



Office of the Washington State Auditor

Pat McCarthy

Exit Letter: Stevens County Fire Protection District No. 7

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this letter is to share our audit results with management and the board. We value and appreciate your participation. This letter is not your official audit report, which will be published on our website. You will receive a separate email with a link to that report.

Audit Highlights

We would like to thank the District for their rapid responses to our audit questions and for their cooperation throughout the audit process.

About the Audit

We performed a Local Government Assessment Audit for the years 2018 and 2018 for Stevens County Fire Protection District No. 7. This type of audit is a risk-based audit wherein we review the District's information submitted via the annual report filing process. Assessment Audits are typically performed for governments that receive \$300,000 or less in annual revenues or for school districts with less than 250 full-time students. If the government exceeds the thresholds stated, is noncompliant with filing requirements, or other risk factors are present, then the audit could be performed on-site in the future. Further, if expenditures of federal awards are \$750,000 or more in any fiscal year, notify our Office as federal rules require the District to receive a financial and federal audit for that year.

Audit Results

In relation to our report that will be issued on our website, we would like to bring to your attention the results of our audit:

Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

We have provided exit recommendations for management's consideration below. Exit items address control deficiencies or non-compliance with laws or regulations that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. These exit recommendations are not published with the audit report that is visible to the public on our website but are items documented and reviewed by our Office for District management to consider and address. The exit recommendations are as follows:

1. OPMA – Based on the procedures performed, except as described below, nothing came to our attention in the areas we reviewed that caused us to believe the District was not in substantial compliance with applicable state laws, regulations, and its own policies, or had significant weaknesses in controls over the safeguarding of public resources. Had we performed additional procedures, other matters might have come to our attention that would have been reported. We recommend the District improve its documentation of Board meeting minutes to avoid limiting public access to Board Member discussions about the District's use of public funds, as required by state law (RCW 42.30.035). We recommend the District ensure the minutes include the Board-approved voucher numbers and total amount paid, as required by state law (RCW 42.24.180) and the Budgeting, Accounting and Reporting System (BARS) manual. We further recommend the District ensure all action and final action taken at meetings is done so by a quorum of Commissioners. If a quorum is not present, state law (RCW 42.30.090) will allow the District to adjourn the meeting to a stated time and place. The District can access the MRSC website for more information regarding the Open Public Meetings Act ([MRSC-OPMA](#)).
2. Financial Condition – Our review of the District's financial condition noted a decline in the District's cash balance sufficiency and change in cash position. Cash balance sufficiency is a ratio that shows the number of days that the District could operate solely on its ending cash and investments balance. The decline in the District's cash balance sufficiency hinders the District's ability to manage emergencies and unanticipated needs. Change in cash position shows the extent to which cash increased or was used up during the year. A decline in a cash balance imply that the District's expenditures are greater than its revenues during the year. The decline in the District's financial condition puts the District at risk of not being able to meet its financial obligations and maintain current service levels. We continue to recommend the District monitor its financial condition to ensure future operations can be sustained. This is a repeat recommendation made in the prior audit.
3. Commissioner/Secretary Pay – Our review found that the District is paying the Commissioners as contractors, in violation of state and federal payroll regulations and unduly exposes the District to penalties for late payment of payroll taxes and noncompliance. We continue to recommend the District report Commissioner and employee payments as wages and pay applicable payroll taxes. This is a repeat recommendation made in the prior audits.
4. Policies – Our review found that the District does not have written policies or procedures governing the use of its open store accounts, and purchasing of supplies and equipment (procurement policy). We recommend the District develop written policies to protect District assets from loss and misuse, and assist the District in complying with state procurement laws (RCW 52.14.110 and RCW 40.14.070).
5. Petty Cash – Our review noted the District was using their petty cash/imprest account incorrectly. Specifically, the District's petty cash policy establishes the petty cash fund at \$75 and review of the bank statements revealed that the District has \$500 established in the petty cash fund. We further noted the District is not replenishing the account to the established amount each month. Further, the District's policy governing the use of the petty cash/imprest account lacks key internal controls, such as the requirement to retain and submit supporting documentation, as well as seeking repayment for unallowable purchases. We recommend the District use the petty cash account in adherence to the District's policy and in compliance with the BARS manual (section 3.8.8).

