BENTON-FRANKLIN HEALTH DISTRICT
Benton County, Washington
January 1, 1991 Through December 31, 1992

Schedule Of Findings

1. Internal Control Policies Over Use Of The SCAN Telephone System Should Be Adopted And Monitored

The Benton-Franklin Health District uses the State Controlled Area Network (SCAN), a dedicated telephone network managed by the state of Washington to provide low-cost long distance service to public entities. However, the district selected the billing option that identifies calls by city instead of by individual. The selected option, therefore, does not allow for the identification of employees responsible for making improper non-business calls. Our review found irregularities in the SCAN telephone billings. (See Finding 2.)

Given the approximately 5,000 calls per year from the Richland office alone, the current internal control system does not reduce, to a relatively low risk, the likelihood that non-business telephone calls will be made without detection in a reasonable time.

The district opted for billing by site, instead of by individual, when the SCAN system was first installed, and the issue was never revisited.

We recommend the district adopt internal control policies over use of the SCAN telephone system including a change to individual SCAN access codes. This will provide an itemized listing of telephone calls made by each employee. We further recommend that these billings be monitored for questionable calls, both by supervision and by the caller.

2. Only Bona Fide Public Obligations Should Be Certified And Paid From Public Funds

Our review found that between September 1, 1992, and September 30, 1993, Mr. Fred Jamison, the Public Health Administrator, made at least 142 personal phone calls which were billed to and paid for by the Benton-Franklin Health District totaling $103.20. Of the 17.15 hours of phone time used for making these personal calls, 9.5 hours were during normal working hours (time for which Mr. Jamison was compensated). Further, Mr. Jamison, as the district auditing officer, certified to the board of directors as being just, due, and unpaid obligations of the district, SCAN bills containing charges for his personal calls.

RCW 42.20.010 states in part:

> . . . Every public officer who shall . . .
>
> (3) Employ or use any person, money, or property under his official control or direction, or in his official custody, for the private benefit or gain of himself or another;
>
> Shall be guilty of a gross misdemeanor . . . .

RCW 42.20.050 states:

> **Public officer making false certificate.** Every public officer who, being authorized by law to make or give a certificate or other writing, shall knowingly make and deliver as true such a certificate or writing containing any statement which he knows to be false, in a case where the punishment thereof is not expressly prescribed by law, shall be guilty of a gross misdemeanor.

RCW 42.24.100 states in part:

> . . . any person certifying a claim or making a claim knowing the same to be false or untrue shall be guilty of perjury in the second degree.

RCW 42.24.110 states:

> Any person who knowingly approves or pays or causes to be approved or paid a false or untrue claim shall be guilty of a gross misdemeanor and, in addition, he shall be civilly liable on his bond to the municipal corporation . . . for the amount so paid or for three hundred dollars whichever is the greater.

RCW 9A.72.030 states:

> (1) A person is guilty of perjury in the second degree if, with intent to mislead a public servant in the performance of his duty, he makes a materially false statement, which he knows to be false under an oath required or authorized by law.
>
> (2) Perjury in the second degree is a class C felony.

The Benton-Franklin Health District's system of internal control is inadequate. (See Finding 1.) Further, the district has not adopted any formal written policies regarding the use of the phone system.

In our opinion, Mr. Jamison has violated RCW 42.20.050, RCW 42.20.010, RCW 42.24.100, and RCW 42.24.110. Further the district has paid at least $103.20, in phone charges which are not legitimate costs of the district.

We recommend that only bona fide public obligations of Benton-Franklin Health District be certified to the board for payment. We also recommend employees not be allowed to charge personal phone calls to the SCAN system or other phone services of the district. We further recommend the district recover $103.20 from Mr. Jamison. Finally, we recommend the prosecuting attorney take whatever action he deems necessary.

3. The Board Should Only Authorize Retroactive Compensation When A Prospective Resolution Anticipating The Additional Compensation Has Been Passed

In its March 26, 1992 meeting, the board of directors authorized pay increases for administrative and non-union hourly employees retroactive to January 1, 1992.

Washington State Constitution Article II, Section 25 states in part:

> . . . EXTRA COMPENSATION PROHIBITED.
> The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered, or the contract entered into . . . .

The district is not in compliance with the Washington State Constitution Article II, Section 25.

