



Department of Emergency Management
Snohomish County, Washington

Performance Audit Division Report on Operating and Administrative Policies and
Procedures for the Department of Emergency Management

We have reviewed the operating and administrative policies and procedures of the Department of Emergency Management, Snohomish County, Washington. Also included in the review were the Bylaws, the Personnel Policy Manual, and the RCWs relative to expenditure control.

We conducted our audit/review in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, (1994 Revision). Those standards require that we plan and perform the audit/review to obtain reasonable assurance about whether the "internal controls" policies and procedures are adequate and implemented.

The Director of the department is responsible for establishing and maintaining an adequate internal control structure. In fulfilling this responsibility, judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition. In addition, to assure that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Finally, any evaluation of the structure's future effectiveness is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit/review of the department's policies and procedures, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion of the internal control structure and not on the financial statements. Accordingly, we do not express such an opinion.

This report is intended for the information of management and board of directors. Parts of this report are a matter of public record and its distribution should not be limited. **However, Confidential information is not public record and shall not be distributed.** Information extracted from this report may also serve as a method to disseminate information to the public as a reporting tool to help citizens assess government operations.

Dated this date: September 30, 1998

Dean L Ritchhart
Manager – Performance Audit Division

Martin T. Standel
Senior Management Auditor



Department of Emergency Management Snohomish County, Washington

On August 27, 1998 the Chairman of the Board, of the Department of Emergency Management requested a Management Audit of their department. Upon receipt of this request, the County Auditor submitted the request to the full Snohomish County Performance Audit Committee. The Committee upon review concurred with the need and authorized the Performance Audit Division to perform a limited management review. At the same time, the County Auditor asked the Snohomish County Prosecutor's Office, by memo, if such an undertaking would interfere with any on-going investigations by their department. On September 1, 1998, the Snohomish County Prosecutor's Office responded as follows. "A management review by your office would not pose any sort of problem to this office and would seem appropriate if requested by the Board".

Upon receipt of the September 1, 1998, letter from the Prosecutor, the County Auditor responded to the Board's request on September 3, 1998. The audit/review was performed by the Performance Audit Division between the period September 4 through September 18, 1998. Office visits to gather and review information were held at the offices of the Department of Emergency Management on September 14 through September 16, 1998.

We conducted our audit/review in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States, (1994 Revision). Those standards require that we plan and perform the audit/review to obtain reasonable assurance about whether the internal controls policies and procedures are adequate and implemented.

In order to assess the Department of Emergency Management's internal controls and compliance to its policy and procedures, it was necessary to test their records and internal control procedures. Based on the background and circumstances regarding this review, it was determined that the test period would be October 1, 1997, through March 31, 1998, with the exception of the review for overtime. That period would be based on the period December 1, 1996, through February 28, 1997, the period of the "Holiday Storm".

This test period was selected as it covered a reasonable period before and after the Department's Policy on "Use of Departments Credit Cards (Gas, Phone, and Bank Charge Cards)" dated November 19, 1997, was formally issued.

The scope of the audit/review was limited to the request by the Chairman of the Board, Department of Emergency Management, and the County Auditor's response, which are defined on page 3. "The Performance Audit Staff will review the work already done by the State Auditor's Office and the Washington Highway Patrol and study their conclusion and recommendations. They will review asset control and examine current management controls, procedures and policies. They will then develop recommendations for improving those controls, procedures, and policies that relate to asset management".

The audit/review was limited to an operational review of the department's policy and procedures and does not include testing or analysis pertaining to the department's financial statements. The State Auditor conducts financial audits. Our audit/review Objectives and Scope were as follows:

Objectives: To review pertinent operating and administrative policies and procedures of the Department of Emergency Management. To test, review, and interview to determine if the departments' internal controls are adequate and that use of agency funds and or assets are proper.



