

**Whatcom County Fire District #21  
Station 12 – Bellingham  
4142 Britton Loop Rd., Bellingham WA 98226  
10:00 am  
February 15, 2019  
Special Board of Fire Commissioners Meeting**

**CALL TO ORDER**

Chairman Bosman called the special Whatcom County Fire District #21 Board of Fire Commissioners meeting for February 15, 2019 to order at 10:00 a.m. at Station 12 – 4142 Britton Loop Rd., Bellingham, WA 98226.

**ROLL CALL**

Attendees District: Chairman Rich Bosman; Vice-Chairman Bruce Ansell; Commissioners Larry McPhail and Dean Berkeley; Interim Fire Chief Joe Noonchester; Division Chiefs Henry Hollander and Jason Van der Veen.

**PUBLIC COMMENT**

- None

**AUDIT EXIT INTERVIEW**

Deena Garza, Audit Manager; Karyna Orcutt, Assistant Audit Manager; and Travis Jones, Audit Lead, provided a combined audit exit conference for both North Whatcom Fire and Rescue and District 4.

Deena Garza noted that their office appreciated the districts' continuous and open communication throughout the audit process.

Draft audit reports were provided for the accountability and financial statement for January 1, 2016 through December 31, 2017.

Based on the auditors' risk assessment for 2016 - 2017, the areas examined during the audit included:

- Payroll – wages, timesheets approval and leave accrual
- Self-insurance – health and unemployment
- Tracking and monitoring of theft sensitive assets
- Contract compliance – District 4
- Basic life support transport billing including third party receipting
- Conflict of interest controls and evaluation of transactions

The report is available on their website, <http://portal.sao.wa.gov/ReportSearch>.

Chief Hollander noted that the district is in the process of switching how inventory is tracked, which could take up to two years to complete. At this time inventory is being tracked between two databases.

Vice-Chairman Ansell requested information regarding the conflict of interest controls and evaluation of transactions. Since there was no violation discovered or recommendations offered, the auditor will not provide a formal response unless requested by the complainant. The Board requested a formal response be provided and a copy be sent to the district.

Karyna Orcutt provided information regarding the Management Letter. The letter includes a summary of specific matters identified in planning and performing the district's inner controls and compliance in these areas. The items have already been discussed with district officials and personnel along with recommendations for improvement. The auditors' office will review the status of these issues matters during the next audit.

#### Disbursements

The district is responsible for implementing internal controls that provide reasonable assurance that disbursements of public funds (including employee compensation) are supported, approved and comply with legal and policy requirements. The audit identified that the district did not provide adequate detailed review and oversight to ensure all transactions were allowable and followed applicable laws, contracts and policies.

Karyna Orcutt noted that they found concerns considered an unallowable lending of credit and potential gift giving of public funds, prohibited under Washington State Constitution Article VII, Section 7, as well as the represented employee collective bargaining agreement related to leave accrual tracking and usage procedures.

It was recommended that the district strengthen internal controls to ensure all disbursements are for a valid purpose and to seek repayment for the additional leave compensation that was used but not earned by the employees.

Chief Noonchester noted that the district had performed an intensive audit prior to the state audit, in an attempt to correct the issue. It was discovered that the issue was not the method that the accrual was being accounted, but rather poor data entry. It was identified that for the most part members did not take leave before it was earned. To remedy the situation, the district has purchased a software program and once all the corrected balances have been inputted, will calculate accruals and leaves, electronically and automatically, eliminating human error.

Vice-Chairman Ansell requested information regarding the leave balances, specifically if the district owes money to members or vice-versa. Chief Noonchester noted that the process has been checked against language in the current labor contract and the district is compliance from this point forward. Some of the issues included leave that was not entered into the system correctly. The corrected leave balances will be inputted into the new software.

Vice-Chairman Ansell requested information regarding the hierarchy of sanctions.

Finding: most severe; published in auditor's report and on auditor's website  
Management letter: less severe; significant issues noted in exit conference; follow up during next audit  
Exit items: minor issues; housekeeping items that will be followed up on during the next audit  
Verbal recommendation: minor items noted by the auditor

Karyna Orcutt reviewed the two financial reports.

#### Internal Control over Financial Reporting

*"Given these limitations, during our audit we did not identify and deficiencies in internal controls that we consider to be material weakness. "*

#### Compliance and Other Matters

*"The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards."*

#### Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

*"In our opinion, the financial statements referred to present fairly, in all material respects. The financial position and results of operations of North Whatcom Fire and Rescue, for the years ended December 31, 2017 and 2016, on the basis of accounting."*

#### Supplemental and Other Information

*"In our opinion, the information is fairly stated, in all material respects, in relation the financial statements taken as a whole."*

Due to the depth of the audit, the cost was approximately \$4,000.00 over what was previously budgeted. The auditors spent approximately three hundred hours on the audit. Commissioner Berkeley stated that the audit was very expensive and takes money away from our community.

Business Manager Benita Williams requested that all subsequent audits take place in the summer or fall rather than the winter. It was agreed that the offsite audit was more beneficial and less disruptive to the district.

The auditors stressed the importance of completing the audit survey to allow their sector to review any and all feedback. Deena Garza also reviewed the available resources that allow local governments to improve their performance and effectiveness.

There was discussion regarding the audit cycle. Currently the district is audited every two years although a three year minimum is mandatory for any district that collects over two million dollars in revenue annually.

Chief Noonchester expressed his gratitude to Travis Jones for working with the district during the audit process.

Speaking on behalf of the commissioners, Chairman Bosman noted that they are answerable to the taxpayers who elect them and they appreciate the auditors' thoroughness and professionalism during the audit process.

**ANNOUNCEMENT**

Both Commissioner Crawford and Commissioner McPhail have been excused from attending the Thursday, February 21 meeting. Chairman Bosman, Vice-Chairman Ansell and Commissioner Berkeley are expected to attend.

**ADJOURNMENT**

**MOTION:** There being no further business Vice-Chairman Ansell moved to adjourn the meeting at 10:51 am. The motion was seconded by Commissioner McPhail and approved 4-0.

Respectfully Submitted by:

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Jennie Sand, Recording Secretary

**ATTEST:**

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Rich Bosman, Chairman

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Bruce Ansell, Vice-Chairman

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Larry McPhail, Commissioner

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Dean Berkeley, Commissioner

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Chief Noonchester, Board Secretary