The health district settled labor negotiations with union employees agreeing to make salary increases effective January 1, 1992. They felt it only equitable to also make administrative and non-union salaries retroactive.

We recommend the board only authorize retroactive compensation when a prospective resolution anticipating the additional compensation has been passed. We also recommend Benton-Franklin Health District recoup the improper payments from administrative and non-union hourly personnel. We further recommend, if it is the board's intent to pay administrative and non-union employees retroactively, the board place prospective authorizing language in the minutes prior to the time frame to be retroactively compensated.

4. Board Minutes Should Reflect Only Those Actions Authorized By The Board

Mr. Fred Jamison, Health District Administrator of Benton-Franklin Health District, transcribes the minutes of the board of directors. Mr. Jamison is also in charge of all of the district's day-to-day fiscal operations. In the transcribed minutes of July 23, 1992, page 4, the following was inserted:

> Inasmuch as the Board has authorized the Selection Committee to recruit, interview and recommend a new full-time Health Officer for the health District, including the necessary expense to cover both candidate and spouse travel, accommodations, local transport, meals, meeting, etc.. to carry out this work on behalf of the Board . . . . (Emphasis ours.)

Our review of the tape recording of this meeting found that the expenses associated with the selection of a new health officer was not proposed as a motion or otherwise authorized.

RCW 42.30.060 states in part:

> (1) No governing body of a public agency shall adopt any ordinance, resolution, rule, regulation, order, or directive, except in a meeting open to the public . . . Any action taken at meetings failing to comply with the provisions of this subsection shall be null and void.

Mr. Jamison explained that in addition to the tape of the meeting, he uses his own notes of the meeting as well as notes taken from committee meetings He felt that he must have interjected things discussed by the Health Officer Selection Committee. Mr. Jamison feels it is his responsibility to capture the intent of the board as well as what was actually stated on the tape recording.

Including actions in the minutes not in fact discussed and authorized by the full board is a violation of RCW 40.16.02. Taking formal board action in subcommittees is a violation of RCW 42.30.060. Interpreting the "intent of the board" could result in misinterpretation and authorization of actions not intended by the board. Further, citizens attending the regular board meeting would have no way to know about decisions made in committee if those recommendations are not formally brought before the board for action.

We recommend board minutes reflect only those actions authorized by the full board of the district and that all actions take place in an open public meeting.

5. Reimbursement Requests Should Be Supported By Actual Expense Documentation

Our review of the Interim Family Resources Coordinator (IFRC) (CFDA 93.994) grant contract agreement between Benton-Franklin Health District and the Department of Social and Health Services (DSHS), contract No. 4470-85869, from October 1991 through July 1993 revealed the following:

a. Unauthorized Office Supply Charges Of $1,100

Benton-Franklin Health District billed DSHS for office supplies based on an estimate of $50 per month rather than for actual expenses as required. According to staff, this was included on each reimbursement request. 22 months at $50 equals $1,100 of unsupported office supplies expense.

b. Unallowable Indirect Cost Charges Of $1,193

Benton-Franklin Health District billed DSHS 1/12th of the budgeted indirect costs each month. DSHS allows 10 percent of direct costs as the limit for indirect charges. Benton-Franklin Health District only expended 53.275 percent of the budgeted direct costs, but billed 71.855 percent of the indirect costs. This appears to be an overbilling as follows:

Billed to DSHS for Indirect Costs	$4,667
Ten Percent of Direct Expenditures (Direct Expenditures $34,739)	3,474
Amount overbilled to DSHS	$1,193

The DSHS contract, page two states:

> DSHS shall pay to the Contractor all allowable and allocable costs.

Page five of that contract states:

> . . . Contractor . . . shall . . . maintain books, records, documents and other evidence which sufficiently and properly reflect all direct and indirect costs expended.

According to Benton-Franklin Health District, DSHS had given the district the impression that this type of estimation and budget allocation was acceptable.

DSHS has been billed for and paid reimbursement requests in excess of the amounts actually expended or allowed by the contract.

We recommend grant reimbursement vouchers contain only those costs allowable under the contract. We also recommend Benton-Franklin Health District refund that portion of the $1,100 of office supply expenses for which they cannot provide evidence of direct program expense. We further recommend Benton-Franklin Health District refund $1,193 of unallowable indirect costs charged to the grant.