Department of Emergency Management Snohomish County, Washington

Scope: Review the department's policies and procedures relating to internal controls along with a review of their current accounting system. Gather evidence, document findings and observations to support audit/review conclusions and recommendations relative to internal controls for expenditures and utilization of assets.

Government Auditing Standards establish the audit/review methodology as set forth by the Comptroller General of the United States. These guidelines require us to exercise due professional care and sound judgment in establishing both the scope and determining tests and procedures to meet the audit/review specified scope and objectives. In addition, professional judgment must be exercised in evaluating and reporting the audit/review results.

Based on the limitation of the audit/review scope and objectives, this audit/review of the Department of Emergency Management falls under operational and special studies. Our audit/review scope was limited to the policies and procedures associated to the departments internal controls. This type of review is classified as an operational audit. In addition, our request to review specific aspects within the internal control procedures can be classified as a special study review.

Background: Staff members of the Department of Emergency Management using Snohomish County's Whistleblower Protection Act, contacted local law enforcement alleging that the Assistant Director was improperly using cellular telephone, credit cards, public vehicles and falsely billing the department for overtime hours.

Due to the close personal relationships with personnel in Snohomish County's Sheriff Department, City of Everett Police Department and the Chairman of the Executive Committee, The Snohomish County Sheriff asked the Washington State Patrol to investigate this matter. The Snohomish County Sheriff's Office requested this investigation on July 23, 1998. All parties felt that this would be the best approach to avoid any appearance of conflict.

- On August 7, 1998, the Washington State Patrol Intergovernmental Services Bureau was assigned the task of conducting a theft investigation involving Department of Emergency Management, Snohomish County.
- On August 13, 1998, a search warrant was served at the Department of Emergency Management. The Department's Director acknowledged receipt of the warrant. Specific records were taken to the offices of the State Patrol.
- On August 19, 1998, articles appeared in various newspapers in Snohomish County and Seattle.
- At around the same timeframe, the Snohomish County Prosecutor's Office decided not to file charges on this matter.
- On August 27, 1998, the Chairman of the Board, of the Department of Emergency Management sent a letter to Snohomish County's Auditor requesting a review of the departments' administrative procedures and practices including internal controls.
- On September 1, 1998, Snohomish County Prosecutor's Office indicated that such a review/study would not conflict with current or existing investigations.



Department of Emergency Management Snohomish County, Washington

- On September 3, 1998, the Snohomish County Auditor responded to the Chairman of the Board, Department of Emergency Management's request and offered the services of the Performance Audit Division.

The Performance Audit Division has the authority to respond to the Chairman of the Board, Department of Emergency Management request based on the following:

Authority to Audit: The authority of Snohomish County's Performance Audit Division Charter is contained the following sections of the County Charter:

2.700.020 Authority – Scope of Audits:

(1)(b) ...determine whether activities and programs are being conducted in a manner calculated to accomplish the objectives intended by county charter, county code, county policy, or applicable state or federal law or regulations, and

(1)(e) ...determine whether management has established and implemented adequate operating and administrative procedures and practices, systems of accounting, internal control systems, and internal management controls, which are being adhered to.

In addition, Federal Government Accounting Office (GAO) Standards as set forth for government auditing has identified.

Audits...may have objectives limited to only some aspects of one audit type...Other examples of such audits include audits of specific internal controls...

2.4 b. Financial related audits include determining whether...(3) the entity's internal control structure over financial reporting and/or safeguarding assets is suitably designed and implemented to achieve the control objectives.

2.5 c. Internal controls over financial reporting and/or safeguarding assets, including controls using computer-based systems.

Auditors may perform services other than audits. For example, auditor may perform investigative work. In performing audits or investigative work where violations of laws may have been suspected, auditors must proceed with the following standards in mind.

American Institute of Certified Public Accountants (AICPA) standards and Government Accounting and Auditing Standards (GAAS) require the following: Auditors should be aware of the possibility that indirect illegal acts may have occurred. (Note: Indirect illegal acts are violations of laws and regulations having material but indirect effects on the financial statements.)