Status of Prior Audit Recommendations

Brief Description	Resolved	Partially Resolved	Unresolved
<i>Verbal Recommendation – Board Member Waivers</i>	X		
<i>Exit Item – Compensation of Board Members</i>			X
<i>Exit Item – Financial Condition</i>			X
<i>Exit Item – Annual Report Filing</i>		X	

Additional Reminders

Below is a list of areas that small local governments may need additional guidance.

Procurement and Public Works Projects

State law (RCW 39.04) requires competitive procurement for public works projects and purchases of supplies and equipment for most local government types. Laws that require specific methods of procurement differ per government type. Furthermore, all public works contracted for by the government must meet state prevailing wage requirement by obtaining an “Affidavit of Prevailing Wages Paid” from the contractor unless the work is performed exclusively by the business owner.

For additional guidance on public works projects and procurement for your specific government type, please visit Municipal Research and Service Center of Washington’s website: [Procurement and Public Works Requirements](#)

Credit Cards

The state Department of Enterprise Services has a Purchase Card Contract with US Bank that local governments are eligible to use. The card has no annual fee and offers annual rebates on purchases made using the card. For more information go to [Purchase Card Guidance](#).

It is also important to note that having policies and procedures for credit/debit cards and charge account use is important for safeguarding the local government’s funds. Local governments are allowed by state law (RCW 43.09.2855) to utilize credit cards. This statute provides some guidelines for their use, which include adopting a system for distribution, control, authorization, etc. of credit cards.

Working Together to Improve Government

Local Government Support Team

The Local Government Support Team provides year-round accounting and reporting support at no additional cost to local governments. Each year, this team prescribes and updates accounting and reporting guidance through our Budgeting, Accounting and Reporting System (BARS) manuals, incorporating all recent governmental accounting changes. In addition to maintaining our BARS manual, this team provides BARS training at locations around the state, one-on-one assistance for accounting and annual reporting questions, and technical accounting and reporting assistance. Our website offers access to the BARS manual, MyBARS, the annual report filing system, and other resources, including a client Help Desk where we can answer your auditing and accounting questions directly. Learn more about these resources at www.sao.wa.gov, and look for the BARS & Annual Filing tab. If you have any questions, email us at LGCSfeedback@sao.wa.gov.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor is designed to offer services specifically to help you help the residents you serve at no additional cost to your government. What does this mean? We provide expert advice in areas like Lean, peer-to-peer networking and culture-building to help local governments find ways to be more efficient, effective and transparent. The Center can help you by providing assistance in financial management, cybersecurity and more. Check out our best practices and other resources that help local governments act on accounting standard changes, comply with regulations, and respond to recommendations in your audit. The Center understands that time is your most precious commodity as a public servant, and we are here to help you do more with the limited hours you have. If you are interested in learning how we can help you maximize your effect in government, call us at (564) 999-0818 or email us at Center@sao.wa.gov.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Audit Cost

In the entrance communication, we estimated the cost of the audit to be \$1,400 and actual audit costs will approximate that amount.

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Concluding Comments

We appreciate your assistance throughout the audit. We hope you find the information above informative and helpful to the government's operations. If you have any questions or concerns, please call or email at your convenience and we can discuss your audit.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Mark Rapozo, CPA, Assistant Director of Local Audit, (564) 999-0794, Mark.Rapozo@sao.wa.gov

Stacie Tellers, Audit Manager, (564) 999-0922, Stacie.Tellers@sao.wa.gov

Vivian Vandenburg, Acting Assistant Audit Manager, (509) 329-3703, Vivian.Vandenburg@sao.wa.gov

Angela Harris, Audit Lead, (564) 999- 0921, Angela.Harris@sao.wa.gov