurance
Local Government Liaison
Communications Director
Public Records Officer
Main number
Toll-free Citizen Hotline

Brian Sonntag, CGFM
Ted Rutt
Doug Cochran
Jerry Pugnetti
Chuck Pfeil, CPA
Jim Brittain, CPA
Jan Jutte, CPA, CGFM
Ivan Dansereau
Mike Murphy
Mindy Chambers
Mary Leider
(360) 902-0370
(866) 902-3900

Website
Subscription Service

www.sao.wa.gov
<https://www.sao.wa.gov/EN/News/Subscriptions/>