4.15 ...Auditors may find it necessary to use the work of legal counsel in (1) determining which laws and regulations might have a direct and material effect on the financial statements, (2) designing tests of compliance with laws and regulations, and (3) evaluating the results of those tests.

Department of Emergency Management Snohomish County, Washington

4.16 Auditors should exercise due professional care in pursuing indications of possible irregularities and illegal acts so as not to interfere with potential future investigations, legal proceedings, or both...Auditors may also be required to withdraw from or defer further work on audit or portion of the audit in order not to interfere with an investigation.

Organizational Authority: Snohomish County Department of Emergency Management is a separate and discrete local governmental agency organized under the laws of the State of Washington Chapter 38.52 RCW and as set forth in the Snohomish County code Chapter 2.35.

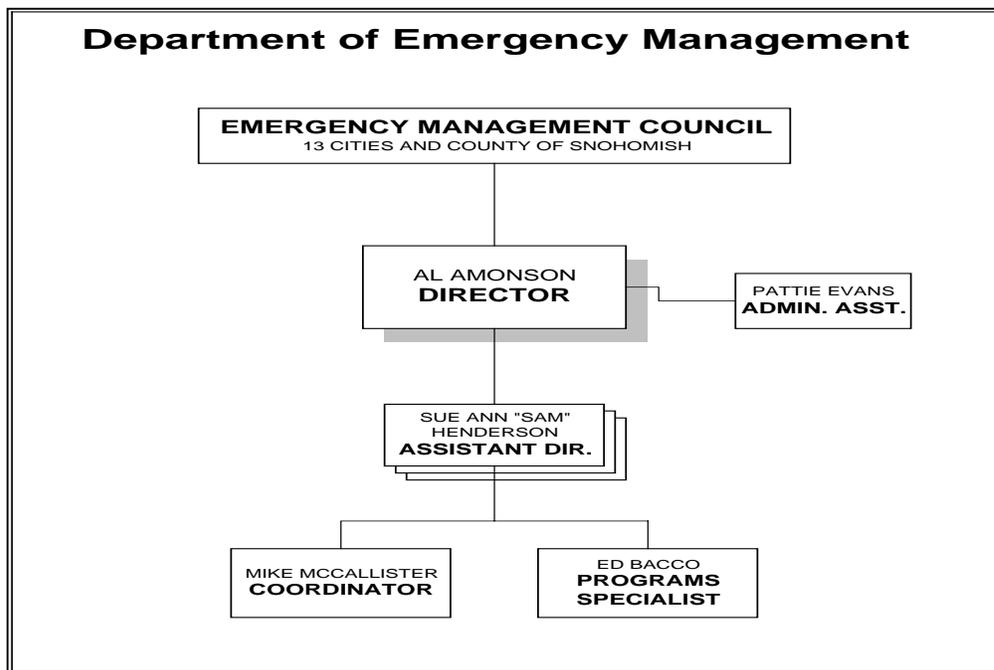
Organizational Background:

Department of Emergency Management is the official emergency management agency for Snohomish County and certain incorporated cities (13) and towns within Snohomish County providing emergency management services in accordance with Federal, state and local laws, policies, guidelines and procedures.

The governing body of the Department of Emergency Management is the Board of Directors, composed of representatives from Snohomish County government and from those cities and towns participating within the agreement. The Administrative Director of the Department of Emergency Management serves at the pleasure of the Board. The Director has powers and duties set forth in the Bylaws of the Department of Emergency Management.

Finally, the Department of Emergency Management Personnel Policy Manual was revised by Board Resolution No. 1997-2.

The current organization chart for the Department of Emergency Management is as follows:





Department of Emergency Management Snohomish County, Washington

Previous Audits/Investigations: Our review showed that the State of Washington audited the Departments books on a yearly basis. Due to the size and funding, the State determined that there was a very low risk due to their funding (checks) and disbursements (vouchers). The state limited their scope to assure that funds in total were tracked, reconciled and recorded. In addition, the state reviewed the departments' internal controls to assure that the department was adhering to State and Federal regulations. During the period 1994 - 1996 the state found and recommended items to improve controls and stay in compliance with federal and state regulations. Each year's recommendation was followed up in the next year's audit to assure its implementation.

Our review found that the State Auditors' work to be in accordance with GAAP and government auditing standards. While some testing was performed, such as expenditures to contract, they did not test at a micro level including individual employees. Based on the State's audit scope and objectives, this level of testing would not have been required. We agree with the States audit finding and audit approach.

We also reviewed the extensive files, papers, and notes collected by the Washington State Patrol Case No. 98-009090).

Conditions: The Department of Emergency Management is a small cohesive group of trained emergency professionals. Their offices are in a small white house next door to Snohomish County Department of Emergency Management. The office environment is friendly, open, casual and dedicated. With such a small staff, according to the Director, policy changes are generally transmitted verbally and at times in writing.

The department issues a credit card to each employee. A public vehicle with an attached cellular telephone is provided to each staff except the administrative assistant. Due to the nature of their mission, staff members are assigned duty on weekends on a rotating basis. Normal business hours consist of an eight-hour day.

When overtime is required, staff is compensated using "comp time". However, pursuant to federal regulations outlined by FEMA, when there is a Presidential Major Disaster Declaration, overtime must be claimed and is reimbursed by the Federal Government.

The departments Bylaws contain the following pertinent policies and procedures.

VIII. A. The Director shall be the chief executive officer of the Snohomish County Department of Emergency Management. The Director's selection and employment in such capacity shall be the determination of the Board of Directors of the Snohomish County Department of Emergency Management.

B. Relative to the employment of the Director, it shall be the duty of the Management Committee to evaluate the performance of said Director and make recommendations to the full Board relative to the performance of the Director, as well as relative to the hiring or discharge of the same.



Department of Emergency Management
Snohomish County, Washington

- C. It shall be the duty of the Director to:
 - 2. Prepare each year and submit to the Board of Directors for their consideration and approval a budget...
 - 4. Hire and supervise such staff as is necessary...
 - 7. Be responsible for the management of the property, business and affairs of the Snohomish County Department of Emergency Management....

The Department's Policies and Procedures related to Personnel were adopted by the Board under Resolution No. 1997-2.

However, other than the new policy pertaining to credit card use dated November 19, 1997, we did not find nor was given any other policies and or procedures. It appears that most of the department's policies and procedures are informal, with the exception of personnel policies.

Our audit/review investigated and tested the following areas for the period Oct 1, 1997 – Mar 31, 1998:

- AirTouch Cellular Bills and usage
- Use of Cellular on "NON DUTY WEEKEND"
- VISA credit card use
- Claimed overtime for the period December 1996 – February 1997
- Other general finding and observations

Findings:

AirTouch Cellular – This review covered the period (Bill Date October 15, 1997 – March 15, 1998). For the billing period, December 15, 1997, items shown were limited to prior credits and minimum monthly charges.

<u>Vehicle with cellular (last 4 digits):</u>	<u>Average Monthly Charges (six months):</u>
2089	\$17.24
7423	\$21.50
0989	\$72.64

Use of Cellular on "NON DUTY WEEKEND" – Individuals are issued a public vehicle in order to perform their duties. Due to the nature of their mission, an individual must be on call during the weekends. If an individual was not on call, there normally should not be any reason to use the public vehicle, which contains an attached cellular telephone.

Our review covered the period October 1, 1997 through March 31, 1998. During this period, there were 52 weekend days. Individuals had weekend duty ranging between 11 and 15 days.



Department of Emergency Management
Snohomish County, Washington

<u>Cell Number</u>	<u>Number of Weekend Days Days off Duty</u>	<u>Off Duty Days Use</u>	<u>% of Days Cellular used when off duty</u>
2089	37	2	5%
7423	41	2	5%
0989	40	12	30%

VISA credit card use – Individuals are issued credit cards for use to perform the department's mission. Our review covered the period October 1, 1997 through March 31, 1998.

<u>Card No.</u>	<u>Total Purchases</u>	<u>Business</u>	<u>Personal</u>
0696 Oct 97	\$ -	\$ -	\$ -
Nov 97	\$54.58	\$54.58	\$ -
Dec 97	\$ -	\$ -	\$ -
Jan 98	\$ -	\$ -	\$ -
Feb 98	\$ -	\$ -	\$ -
Mar 98	\$ -	\$ -	\$ -

<u>Card No.</u>	<u>Total Purchases</u>	<u>Business</u>	<u>Personal</u>
7940 Oct 97	\$ -	\$ -	\$ -
Nov 97	\$44.28	\$44.28	\$ -
Dec 97	\$ -	\$ -	\$ -
Jan 98	\$ -	\$ -	\$ -
Feb 98	\$ -	\$ -	\$ -
Mar 98	\$ -	\$ -	\$ -

<u>Card No.</u>	<u>Total Purchases</u>	<u>Business</u>	<u>Personal</u>
7924 Oct 97	\$ -	\$ -	\$ -
Nov 97	\$ -	\$ -	\$ -
Dec 97	\$ -	\$ -	\$ -
Jan 98	\$ -	\$ -	\$ -
Feb 98	\$ -	\$ -	\$ -
Mar 98	\$ -	\$ -	\$ -

<u>Card No.</u>	<u>Total Purchases</u>	<u>Business</u>	<u>Personal</u>
7916 Oct 97	\$ -	\$ -	\$ -
Nov 97	\$ -	\$ -	\$ -
Dec 97	\$ 107.37	\$ 107.37	\$ -
Jan 98	\$ -	\$ -	\$ -
Feb 98	\$ -	\$ -	\$ -
Mar 98	\$ -	\$ -	\$ -



Department of Emergency Management
Snohomish County, Washington

<u>Card No.</u>	<u>Total Purchases</u>	<u>Business</u>	<u>Personal</u>
7932 Oct 97	\$ 3,248.75	\$ 2,708.65	\$ 540.10
Nov 97	\$ 1,188.64	\$ 303.09	\$ 885.55
Dec 97	\$ 1,966.70	\$ 1,352.51	\$ 614.19
Jan 98	\$ 3,481.60	\$ 3,142.00	\$ 339.60
Feb 98	\$ 804.65	\$ 550.49	\$ 254.16
Mar 98	\$ 857.45	\$ 387.91	\$ 469.54

Claimed Overtime – Our review covered the period December 1996 through February 1997, "Holiday Blast". Our review defined the term overtime as any hours over the normal hours per month. Normal hours are the total number of days (Monday through Friday) including holidays times eight (8) hours per day. We also did not distinguish between "comp time" and overtime, nor did we distinguish between regular hours worked and "comp time" used.

<u>Employee</u>	<u>Hours of Overtime</u>		
	<u>Dec 96</u>	<u>Jan 97</u>	<u>Feb 97</u>
A	0	26.50	9.00
B	22.50	16.50	29.50
C	0	0	0
D	83.00	120.00	40.00

Other Finding/Observations: During our review and testing, we noted several areas of insufficient, lacking or non-existent internal controls, policies and or procedures. Our concerns and observations are as follows:

- Until recently, November 19, 1997, the Department did not have any basic policies and procedures on proper use of credit cards. However, the new policy pertaining to the use of credit cards does not provide any guidelines on what can or can not be purchased using credit cards.
- We did not find any policy on purchase authority including whom and at what dollar level individuals can authorize expenditures.
- We did not find any policy on reimbursable expense levels or limits for meetings. On credit card slip or restaurant receipts covering breakfast and or lunch meetings, there was no indication of the individuals attending and for what purpose. We could not determine if these funds were used in an appropriate matter.
- We found that credit cards were used to purchase computers and or computer equipment, operational supplies (work gloves etc.), and travel. In fact, on at least two occasions, airline tickets for several individuals were put on one credit card.
- We found no policy on authorization levels and circumstances under which credit cards can be used to pay for lodging expenses. We noted one use of a hotel room for several nights' stay when the hotel was only 30 miles away from the offices in Everett. There was no evidence that government rates were requested or allowed for these specific hotel stays.



Department of Emergency Management Snohomish County, Washington

- We noticed that personal purchases were made on the department's credit card during the normal workweek and as far away as McCord Air Force Base and the City of Bellingham.
- Regarding the department's use of public funds for monthly beverage service, we found no specific RCW and or County Codes prohibiting such use, however, the State of Washington Constitution prohibits the "Gift of Public Funds". The department has, in the past, paid for beverages for employees as opposed to having the employees pay into a fund for such items.

Conclusions: It is our conclusion that the Department of Emergency Management could benefit from implementing formal policies and procedures governing the use of credit cards, purchase limits and authority, use of public vehicles and cellular telephones and entertaining for meetings and or conventions. The department could better manage its resources by assuring that credit cards be used only for its intended purpose and not to purchase operational equipment or supplies. Purchases of capital equipment and or operational supplies should be billed directly. Purchases of air travel should also be billed directly to assure proper accounting and authorization.

Our limited scope and objectives did not include a review or interpretation of the alleged violations; therefore, we offer no opinion other than the factual testing and results from that review.

Recommendations: It is our recommendation that the Department of Emergency Management implement formal written policies and procedures to correct the following weakness within their internal control systems. Implement formal written policies and procedures pertaining to:

Credit Card Use:

- Credit card use should be limited to departmental business use only and at those times when normal procedures for purchases can not be met due to an emergency or in situations of major inconvenience. Credit cards should not be used to purchase capital equipment such as computers and or operating supplies such as work gloves. At no time should their use be for personal expenditures.
- Credit cards should not be used to purchase airline tickets except in an emergency or in situations of major inconvenience. At no time, should credit cards be used to purchase airline tickets for normal planned travel occurrences.
- The department should consider establishing on going relationships with vendors and travel agencies to purchase supplies and meet travel needs. These purchases should be paid by means of vouchers upon receipt of invoices from the vendor or travel agent.
- Authorization limits: The department should develop expenditure authorization levels for its staff, assistant director, and director. This is a basic requirement to assure adequate authority and internal controls.



Department of Emergency Management
Snohomish County, Washington

Reimbursable and allowable expenses for meetings, conferences and conventions:

- Establish uniform policy and procedures for clearly defined allowable expenses. Also delineate what is not allowable as reimbursable to staff and managers.
- When any staff employee, the assistant director, or the director attends a breakfast, lunch or dinner meeting, the receipt for the related expenditure must identify who attended, for what purpose and why the department paid for the expenditure.
- Develop policies on authority and circumstances for use of departmental funds to pay for lodging and food for business meetings, conferences, and conventions. When authorized to stay overnight, staff and managers should be instructed to always request government rates.

Policies on cellular and vehicle use:

- Develop specific policies for vehicle use. Determine under what circumstance a vehicle can be used when staff, the assistant director, or the director is not on weekend call Duty.
- Develop policies on cellular telephone use. Since these units are attached to the department's vehicles, personal use should be limited to situations that are consistent with good judgement.

Other major purchases:

- We recommend that purchases of computers and equipment be billed directly to the department and paid by voucher process.

Response from Department of Emergency Management:

We met with Al Amonson, Director, Snohomish County Department of Emergency Management (DEM) on Monday September 21, 1998. We discussed the findings, conclusions and recommendations from our audit/review.

Mr. Amonson was in full agreement with our recommendations and indicated the need for the department to implement them as soon as feasible.